SWIRE PACIFIC

Swire Pacific Limited

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

2013 Interim Report

Contents

Financial Highlights

	Note	Six months ended 30th June 2013 HK$M	Six months ended 30th June 2012 HK$M (Restated)	Change %	Year ended 31st December 2012 HK$M (Restated)
Turnover		**23,776**	22,075	**8%**	49,040
Operating profit		**8,783**	11,330	**-22%**	23,487
Profit attributable to the Company's shareholders		**6,608**	8,420	**-22%**	17,410
Cash generated from operations		**6,572**	2,439	**169%**	10,961
Net cash inflow/(outflow) before financing		**1,043**	(5,109)	**N/A**	(1,816)
Total equity (including non-controlling interests)		**253,702**	237,611	**7%**	248,382
Net debt		**47,524**	44,325	**7%**	44,254
		HK$	HK$		HK$
Earnings per share	(a)				
'A' share		**4.39**	5.60	**-22%**	11.57
'B' share		**0.88**	1.12		2.31
		HK$	HK$		HK$
Dividends per share					
'A' share		**1.00**	1.00	**0%**	3.50
'B' share		**0.20**	0.20		0.70
		HK$	HK$		HK$
Equity attributable to the Company's shareholders per share	(b)				
'A' share		**141.38**	132.46	**7%**	138.55
'B' share		**28.28**	26.49		27.71

UNDERLYING PROFIT AND EQUITY

	Note	Six months ended 30th June 2013 HK$M	Six months ended 30th June 2012 HK$M (Restated)	Change %	Year ended 31st December 2012 HK$M (Restated)
Underlying profit attributable to the Company's shareholders	(c)	**3,297**	2,234	**48%**	8,270
		HK$	HK$		HK$
Underlying earnings per share	(a)				
'A' share		**2.19**	1.48	**48%**	5.50
'B' share		**0.44**	0.30		1.10
		HK$	HK$		HK$
Underlying equity attributable to the Company's shareholders per share	(b), (c)				
'A' share		**145.74**	135.96	**7%**	142.37
'B' share		**29.15**	27.19		28.47

Notes:

(a) Refer to note 10 to the interim accounts for the weighted average number of shares.

(b) Refer to the glossary on page 76 for the definition of equity and underlying equity attributable to the Company's shareholders per share.

(c) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 32.

Chairman's Statement

CONSOLIDATED RESULTS

Our consolidated profit attributable to shareholders for the first half of 2013 was HK$6,608 million, HK$1,812 million lower than for the first half of 2012. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,063 million to HK$3,297 million. Adjusted to exclude the effect of non-recurring items, underlying profit increased by HK$972 million to HK$3,197 million.

This increase in adjusted underlying profit reflects higher profits from the Property, Beverages and Marine Services Divisions. Within the Aviation Division, there were improved results from the Cathay Pacific group and lower profits from the Hong Kong Aircraft Engineering Company Limited ("HAECO") group. The profit of the Trading & Industrial Division decreased.

DIVIDENDS

The Directors have declared first interim dividends of HK$1.00 (2012: HK$1.00) per 'A' share and HK$0.20 (2012: HK$0.20) per 'B' share for the period ended 30th June 2013. The first interim dividends, which total HK$1,505 million (2012: HK$1,505 million), will be paid on 4th October 2013 to shareholders registered at the close of business on the record date, being Friday, 13th September 2013. Shares of the Company will be traded ex-dividend as from Wednesday, 11th September 2013.

The register of members will be closed on Friday, 13th September 2013, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12th September 2013.

HALF-YEAR OPERATING PERFORMANCE

Attributable underlying profit from the Property Division increased by HK$279 million to HK$2,190 million in the first half of 2013. The increase reflected positive rental reversions from the investment property portfolio in Hong Kong and at TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing. A property trading profit of HK$158 million, principally from sales of units in the AZURA residential development in Hong Kong, also contributed to the increase. Performance at the hotel portfolio deteriorated due to operating losses in Mainland China.

The Property Division's net investment property valuation gain, before deferred tax in Mainland China, in the first half of 2013 was HK$4,680 million, compared to a net gain in the first half of 2012 of HK$7,846 million.

The Aviation Division recorded an attributable profit of HK$271 million for the first half of 2013, compared to a loss of HK$88 million in the first half of 2012. Cathay Pacific's core business continued to be affected by the high price of jet fuel and persistently weak air cargo demand, although there was some improvement in the passenger business. As a result of measures introduced in 2012 designed to protect the business from the high price of jet fuel, certain operating costs were significantly lower and the financial performance improved accordingly. The Cathay Pacific group contributed a profit of HK$11 million, compared with a loss of HK$419 million in the first half of 2012. Passenger revenue for the period increased by 1%, compared with a 5% decrease in capacity. Demand on long-haul routes was strong, but regional demand did not increase with capacity, which put yields under pressure. Air cargo markets continued to be weak. There was a 2% reduction in the tonnage carried and the group's cargo revenue decreased by 5% to HK$11,278 million.

The results of the HAECO group deteriorated in the first half of 2013. Profit attributable to shareholders was HK$269 million, a decrease of HK$72 million or 21% from the corresponding figure in 2012. HAECO's line maintenance business grew in line with aircraft movements at Hong Kong International Airport. HAECO's airframe maintenance business was affected by a shortage of skilled and semi-skilled labour. Manhours sold for this business fell by 18% to 1.3 million compared to the same period in 2012. Results from Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") improved, reflecting higher demand for its airframe maintenance services. Hong Kong Aero Engine Services Limited ("HAESL")'s profit, including that derived from its interest in Singapore Aero Engine Services Pte. Limited ("SAESL"), was at a similar level to 2012. In general, the operating results of the HAECO group's joint ventures in Mainland China improved as output increased.

The Beverages Division recorded an attributable profit of HK$355 million in the first half of 2013, an increase of 65% compared to the first half of 2012. Excluding a non-recurring profit of HK$69 million in the first half of 2013, the division reported a 33% increase in attributable profit. Overall sales volume grew by 1% to 476 million unit cases. Mainland China benefited from lower raw material costs and a favourable sales mix. Hong Kong benefited from price increases, lower raw material costs and effective management of other costs. Taiwan recorded a loss, reflecting lower sales and reduced prices. The USA results also suffered from downward pressure on prices.

The Marine Services Division reported an attributable profit of HK$679 million, a 71% increase from the same period in 2012. Excluding the profit of HK$60 million on disposal of four vessels by Swire Pacific Offshore ("SPO"), an attributable profit of HK$8 million on disposal of one vessel by Hong Kong Salvage & Towage in the first half of 2013 and the profit of HK$14 million on disposal of three vessels by SPO in the first half of 2012, the division reported a 60% increase in profit in the first half of 2013. SPO's result benefited from the additional contribution from new vessels. SPO's overall fleet utilisation fell by 2.3 percentage points to 87%. Average daily charter hire rates rose by 30%, reflecting the higher day rates achieved by SPO's new specialised vessels.

Attributable profit from the Trading & Industrial Division in the first half of 2013 decreased by 9% to HK$96 million. The decrease principally reflected a combination of weaker results from Taikoo Motors, due to the adverse effect of a product recall on passenger car sales in Taiwan, and better results from Akzo Nobel Swire Paints.

FINANCE

In the first half of 2013, we raised HK$9,806 million of new finance. This principally comprised issues of HK dollar and US dollar denominated medium-term notes under the Group's medium-term note programmes. The remaining finance raised consisted of HK dollar, US dollar and Renminbi bank loans.

Net debt at 30th June 2013 was HK$47,524 million, an increase of HK$3,270 million since 31st December 2012. The increase principally reflects investments in property projects in Mainland China and Hong Kong and in new vessels for SPO. Gearing increased by 0.9 percentage points to 18.7%. Cash and undrawn committed facilities totalled HK$22,887 million at 30th June 2013, compared with HK$22,452 million at 31st December 2012.

PROSPECTS

Demand for the Group's office space in Hong Kong is likely to be affected by continued market weakness, particularly in the Central district of Hong Kong. At Island East, rents are expected to remain robust due to high occupancy. Despite caution from some retailers, demand for retail space in Hong Kong continues to be strong at prime locations and well-managed malls and rents are expected to continue to increase, albeit at a more moderate pace than hitherto.

In Mainland China, retail sales are expected to remain firm, with particularly strong growth in Guangzhou. Demand for office space in Guangzhou is likely to remain weak due to oversupply.

Trading conditions in the second half of 2013 for the hotel portfolio in Mainland China are expected to be difficult due to weak demand and increasing supply.

Demand for luxury residential properties in Hong Kong is expected to remain weak following the imposition of higher levels of stamp duties. In the second half of 2013, property trading profits are expected to arise on the completion of sales of seven pre-sold units at ARGENTA and any further sales of unsold units at the completed developments.

While the Cathay Pacific group continued to operate in a difficult environment in the first six months of 2013, it was pleasing to see some improvement in its business. Cathay Pacific will continue to invest to make its business stronger. It will remain focused on its long-term goals while managing short-term difficulties. The outlook for the rest of 2013 is unclear, but the core strengths of the business remain firmly in place.

The HAECO group's airframe maintenance business in the second half of 2013 is likely to be weak and in any event to continue to be affected by a shortage of skilled and semi-skilled labour. Demand for TAECO's airframe maintenance services is expected to be good. HAESL's performance in the second half of 2013 is expected to be affected by a reduction in demand for engine overhaul services. In general, the joint ventures in Mainland China are expected to continue to increase output, but are likely to continue to be affected by under-utilisation of facilities.

The Beverages Division is expected to produce good results in the second half of the year. Raw material costs remain low and sales volume increases are expected in Mainland China and Hong Kong. Prices are likely to rise in Hong Kong and the USA. The Taiwan operations are expected to remain weak.

SPO is optimistic about the market for offshore support vessels. The oil price remains strong and demand for larger and more sophisticated vessels is expected to increase in the second half of 2013 and beyond as a result of a projected rise in spending on offshore exploration and production. SPO is well-placed to meet this demand as a result of its fleet expansion.

With the exception of Taikoo Motors, the outlook for the second half of 2013 for the businesses of the Trading & Industrial Division is stable.

Christopher Pratt
Chairman
Hong Kong, 15th August 2013

Review of Operations

PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.1 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 6.3 million square feet has already been completed. In the United States, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell CityCentre in Miami, Florida. On completion after two phases of development, Brickell CityCentre is expected to comprise approximately 2.9 million square feet (5.4 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific. Swire Properties is responsible for the leasing and management of the property.

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages two hotels, The Opposite House at Taikoo Li Sanlitun (formerly known as Sanlitun Village) in Beijing, which is wholly-owned, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental, which opened in January 2013. In the United Kingdom, Swire Properties wholly-owns four hotels. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami.

Swire Properties' trading portfolio comprises five luxury residential projects under development in Hong Kong, a residential complex under development at Brickell CityCentre in Miami, an office property under development as part of the Daci Temple project in Chengdu and the remaining units at the completed developments at ARGENTA, AZURA and 5 Star Street in Hong Kong and at the completed ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

Financial Highlights

	Six months ended 30th June 2013 HK$M	Six months ended 30th June 2012 HK$M	Year ended 31st December 2012 HK$M
Turnover			
Gross rental income derived from			
Offices	**2,619**	2,460	5,008
Retail	**1,931**	1,761	3,675
Residential	**161**	169	332
Other revenue*	**41**	44	108
Property investment	**4,752**	4,434	9,123
Property trading	**571**	99	4,147
Hotels	**431**	374	782
Total turnover	**5,754**	4,907	14,052
Operating profit/(loss) derived from			
Property investment	**3,538**	3,259	6,849
Valuation gains on investment properties	**4,016**	7,043	12,159
Sale of investment properties	**–**	–	12
Property trading	**278**	(18)	2,395
Hotels	**(44)**	7	(39)
Total operating profit	**7,788**	10,291	21,376
Share of post-tax profits from joint venture and associated companies	**717**	811	821
Attributable profit	**6,897**	9,794	18,637
Swire Pacific share of attributable profit	**5,656**	8,031	15,282

* Other revenue is mainly estate management fees.

Note: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

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

		Six months ended 30th June		Year ended 31st December
	Note	**2013 HK$M**	2012 HK$M	2012 HK$M
Reported attributable profit		**6,897**	9,794	18,637
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(4,680)**	(7,846)	(12,751)
Deferred tax on investment properties	(b)	**409**	355	661
Realised profit on sale of investment properties	(c)	**23**	–	176
Depreciation of investment properties occupied by the Group	(d)	**10**	10	20
Non-controlling interests' share of revaluation movements less deferred tax		**11**	19	17
Underlying attributable profit		**2,670**	2,332	6,760
Swire Pacific share of underlying attributable profit		**2,190**	1,911	5,543

Notes:

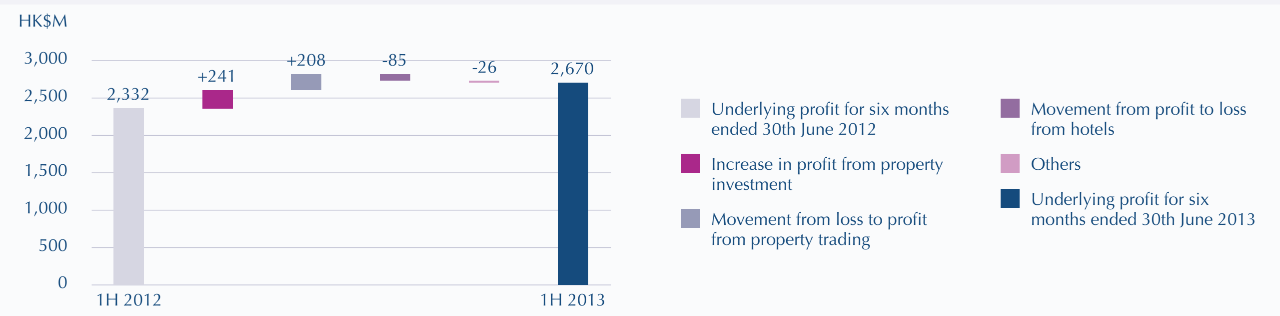
(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of joint venture and associated companies.

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.

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

Property Division – Movement in Underlying Profit on a 100% Basis



RESULTS SUMMARY

Attributable profit from the Property Division for the first half of 2013 was HK$5,656 million compared to HK$8,031 million in the first half of 2012. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$4,680 million and HK$7,846 million respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK$279 million to HK$2,190 million.

The increase in profit from property investment reflects positive rental reversions in Hong Kong and Mainland China.

Gross rental income amounted to HK$4,711 million in the first half of 2013, compared with HK$4,390 million in the first half of 2012, reflecting positive rental reversions at the office and retail properties in Hong Kong and at TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing.

An operating profit of HK$278 million from property trading activities was recognised in the first half of 2013. This largely comprised profits on closings of 12 residential units at AZURA in Hong Kong.

The performance of the hotel portfolio deteriorated due to operating losses in Mainland China.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In March 2013, the company which owns the existing Citygate Outlets development at Tung Chung in Hong Kong (in which the Group has a 20% equity interest) won a tender to develop an adjacent commercial site.

In July 2013, Swire Properties acquired a plot of land adjacent to the Brickell CityCentre development in Miami, Florida, USA.

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

	At 30th June 2013					At 31st December 2012
Location	**Offices**	**Retail**	**Hotels**	**Residential**	**Total**	Total
Completed						
Pacific Place	2,186	711	496	443	3,836	3,836
TaiKoo Place	6,180*	–	–	–	6,180	6,180
Cityplaza	1,633	1,105	200	–	2,938	2,938
Others	410	608	47	98	1,163	1,163
– Hong Kong	10,409	2,424	743	541	14,117	14,117
Taikoo Li Sanlitun	–	1,296	169	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	3,841	3,841
INDIGO	298	470	179	–	947	947
Others	–	91	–	–	91	91
– Mainland China	2,030	3,330	932	52	6,344	6,344
– United States	–	–	259	–	259	259
– United Kingdom	–	–	208	–	208	208
Total completed	**12,439**	**5,754**	**2,142**	**593**	**20,928**	20,928
Under and pending development						
– Hong Kong	(28)**	105	–	63	140	47
– Mainland China	922	1,111	354	41	2,428	2,428
– United States	982	505	218	102	1,807	1,807
Total	**14,315**	**7,475**	**2,714**	**799**	**25,303**	25,210

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

* Includes 1.8 million square feet at the three techno-centres (Somerset House, Warwick House and Cornwall House).

** Somerset House is due to be demolished for development in the second half of 2013. Once complete, the total gross floor area will be approximately 28,000 square feet lower than it is currently.

INVESTMENT PROPERTIES

Hong Kong

Office

The Hong Kong office portfolio's gross rental income for the first half of 2013 increased by 5% compared with the first half of 2012, to HK$2,481 million. This reflected positive rental reversions, particularly at Island East. At 30th June 2013 the office occupancy rate was 98%.

Refurbishment of the property at 8 Queen's Road East is complete and the property has been handed over to the tenant. The entire building has been leased for a ten-year term. 28 Hennessy Road, which was completed in the second half of 2012, continues to attract interest from businesses currently located in Central and Causeway Bay.

Retail

The Hong Kong retail portfolio's gross rental income for the first half of 2013 increased by 7% compared with the first half of 2012, to HK$1,277 million. Occupancy levels at the division's wholly-owned malls were 100%. Retail sales in the Group's retail malls were 6% higher than in the first half of 2012.

Investment Properties under Construction

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments and is expected to be completed in 2014. The aggregate floor area upon completion will be approximately 75,000 square feet.

Outlook

Demand for the Group's office space in Hong Kong is likely to be affected by continued market weakness, particularly in the Central district of Hong Kong. At Island East, rents are expected to remain robust due to high occupancy. Despite caution from some retailers, demand for retail space in Hong Kong continues to be strong at prime locations and well-managed malls and rents are expected to continue to increase, albeit at a more moderate pace than hitherto.

Mainland China

Retail

The Mainland China retail portfolio's gross rental income for the first half of 2013 was HK$654 million, an increase of 14% compared to the same period in 2012.

In April 2013, Sanlitun Village was renamed Taikoo Li Sanlitun. Gross rental income growth at this development reflected continued improvement in reversionary rents. At 30th June 2013, occupancy rates were 94% at Taikoo Li Sanlitun South and 89% at Taikoo Li Sanlitun North.

On 7th August 2013, GC Acquisitions VI Limited ("GCA"), which holds a 20% interest in the retail portion of the Taikoo Li Sanlitun development in Beijing, gave notice of its intention to exercise its option to sell that 20% interest to a subsidiary of Swire Properties at a fair price as at 31st December 2013 based on that percentage interest. The fair price will reflect the fair market value of the portions of Taikoo Li Sanlitun in which GCA is interested, subject to certain agreed assumptions and adjustments. The sale is expected to be completed in early 2014.

Retail sales at the TaiKoo Hui development in Guangzhou continue to be encouraging. The mall was 99% leased at 30th June 2013.

At INDIGO in Beijing, tenants (including those signing letters of intent) have committed to take 88% of the retail space. 78% of the shops in the development are open and trading. Footfall and retail sales are expected to continue to increase in the second half of the year.

Office

The Mainland China office portfolio's gross rental income for the first half of 2013 was HK$129 million, an increase of 61% compared to the same period in 2012.

Occupancy has steadily increased at the office portion of the TaiKoo Hui development. This is despite the challenging market conditions in Guangzhou. Occupancy was 85% at 30th June 2013.

Occupancy at ONE INDIGO in Beijing was 95% at 30th June 2013. The office market outside central Beijing was relatively subdued in the first half of the year following a rapid take-up of space in 2012.

Investment Properties under Construction

Superstructure works at the Daci Temple project in Chengdu are in progress. The retail portion of the project has been named Sino-Ocean Taikoo Li Chengdu and the hotel and serviced apartment portion has been named The Temple House. The development is expected to open in phases from 2014.

Site clearance at the development at Dazhongli in Shanghai has been completed and above ground works are in progress. The development is expected to open in phases from 2016. This mixed-use development will comprise a retail mall, offices and hotels.

Outlook

In Mainland China, retail sales are expected to remain firm with particularly strong growth in Guangzhou. Demand for office space in Guangzhou is likely to remain weak due to oversupply.

USA

The 2.9 million square foot mixed-use development in Miami, Brickell CityCentre, comprises a multi-level shopping centre (with below ground parking) and office, hotel and residential elements. Swire Properties owns 100% of the office, hotel and residential portions of the development, and 87.5% of the retail portion.

Phase 1 of the development comprises the shopping centre, a hotel and serviced apartments (to be managed by Swire Hotels under the EAST brand), two office buildings and two residential towers. Construction work commenced in 2012, with completion scheduled for the latter half of 2015.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2013 (96% 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 in Mainland China, was HK$209,899 million compared to HK$205,273 million at 31st December 2012 and HK$199,300 million at 30th June 2012.

The increase in valuation of the investment property portfolio principally reflects higher rents at the Island East offices in Hong Kong.

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

Financial Information Reviewed by Auditors

Investment Properties	HK$M
At 1st January 2013	**205,273**
Translation differences	**347**
Additions	**1,168**
Net transfers to property, plant and equipment	**(750)**
Net fair value gains	**3,861**
At 30th June 2013	**209,899**
Add: Initial leasing costs	**298**
At 30th June 2013 (including initial leasing costs)	**210,197**
At 1st January 2013 (including initial leasing costs)	**205,588**

HOTELS

Hong Kong

Swire Properties wholly-owns and manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place, and EAST, a 345-room hotel at Island East.

The wholly-owned hotels performed well in the first half of 2013, with improvements derived from steady growth in room rates and food and beverage sales.

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. Performance at the non-managed hotels was steady.

Mainland China

Swire Hotels manages two hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing, and EAST, Beijing, a 369-room hotel at INDIGO. Swire Properties owns the whole of The Opposite House and 50% of EAST, Beijing. Swire Properties owns 97% of, but does not manage, the newly opened Mandarin Oriental at TaiKoo Hui, Guangzhou, which has 263 rooms and 24 serviced apartments.

Trading conditions in Beijing were challenging in the first half of 2013 due to a significant increase in the supply of new hotel rooms. Business declined at The Opposite House but costs were carefully managed. EAST, Beijing has been gradually building a loyal corporate clientele since its opening in September 2012.

Occupancy at the Mandarin Oriental in the TaiKoo Hui development has been disappointing since its opening in January 2013. This reflects relatively weak demand and an oversupply of hotel accommodation.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. The hotel performed well in the first half of 2013 with higher room and occupancy rates compared to the same period in 2012.

UK

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and room rates were satisfactory in the first half of 2013, showing some improvement on the prior period.

Outlook

Trading conditions in the second half of 2013 for the hotel portfolio in Mainland China are expected to be difficult. This is due to weak demand and increasing supply.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				**Commitments***
	Six months ended 30th June 2013 HK$M	Six months ending 31st December 2013 HK$M	2014 HK$M	2015 HK$M	2016 & beyond HK$M	**at 30th June 2013 HK$M**
Property project						
Hong Kong projects	**829**	528	704	661	3,416	**5,309**
Mainland China projects	**712**	2,235	2,751	1,365	513	**6,864**
USA and other projects	**892**	408	1,940	224	25	**2,597**
Total	**2,433**	3,171	5,395	2,250	3,954	**14,770**

* The capital commitments represent the division's capital commitments plus the division's share of the capital commitments of joint venture companies. The division is committed to funding HK$887 million of the capital commitments of joint venture companies (31st December 2012: HK$818 million).

PROPERTY TRADING

Hong Kong

Pre-sales of apartments at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, started in April 2013. These were the first pre-sales of apartments in a new residential development in Hong Kong following the coming into force of the Residential Properties (First-hand Sales) Ordinance in April 2013. 21 of the 53 units have been pre-sold. Superstructure works are progressing at the development, with the property expected to be ready to be handed over to purchasers in the first half of 2014. Swire Properties holds a 50% interest in this development.

Profits from the sale of 12 units at the AZURA development on Seymour Road were recorded in the first half of 2013. 111 of the 126 units have been sold. Swire Properties holds an 87.5% interest in this development. The property is managed by Swire Properties.

Handover to purchasers is due to commence shortly at the ARGENTA development. Seven of the 30 units have been pre-sold. The property is managed by Swire Properties.

Superstructure works are progressing at MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong, with completion expected in the second half of 2013. Swire Properties holds an 80% interest in this development.

Superstructure works at Phase 1 of the residential development at 33 Seymour Road are progressing on schedule, with completion expected in 2014. Foundation works have also commenced at the adjacent Phase 2 of this residential development, with completion expected in 2016.

Two adjacent residential sites at Cheung Sha, Lantau Island, are being developed into detached houses. The development is expected to be completed and available for handover to purchasers in 2015.

Mainland China

Superstructure works at Pinnacle One, the office portion of the Daci Temple project, are in progress. The building will comprise 1,299,882 square feet of space on completion. In August, a substantial portion of Pinnacle One was pre-sold. The tower is scheduled for handover in 2014.

USA

Profits from the sale of three units at the ASIA development in Miami were recorded in the first half of 2013. A further seven units were closed subsequent to 30th June 2013. Since the ASIA development was completed in 2008, 119 out of the 123 units have been sold.

Outlook

Demand for luxury residential properties in Hong Kong is expected to remain weak following the imposition of higher levels of stamp duties. In the second half of 2013, property trading profits are expected to arise on the completion of sales of seven pre-sold units at ARGENTA and any further sales of unsold units at the completed developments.

Martin Cubbon

AVIATION DIVISION

The Aviation Division principally comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering ("HAECO") group. Cathay Pacific and HAECO are listed on the Hong Kong Stock Exchange. The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60% owned subsidiary AHK Air Hong Kong ("Air Hong Kong"), an associate interest in Air China and an interest in Air China Cargo Co., Ltd. ("Air China Cargo"). In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
HAECO group			
Turnover	**3,222**	2,899	5,830
Operating profit	**174**	286	434
Attributable profit	**269**	341	618
Share of post-tax profits/(losses) from associated companies			
Cathay Pacific group	**11**	(419)	387
Attributable profit/(loss)	**271**	(88)	984

Note: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		
		2013	2012	**Change**
Available tonne kilometres ("ATK")*	*Million*	**12,520**	12,944	**-3.3%**
Available seat kilometres ("ASK")*	*Million*	**62,187**	65,351	**-4.8%**
Passenger revenue	*HK$M*	**34,978**	34,713	**+0.8%**
Revenue passengers carried	*'000*	**14,497**	14,312	**+1.3%**
Passenger load factor*	*%*	**81.3**	80.1	**+1.2%pt**
Passenger yield*	*HK¢*	**69.0**	66.1	**+4.4%**
Cargo revenue – Group	*HK$M*	**11,278**	11,897	**-5.2%**
Cargo revenue – Cathay Pacific and Dragonair	*HK$M*	**9,625**	10,441	**-7.8%**
Cargo and mail carried	*Tonnes '000*	**741**	754	**-1.7%**
Cargo and mail load factor*	*%*	**62.4**	64.3	**-1.9%pt**
Cargo and mail yield*	*HK$*	**2.33**	2.41	**-3.3%**
Cost per ATK*	*HK$*	**3.69**	3.72	**-0.8%**
Cost per ATK without fuel	*HK$*	**2.23**	2.18	**+2.3%**
Aircraft utilisation	*Hours per day*	**11.6**	12.0	**-3.3%**
On-time performance*	*%*	**77.7**	76.8	**+0.9%pt**

* Refer to Glossary on page 76 for definitions.

2013 FIRST HALF OVERVIEW

The Aviation Division reported an attributable profit of HK$271 million in the first half of 2013, compared with a loss of HK$88 million in the same period in 2012.

CATHAY PACIFIC GROUP

RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK$24 million for the first half of 2013, compared with a loss of HK$929 million in the first half of 2012. Turnover for the period decreased by 1% to HK$48,584 million. The share of losses from Cathay Pacific's associated companies increased.

Cathay Pacific continued to operate in a challenging environment in the first half of the year, although there was some improvement in the passenger business. Demand in the major air cargo markets remained weak. The high price of jet fuel continued to affect the business adversely.

In 2012, Cathay Pacific introduced measures designed to protect its business, in particular from the high price of jet fuel. It changed schedules, reduced capacity and withdrew older, less fuel-efficient aircraft from service. As a result, certain operating costs in the first half of 2013 were significantly lower and the financial performance improved accordingly. Cathay Pacific did not allow cost reductions to compromise its brand or the quality of its service, and continued with major investments (in new aircraft, new products and the cargo terminal at Hong Kong International Airport) which will benefit the business significantly in the long term.

Passenger revenue for the period increased by 1% to HK$34,978 million compared with the first half of 2012. 14.5 million passengers were carried, a rise of 1%. Capacity decreased by 5%. The passenger load factor increased by 1.2 percentage points. Yield increased by 4% to HK69.0 cents. The fall in capacity was largely due to a reduction in long-haul frequencies.

The weakness in the air cargo markets that began in April 2011 has continued in 2013. The group's cargo revenue for the first half of 2013 decreased by 5% to HK$11,278 million compared with the same period in 2012. Cargo capacity on Cathay Pacific and Dragonair was down by 2%. The tonnage carried fell by 2% to 741,000 tonnes. The cargo load factor was down by 1.9 percentage points to 62%. Yield was lower by HK8 cents at HK$2.33.

Fuel remains the airlines' most significant cost, accounting for 39% of total operating costs in the first half of 2013. Despite some reduction by comparison with the corresponding period of 2012, the high jet fuel price had a major impact on operating results during the period. Disregarding the effect of fuel hedging, the group's fuel cost decreased by HK$1,824 million (or 9%) compared with the same period in 2012. This was due to a 4% decrease in the average into-plane fuel price and a 5% decrease in consumption. In the first half of 2013, hedging activities resulted in a profit of HK$300 million.

Profit recorded from Air China, in which the Cathay Pacific group has a 20% interest, was lower in the first half of 2013 than that recorded in the first half of 2012. This primarily reflected reduced demand and pressure on yields. The Cathay Pacific group owns an equity and an economic interest in Air China Cargo. A reduced loss was recorded from Air China Cargo in the first half of 2013, which was mainly due to a decrease in fuel costs.

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

Passenger Services

The passenger business in the first half of 2013 improved compared to the same period in 2012. Passenger demand was strong on long-haul routes in all classes of travel. Demand on regional routes did not keep pace with a significant increase in capacity, which put yields under pressure. Regional demand was affected by H7N9 avian flu and political issues in the Korean Peninsula.

Due to strong demand and the delivery of new fuel-efficient aircraft, Cathay Pacific reinstated flights to Los Angeles and Toronto that were suspended to save costs in 2012. A new fifth daily frequency to London was introduced in June. In September, a four-times daily service to New York will resume. Cathay Pacific will, subject to government approval, introduce a new four-times-weekly service to Male in the Maldives in October and a new daily service to Newark in the USA in March 2014. Dragonair's regional network continues to be strengthened, with new services to Da Nang, Wenzhou, Yangon and Zhengzhou. A new three-times-weekly seasonal service to Siem Reap in Cambodia will be introduced in October, subject to government approval.

The new premium economy class introduced in 2012 is growing in popularity and has helped to improve economy class yield. In January 2013, the new Cathay Pacific regional business class seat was introduced. 32 long-haul Boeing 777-300ER and 24 Airbus A330-300 aircraft are now fitted with new business and economy class seats. Cathay Pacific started to improve its first class seats on Boeing 777-300ER aircraft in July. Dragonair is installing new business and economy class seats and a new inflight entertainment system in its aircraft.

Cargo Services

Cathay Pacific and Dragonair

Air cargo markets continue to be weak. The number of scheduled freighter flights was reduced as a result and ad hoc flight cancellations were made. More cargo has been carried in the bellies of passenger aircraft in order to reduce costs. In February, freighter services to Brussels and Stockholm were suspended. The freighter network will be expanded in the Americas with the introduction in the last quarter of 2013 of a new service to Guadalajara, subject to government approval.

Air Hong Kong

Air Hong Kong recorded a higher profit compared with the same period in 2012. Capacity increased by 1% compared with the first half of 2012. The load factor decreased by 2 percentage points. Revenue tonne kilometres decreased by 2%.

Fleet Profile

At 30th June 2013, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 173, a decrease of three since 31st December 2012.

In March 2013, Cathay Pacific entered into agreements in relation to its cargo fleet as part of a package of transactions among The Boeing Company, Cathay Pacific, Air China Cargo and Air China. Under these transactions, Cathay Pacific agreed to purchase three Boeing 747-8F freighters, for delivery in the second half of 2013, cancelled orders for eight Boeing 777-200F freighters, acquired options to purchase five Boeing 777-200F freighters and agreed to sell four Boeing 747-400BCF converted freighters. Three of the converted freighters have already left the fleet.

Three Boeing 777-300ERs, two Airbus A330-300s and one Boeing 747-8F freighter were delivered in the first half of the year. Four Boeing 747-400 passenger aircraft were retired in the first half of 2013.

In February, Dragonair agreed to lease two new Airbus A321-200 aircraft. These aircraft will be delivered in February and October 2014.

At 30th June 2013, the Cathay Pacific group had 83 aircraft on firm order, of which 13 will be delivered in the second half of 2013 and 15 in 2014.

Fleet Profile*

Aircraft type	Number as at 30th June 2013: Owned	Leased: Finance	Leased: Operating	Total	Firm orders: '13	Firm orders: '14	Firm orders: '15 and beyond	Total	Expiry of operating leases: '13	'14	'15	'16	'17	'18 and beyond	Options
Aircraft operated by Cathay Pacific:															
A330-300	14	15	8(a)	**37**	3	5	3	**11**			2	1	3	2	
A340-300	6	5		**11**											
A350-900							22(b)	**22**							
A350-1000							26	**26**							
747-400	13		1	**14**							1				
747-400F	3(c)	3		**6**											
747-400BCF	1(d)		1(e)	**2**										1	
747-400ERF		6		**6**											
747-8F		9		**9**	4			**4(d)**							
777-200	5			**5**											
777-200F															5(d)
777-300	7	5		**12**											
777-300ER	5	11	16	**32**	6	8	4	**18**					2	14	
Total	54	54	26	**134**	13	13	55	**81**			3	1	5	17	5
Aircraft operated by Dragonair:															
A320-200	5		10(f)	**15**							2	2		6	
A321-200	2		4(f)	**6**		2(g)		**2**			2	2			
A330-300	4	1	13(h)	**18**					3	5	1	2	2		
Total	11	1	27	**39**		2		**2**	3	5	5	6	2	6	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		**8**											
747-400BCF			3	**3**								1	2		
Total	2	6	3	**11**								1	2		
Grand total	**67**	**61**	**56**	**184**	**13**	**15**	**55**	**83**	**3**	**5**	**8**	**8**	**9**	**23**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 30th June 2013.

(a) One aircraft was transferred to Dragonair in July 2013.
(b) Including two aircraft on 12-year operating leases.
(c) One aircraft was parked in May 2013.
(d) Four Boeing 747-400BCF aircraft were agreed to be sold to The Boeing Company in March 2013. Three of these aircraft were delivered in the first half of 2013. One will be delivered in August 2013. An order for eight Boeing 777-200F aircraft was cancelled in March 2013. At the same time, three new Boeing 747-8F aircraft were agreed to be purchased (for delivery in the second half of 2013) and options to purchase five Boeing 777-200F aircraft were acquired.
(e) Aircraft was parked in August 2013.
(f) The operating leases of three Airbus A320-200 and three Airbus A321-200 aircraft were extended in July 2013. The leases of these aircraft will expire after 2018.
(g) In February, the Group agreed to lease two new Airbus A321-200 aircraft. These aircraft will be delivered in February and October 2014.
(h) One aircraft was returned to the lessor in July 2013.

Air China

The Cathay Pacific group's share of the profit of Air China (in which the Cathay Pacific group has a 20% interest) is based on accounts drawn up three months in arrear. Consequently the 2013 interim results include Air China's results for the six months ended 31st March 2013, with account being taken of any significant events or transactions for the period from 31st March 2013 to 30th June 2013.

Profit recorded from Air China was lower in the first half of 2013 than that recorded in the first half of 2012. This primarily reflected reduced demand and pressure on yields.

Air China Cargo

Air China Cargo, in which Cathay Pacific owns an equity and an economic interest, is the leading provider of cargo services in Mainland China.

A reduced loss was recorded from Air China Cargo in the first half of 2013. This was mainly due to a decrease in fuel costs.

Shanghai International Airport Services Co., Limited ("SIAS")

SIAS is a joint venture between a wholly owned subsidiary of Cathay Pacific, Air China, the Shanghai Airport Authority and Shanghai International Airport Co., Ltd. It provides ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport.

SIAS commenced commercial operations in December 2012. The financial results for the first half of 2013 were not as good as expected, principally because fewer flights were serviced than expected.

Cathay Pacific Services Limited ("CPSL")

CPSL, a wholly owned subsidiary of Cathay Pacific, was established to design, build and operate the new Cathay Pacific cargo terminal at Hong Kong International Airport. The terminal started to operate in February. When fully operational by the last quarter of 2013, it will have an annual capacity of 2.6 million tonnes and will employ more than 1,800 staff. The HK$5.9 billion facility will significantly reduce the time it takes to process and ship cargo in Hong Kong.

CPSL recorded a loss for the first half of 2013 due to start up costs before it becomes fully operational by the end of this year.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, is the principal flight kitchen in Hong Kong. CPCS reported a decrease in profit in the first half of 2013 compared to the first half of 2012 mainly due to higher operating costs.

Hong Kong Airport Services ("HAS")

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

The results for the first half of 2013 were lower than in the same period in 2012. This primarily reflected cost increases in a highly competitive environment at Hong Kong International Airport.

Outlook

While the Cathay Pacific group continued to operate in a difficult environment in the first six months of 2013, it was pleasing to see some improvement in its business. This improvement mainly reflected stronger passenger business and 2012's cost reductions. The financial position remains strong. The Cathay Pacific group will continue to invest to make its business stronger. It will remain focused on its long-term goals while managing short-term difficulties. The business outlook for the rest of 2013 is unclear, but the core strengths of the business – a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and its position in Hong Kong – remain firmly in place.

John R Slosar

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

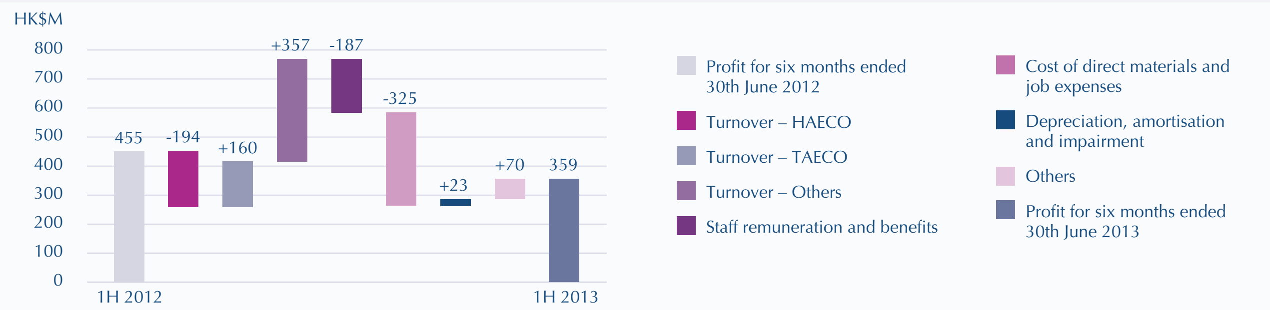
The HAECO group provides aviation maintenance and repair services, primarily in Hong Kong by HAECO and in Xiamen by its subsidiary company Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO"). Engine overhaul work is performed by HAECO's joint venture company Hong Kong Aero Engine Services Limited ("HAESL") and by HAESL's joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL"). The HAECO group has subsidiaries and joint venture companies in Mainland China which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited ("HXITM"), an inventory technical management joint venture with Cathay Pacific in Hong Kong.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
Turnover			
HAECO	**1,571**	1,765	3,421
TAECO	**975**	815	1,668
Others	**676**	319	741
Net operating profit	**155**	280	417
Profit attributable to the Company's shareholders			
HAECO	**44**	178	279
TAECO	**62**	46	70
Share of profit/(loss) of:			
HAESL and SAESL	**255**	254	527
Other subsidiary and joint venture companies	**(2)**	(23)	(54)
Total	**359**	455	822
Swire Pacific share	**269**	341	618

Note: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

HAECO Group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2013	2012	**Change**
Airframe maintenance manhours sold – HAECO	*Million*	**1.32**	1.60	**-17.5%**
Airframe maintenance manhours sold – TAECO	*Million*	**1.95**	1.77	**+10.2%**
Line maintenance movements handled – HAECO	*Average per day*	**326**	319	**+2.2%**

RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in the first half of 2013 on a 100% basis was HK$359 million, a decrease of 21% compared to the corresponding figure in 2012 of HK$455 million. Overall demand for HAECO's line maintenance services in Hong Kong increased in line with aircraft movements. Airframe maintenance and component overhaul services were adversely affected by shortages of skilled and semi-skilled labour, which resulted in a significant reduction in capacity during the first half of 2013.

Results from TAECO improved, reflecting higher demand for its airframe maintenance services. The HAECO group's share of the after-tax profit of HAESL, including that derived from HAESL's interest in SAESL, increased slightly in the first half of 2013 to HK$255 million. In general, the operating results of the HAECO group's joint ventures in Mainland China improved as output increased and facilities were better utilised.

HAECO

Manhours sold by HAECO for airframe maintenance decreased from 1.60 million in the first half of 2012 to 1.32 million in the first half of 2013. Airframe maintenance services were materially affected by shortages of skilled and semi-skilled labour, which restricted available capacity. Approximately 79% of work was for airlines based outside Hong Kong.

Demand for HAECO's line maintenance services in Hong Kong increased in line with aircraft movements at Hong Kong International Airport. The average daily number of aircraft movements handled by HAECO increased by 2% to 326 per day in the first half of 2013 from the corresponding period in 2012.

HAECO's operating expenses decreased by 2% to HK$1,536 million due to lower direct material costs.

TAECO

TAECO recorded a 35% increase in attributable profit in the first half of 2013 to HK$62 million. Demand for airframe maintenance was strong, with manhours sold increasing from 1.77 million in the first half of 2012 to 1.95 million in the first half of 2013. One passenger to freighter conversion took place during the first half of the year. TAECO's operating expenses increased by 26% to HK$879 million, mainly due to increased staff and direct material costs.

TAECO developed its capacity for cabin modification and cabin completion services.

HAESL and SAESL

HAESL recorded a 2% decrease in profit to HK$201 million. HAESL was affected by the early retirement of Boeing 747-400 aircraft belonging to Cathay Pacific. This was mostly offset by better demand for Trent 700 engine overhaul services. SAESL recorded a 10% increase in profit in the first half of 2013, as a result of more overhaul work being done per engine.

HXITM

HXITM provides inventory technical management for a total of 213 aircraft including Airbus A300, A310, A320, A330, A340, Boeing 747 and 777 aircraft. HXITM made a small profit in the first half of 2013.

Taikoo Engine Services (Xiamen) Company Limited ("TEXL")

TEXL completed 17 quick turn repairs and five performance restorations of GE engines. TEXL recorded higher engine module output and reduced losses in the first half of 2013.

Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO")

The operations of TALSCO continue to be affected by the fire which occurred in November 2012. No landing gear overhaul work was done in the first half of 2013. Work preparatory to reconstruction of TALSCO's premises is being done, with a view to partial resumption of operations in the early part of 2014.

Outlook

The outlook is challenging. Forward bookings for HAECO's airframe maintenance services in Hong Kong are weak by historical standards and are in any event constrained by the shortage of skilled and semi-skilled labour. Demand for line maintenance services is expected to continue to grow in line with the growth of aircraft movements at Hong Kong International Airport, despite an uncertain outlook for movements of cargo aircraft.

The overall labour market in Hong Kong continues to be tight. The effect on HAECO's aircraft maintenance capacity is particularly severe because of the need to transfer staff from airframe maintenance to line maintenance to support the growth of the latter business.

Since last year, various efforts have been made to improve remuneration, career development opportunities and training with a view to recruiting and retaining high quality staff. The rate of attrition has slowed, but it takes a long time to train new staff to reach the required standard. HAECO is working closely with local educational institutions to promote career and job opportunities in the aircraft maintenance industry, and continues to seek support from the Hong Kong Special Administrative Region Government for the importation on contract of overseas qualified engineers and mechanics to ease constraints on the availability of people with such skills in the local labour market.

Demand for TAECO's airframe maintenance services in the second half of the year is expected to be good.

HAESL's performance in the second half of 2013 is expected to continue to be affected by a reduction in demand for engine overhaul services resulting from the early retirement of Boeing 747-400 aircraft belonging to Cathay Pacific.

Except at TALSCO, output is expected to increase at the Mainland China joint ventures, but they are likely to continue to be affected by under-utilisation of facilities.

The HAECO group will continue to take measures to improve productivity in order to mitigate the effect of cost increases.

Augustus Tang

BEVERAGES DIVISION

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

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

Swire Beverages manufactures over 56 beverage brands and distributes them to a franchise population of over 440 million people.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
Turnover	**7,263**	7,067	14,397
Operating profit	**373**	343	765
Share of post-tax profits from joint venture and associated companies	**202**	66	204
Attributable profit	**355**	215	556

Segment Information

	Turnover			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M	**2013 HK$M**	2012 HK$M	2012 HK$M
Mainland China	**3,760**	3,494	6,950	**203**	67	207
Hong Kong	**993**	973	2,123	**73**	62	175
Taiwan	**657**	715	1,500	**(2)**	(5)	18
USA	**1,853**	1,885	3,824	**95**	102	178
Central costs	**–**	–	–	**(14)**	(11)	(22)
Beverages Division	**7,263**	7,067	14,397	**355**	215	556

Accounting for the Beverages Division

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

For reference, the total turnover from the joint venture interests in three franchises in Mainland China was HK$4,267 million in the first half of 2013 (2012 first-half: HK$4,360 million). The turnover of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven franchises, was HK$2,656 million in the first half of 2013 (2012 first-half: HK$2,373 million). The sales volume for Mainland China shown in the table below represents sales in the seven franchises only.

Note 1: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

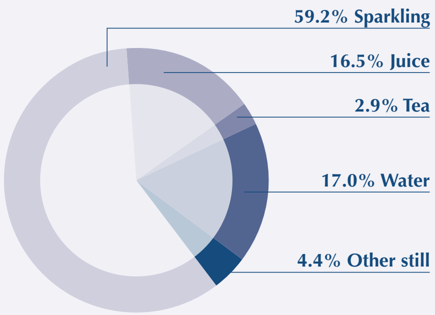
Note 2: Swire Pacific has considered the impact of revised accounting standard HKFRS 11: Joint Arrangements (effective from 1st January 2013) on its Mainland China franchise businesses and has concluded that three of these franchise businesses, which were previously accounted for as jointly controlled interests, should now be accounted for as subsidiaries and fully consolidated into its financial statements. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

Note 3: The results of the Campbell Swire joint venture (which were previously included in the results of the Beverages Division) have been included in the results of the Trading & Industrial Division from the 2012 year-end statutory accounts onwards. As a result, the 2012 half-year results for the division have been restated from those in the Group's 2012 half-year statutory accounts.

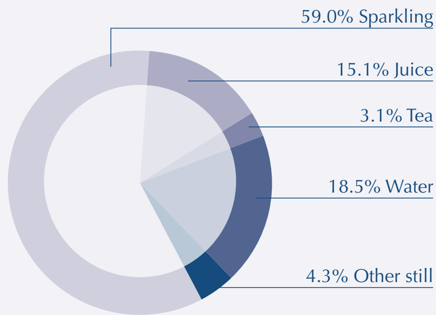
Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2013	**378.2**	**29.8**	**27.2**	**40.3**	**475.5**
Six months ended 30th June 2012	374.2	29.8	27.7	40.3	472.0

Breakdown of Total Volume by Category (%)



Six months ended 30th June 2013



Six months ended 30th June 2012

RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$355 million in the first half of 2013, an increase of 65% compared with the same period in 2012. Excluding a non-recurring profit of HK$69 million in the first half of 2013, the division reported a 33% increase in attributable profit. This increase principally reflected lower raw material costs, a favourable sales mix in Mainland China and an improved result in Hong Kong.

Overall sales volume grew by 1% to 476 million unit cases. Sales volumes increased in Mainland China but fell in Taiwan. Sales volumes were unchanged in Hong Kong and the USA.

Mainland China

Excluding a non-recurring profit of HK$69 million on remeasurement of an associate, attributable profit from Mainland China for the first half of 2013 was HK$134 million, a 100% increase from the first half of 2012. The increase in profit reflected lower raw material costs and a favourable sales mix.

Overall sales volume increased by 1% compared with the same period in 2012. Sparkling sales volume grew by 2% and juice sales volume grew by 11%. The volume of water sales (on which margins are lower than those on sparkling and juice products) fell by 10%.

Beverage consumption per capita in Mainland China remains low. Urbanisation, growth of the middle class and government policies designed to stimulate domestic consumption should continue to benefit the business.

Hong Kong

Attributable profit from Hong Kong for the first half of 2013 was HK$73 million, an 18% increase from the first half of 2012. This reflected price increases, lower raw material costs and effective management of other costs.

The overall beverage market grew in Hong Kong by 3%. Our sparkling sales volume was in line with the same period in 2012. Sales of the Schweppes and Sprite sparkling brands were strong. Sales of Aquarius sports drinks grew. Juice sales volume continued to decline.

Taiwan

The attributable loss from Taiwan for the first half of 2013 was HK$2 million compared with a loss of HK$5 million in the first half of 2012.

Sales volume in Taiwan fell by 2% compared with the same period in 2012. Retail sales were lower, reflecting the weak economic environment. Sparkling sales volume fell by 7% while still sales volume grew by 7%. Prices were affected by aggressive promotions as competitors responded to the weak economy. Margins benefited from a 5% reduction in raw material costs.

USA

Attributable profit from the USA for the first half of 2013 was HK$95 million, a 7% decrease from the first half of 2012.

Overall sales volume was in line with the same period in 2012. Sparkling sales volume was down by 3%. Still sales volume increased by 9%, with growth from water, tea and energy drinks. Sales of tea grew by 107%.

Margins decreased by 1% due to weakness in pricing. Price increases are planned for the latter part of 2013.

Outlook

In Mainland China, an innovative marketing campaign is being undertaken in the peak summer season to support sparkling sales. Raw material costs should remain low, but pricing pressure is expected as competitors pass on cost savings to consumers.

The outlook for the Hong Kong business is favourable. Consumption is expected to be robust. The business should benefit from volume and price growth as well as low raw material prices.

The Taiwanese economy is expected to remain weak in the second half of the year and this will continue to affect volumes and pricing.

In the USA, demand is expected to be in line with the same period last year. Aluminium and PET prices remain favourable. High fructose corn syrup is likely to increase in price due to a late corn crop.

Swire Pacific announced in April 2013 that Swire Coca-Cola USA will assume territories in Colorado including Denver and Colorado Springs under a re-organisation of TCCC's USA operations. This territory grant is proceeding according to agreed timelines.

Patrick Healy

MARINE SERVICES DIVISION

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside North America. SPO also has a logistics business working in the oil and gas industry and a subsea Inspection, Maintenance and Repair ("IMR") business. The division also has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

Financial Highlights

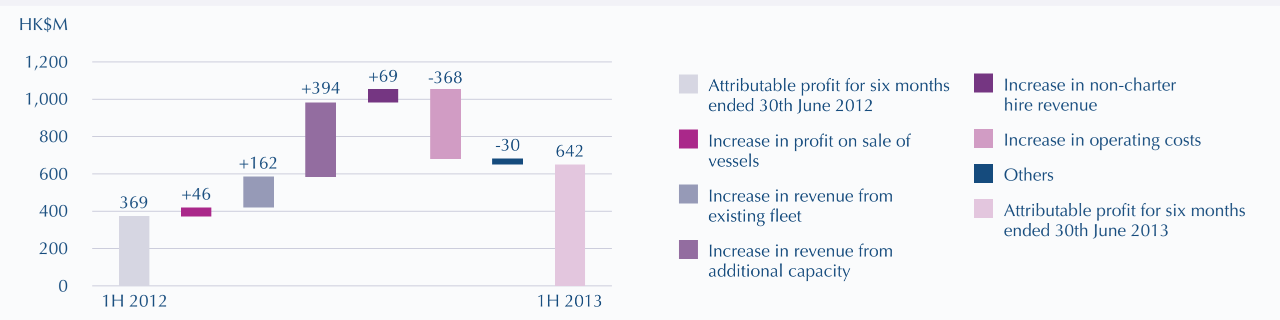
	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
Swire Pacific Offshore group			
Charter hire revenue	**2,412**	1,856	3,870
Non-charter hire revenue	**465**	396	994
Turnover	**2,877**	2,252	4,864
Charter hire related operating profit	**452**	221	665
Non-charter hire related operating profit	**256**	177	319
Operating profit	**708**	398	984
Attributable profit	**642**	369	911
Share of post-tax profits from joint venture companies			
HUD group	**37**	27	53
Attributable profit	**679**	396	964

Note: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

Fleet Size

	At 30th June		At 31st December
	2013	2012	2012
Fleet size (number of vessels)			
Swire Pacific Offshore group	**80**	77	80
HUD group – Hongkong Salvage & Towage	**20**	21	21
Total	**100**	98	101

SPO – Movement in Attributable Profit



RESULTS SUMMARY

The attributable profit of the Marine Services Division in the first half of 2013 was HK$679 million, an increase of 71% compared to the first half of 2012.

Swire Pacific Offshore group

SPO reported an attributable profit of HK$642 million for the first half of 2013, an increase of 74% compared to the first half of 2012. Excluding the non-recurring profit of HK$60 million on disposal of four vessels in the first half of 2013, and the profit of HK$14 million on disposal of three vessels in the first half of 2012, attributable profit increased by 64% compared with the first half of 2012.

During the first half of 2013, four new vessels were delivered, comprising two large Anchor Handling Tug Supply ("AHTS") vessels, one large Platform Supply Vessel ("PSV") and one accommodation barge. The two Windfarm Installation Vessels ("WIVs") delivered in 2012 began operating in Europe. Four older vessels were sold in the first half of 2013, in line with SPO's strategy of phasing out its older tonnage.

The fleet size at 30th June 2013 was 80, compared to 77 at 30th June 2012.

Charter hire revenue increased by 30% to HK$2,412 million in the first half of 2013. HK$394 million of the increase was contributed by new vessels delivered since the end of the first half of 2012.

Fleet utilisation during the first half of 2013 was 87%, 2.3 percentage points lower than in the first half of 2012. Utilisation of SPO's core fleet of AHTSs and PSVs decreased by 2.6 percentage points to 87%. Utilisation of SPO's fleet of Construction and Specialist Vessels ("CSVs") improved by 14.9 percentage points to 81%, mainly due to newly delivered vessels commencing charters.

Average charter hire rates rose 30% to USD25,100 per day. Average charter hire rates for the core fleet were USD19,500 per day, an increase of 7%. The CSV fleet's average charter hire rates rose 67% to USD91,000 per day.

Non-charter hire income increased by 17% to HK$465 million in the first half of 2013. This reflected liquidated damages for the late delivery of vessels, revenue from IMR vessels for subsea project work and additional revenue from Altus Logistics.

Total operating costs increased by HK$368 million in the first half of 2013. The increase was in line with revenue and reflected additional costs at Altus Logistics and of operating new vessels.

Fleet Expansion

Total capital expenditure on new vessels and other fixed assets during the first half of 2013 amounted to HK$2,664 million, compared to HK$2,672 million in the first half of 2012.

During the first half of 2013, SPO did not make any additional commitments to purchase new vessels. Two large PSVs ordered by SPO, which were due to be delivered in 2014, are now expected to be delivered in 2015.

At 30th June 2013, SPO had a total capital expenditure commitment of HK$7,866 million (31st December 2012: HK$10,301 million, 30th June 2012: HK$11,889 million).

Outlook

SPO is optimistic about the market for offshore support vessels. The oil price remains strong and demand for larger and more sophisticated vessels is expected to increase in the second half of 2013 and beyond as a result of a projected rise in spending on offshore exploration and production. SPO is well-placed to meet this demand as a result of its fleet expansion.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th June 2013 HK$M	Six months ending 31st December 2013 HK$M	2014 HK$M	2015 HK$M	2016 HK$M	**at 30th June 2013 HK$M**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**2,026**	2,434	3,240	1,651	108	**7,433**
Construction and Specialist Vessels	**581**	368	–	–	–	**368**
Other fixed assets	**57**	29	27	9	–	**65**
Total	**2,664**	2,831	3,267	1,660	108	**7,866**

SPO – Fleet Size Growth

		Additions	**Disposals**	**Half-year**	Vessels expected to be received in:		
Vessel class	2012	**30th June 2013**			2013	2014	2015
Anchor Handling Tug Supply Vessels	47	**–**	**4**	**43**	–	–	–
Large Anchor Handling Tug Supply Vessels	15	**2**	**–**	**17**	3	4	–
Platform Supply Vessels	8	**–**	**–**	**8**	–	2	4
Large Platform Supply Vessels	3	**1**	**–**	**4**	–	4	4
Construction and Specialist Vessels	7	**1**	**–**	**8**	1	–	–
	80	**4**	**4**	**80**	4	10	8

Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

Hongkong United Dockyards ("HUD") group

The attributable profit of the HUD group for the first half of 2013 was HK$37 million, compared to HK$27 million for the same period in 2012.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$14 million in the first half of 2013, compared with a loss of HK$24 million in the corresponding period in 2012. Demand for marine engineering services remained poor, reflecting the continued weakness of the global shipping industry. However, restructuring of the division resulted in reduced losses. Operating costs continued to be affected by skilled labour shortages in Hong Kong.

The profit of Hong Kong Salvage and Towage ("HKST") (before tax and interest and on a 100% basis) in the first half of 2013 was HK$102 million, compared to HK$94 million for the same period in 2012. The result for the first half of 2013 included a profit of HK$16 million on the sale of a 4,000 BHP tug in January. Tug moves in the period were 9% lower than in the same period in 2012. This reflected the adverse effect of a strike in the second quarter of the year at Hong Kong International Terminals and a general reduction in harbour vessel movements in Hong Kong.

HKST expects to sell another 4,000 BHP tug in 2014. The total fleet size including container vessels currently stands at 20.

Outlook

The engineering division will continue to face high operating costs due to labour shortages. Against a background of continued weak demand in shipping markets, the division expects to generate a greater proportion of its revenue from work connected with onshore engineering and infrastructure projects in Hong Kong.

Tug operations in Hong Kong harbour remain highly competitive and the weakness in demand continues to put pressure on towage rates. HKST aims to do more sea-going and project work in order to improve fleet utilisation.

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following wholly-owned and joint venture companies:

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong, Macau and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan and Hong Kong
- Swire Foods group:
  - (i) Taikoo Sugar – packaging and selling of sugar and tea in Hong Kong and Mainland China
  - (ii) Campbell Swire – manufacture and distribution of soup, broth and concentrated chicken stock products in Mainland China
  - (iii) Swire Foods – sale of hot cereal products in Mainland China
- Swire Pacific Cold Storage group – provision of cold storage, warehousing and logistics services in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China and Hong Kong

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
Turnover			
Swire Resources group	**1,841**	1,658	3,584
Taikoo Motors group	**2,574**	3,030	5,763
Swire Foods group	**327**	357	738
Other subsidiary companies	**–**	–	3
	4,742	5,045	10,088
Operating profits/(losses)			
Swire Resources group	**65**	71	180
Taikoo Motors group	**17**	69	122
Swire Foods group	**3**	1	7
Swire Pacific Cold Storage group	**(16)**	(10)	(24)
Other subsidiary companies and central costs	**(6)**	(5)	(14)
	63	126	271
Attributable profits/(losses)			
Swire Resources group*	**54**	57	141
Taikoo Motors group	**9**	51	89
Swire Foods group	**1**	1	3
Swire Pacific Cold Storage group^	**(13)**	(11)	(22)
Other subsidiary companies and central costs	**(6)**	(5)	(14)
	45	93	197

* Including post-tax profits from a joint venture company within the Swire Resources group shown below.

^ Including post-tax profits from a joint venture company within the Swire Pacific Cold Storage group shown below.

Share of post-tax profits/(losses) from joint venture companies			
Swire Resources group	**4**	2	3
Campbell Swire	**(46)**	(44)	(82)
Swire Pacific Cold Storage group	**4**	–	3
Akzo Nobel Swire Paints	**98**	59	138
Other joint venture companies	**(1)**	(2)	(6)
	59	15	56
Attributable profit	**96**	106	247

Note 1: Swire Pacific has implemented the revised HKAS 19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 half-year and full-year comparative results for the division have been restated from those in the Group's 2012 half-year and full-year statutory accounts.

Note 2: The results of the Campbell Swire joint venture (which were previously included in the results of the Beverages Division) have been included in the results of the Trading & Industrial Division from the 2012 year-end statutory accounts onwards. As a result, the 2012 half-year results for the division have been restated from those in the Group's 2012 half-year statutory accounts.

RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2013 decreased by 9% from the corresponding period in 2012 to HK$96 million. The decrease principally reflected a combination of weaker results from Taikoo Motors and better results from Akzo Nobel Swire Paints.

Swire Resources group

Attributable profit decreased by 5% in the first half of 2013 to HK$54 million.

Turnover in Hong Kong and Macau was 11% higher than in the same period in 2012. Retail sales benefited from strong demand from Mainland China visitors. Gross margins improved due to less discounting but operating costs, in particular staff and occupancy costs, continued to increase.

The group operated 180 retail outlets in Hong Kong and Macau at the end of the period, a net increase of five outlets since 31st December 2012.

Turnover in Mainland China was 11% higher than in the same period in 2012. This principally reflected growth in sales of Columbia and Chevignon products. Gross margins declined as a result of more promotions and discounting.

The group operated 141 retail outlets in Mainland China at the end of June 2013, a net increase of seven outlets since 31st December 2012.

Taikoo Motors group

Taikoo Motors recorded an attributable profit in the first half of 2013 of HK$9 million, compared with a profit of HK$51 million in the same period in 2012. This principally reflected a decrease in the number of vehicles sold.

Turnover decreased by 15% in the first half of 2013, mainly due to a reduction in the number of passenger cars sold in Taiwan following a product recall related to gearbox problems. In total, 6,768 cars and commercial vehicles were sold in Taiwan and Hong Kong in the first half of 2013, 26% fewer than in the same period in 2012.

Taiwan

Volkswagen passenger car sales fell by 38% compared with the same period in 2012 to 3,566 units. 639 Škoda cars were sold in the first half of 2013, compared with 995 in the same period last year.

1,310 Volkswagen light commercial vehicles were sold, 14% more than in the same period in 2012.

Sales of Volvo commercial vehicles increased by 16% compared with the same period last year. 270 Volvo trucks and buses were sold and 312 Volvo trucks were assembled in the first half of the year.

Sales of Harley-Davidson motorcycles and Vespa scooters continued to grow. 294 motorcycles and 1,757 scooters were sold, an increase of 29% and 148% respectively compared with the same period in 2012.

Hong Kong

202 Fiat and Alfa Romeo passenger cars were sold in the first half of 2013, a decrease of 41% compared with the same period in 2012 as no new models were launched in the first half of the year. 154 Volvo and UD trucks were sold in the first half of the year.

Swire Foods group

Taikoo Sugar

Taikoo Sugar reported an attributable profit of HK$1 million for the first half of 2013, in line with that of the first half of 2012.

Taikoo Sugar sold 80 million pounds of sugar to retail, catering and bulk users in Hong Kong, a decrease of 11% compared with the first half of 2012. In Mainland China, Taikoo Sugar sold 14 million pounds of sugar in the first half of 2013, an increase of 13% compared with the same period in 2012. Margins benefited from a decrease in the cost of sugar but this was partly offset by higher staff and advertising costs. A third plant in Chengdu is expected to start operations in the second half of 2013.

Campbell Swire

The joint venture with The Campbell Soup Company manufactures, sells and distributes soup, broth and concentrated chicken stock products in Mainland China under the Campbell's and Swanson brands.

Campbell Swire's attributable loss in the first half of 2013 was HK$46 million, compared with a loss of HK$44 million in the same period in 2012. Sales volumes increased by 14% in the first half of 2013. Margins remained low due to high production and operating costs.

Swire Foods

Swire Foods started to sell hot cereals in May. These were distributed to supermarkets in Guangzhou and Shanghai under the Taikoo brand.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss for the first half of 2013 of HK$13 million, compared with a loss of HK$11 million in the same period in 2012. This principally reflected the cost of developing new cold stores in Shanghai, Hebei, Nanjing and Ningbo. This was partly offset by a profit of HK$4 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd., where performance was in line with expectations.

Construction of cold storage facilities in Shanghai and Hebei is in progress and they are scheduled for completion in 2014. Construction of cold storage facilities in Nanjing and Ningbo is due to commence in 2013, with completion due in 2015.

Akzo Nobel Swire Paints

Attributable profit at Akzo Nobel Swire Paints for the first half of 2013 was HK$98 million, compared to HK$59 million in the same period in 2012.

Sales volumes in Mainland China in the first half of 2013 were 132 million litres, an increase of 11% over the same period in 2012. A favourable product mix resulted in better gross margins. Operating expenses were higher than those of the same period in 2012.

In Hong Kong, there was an attributable profit of HK$2 million, in line with that of the first half of 2012.

Outlook

The outlook for Swire Resources in Hong Kong, Macau and Mainland China in the second half of the year is stable. Staff and occupancy costs are likely to continue to put pressure on margins.

Swire Resources' Columbia distributorship in Mainland China expires in December 2013. The distributorship will continue by way of a joint venture with Columbia, in which Swire Resources will hold a 40% interest. The joint venture is expected to begin operations in January 2014.

Taikoo Motors is cautious about the prospects for the second half of 2013, due to the adverse effect of gearbox problems on Volkswagen passenger car sales in Taiwan.

The Volkswagen group plans to set up a national sales company in Taiwan. There will be a transitional period up to the end of 2014 for Taikoo Motors to cease to be the Volkswagen importer in Taiwan.

New Volkswagen dealership businesses in Mainland China and Malaysia are expected to commence operations in the second half of 2013.

The outlook for Taikoo Sugar in the second half of 2013 is stable. Taikoo Sugar has a 34% interest in a recently formed joint venture to build and operate a sugar refinery in Guangdong province in the second half of 2013. The refinery is expected to begin operations in 2014.

Campbell Swire intends to expand the product range offered to its retail and catering trade customers.

Swire Foods will look to expand its product range.

Swire Pacific Cold Storage will continue to focus on constructing its four cold stores and acquiring additional suitable sites in Mainland China.

Akzo Nobel Swire Paints expects sales of its premium products to continue to grow in Mainland China in the second half of the year. The business in Hong Kong is expected to remain stable.

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 adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is also an analysis of the effect of other significant non-recurring items.

	Note	Six months ended 30th June		Year ended 31st December
		2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Underlying profit				
Profit attributable to the Company's shareholders per accounts		**6,608**	8,420	17,410
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(4,525)**	(7,920)	(12,739)
Deferred tax on investment properties	(b)	**409**	355	661
Realised profit on sale of investment properties	(c)	**23**	8	763
Depreciation of investment properties occupied by the Group	(d)	**10**	10	20
Non-controlling interests' share of adjustments		**772**	1,361	2,155
Underlying profit attributable to the Company's shareholders		**3,297**	2,234	8,270
Other significant non-recurring items:				
(Profit)/loss on sale of property, plant and equipment and other investments		**(39)**	(19)	135
Profit on sale of investment properties		**–**	(9)	(651)
Net (impairment reversal)/impairment of property, plant and equipment, leasehold land and intangible assets		**(61)**	19	82
Adjusted underlying profit		**3,197**	2,225	7,836
Underlying equity				
Equity attributable to the Company's shareholders per accounts		**212,727**	199,304	208,467
Deferred tax on investment properties		**3,569**	2,981	3,236
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,807**	1,283	1,423
Revaluation of investment properties occupied by the Group		**1,115**	945	1,036
Cumulative depreciation of investment properties occupied by the Group		**65**	59	58
Underlying equity attributable to the Company's shareholders		**219,283**	204,572	214,220
Underlying non-controlling interests		**42,465**	39,512	41,227
Underlying equity		**261,748**	244,084	255,447

Notes:

(a) This represents the net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture and associated companies.

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.

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

(e) 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 hotel properties owned by subsidiary and joint venture companies and held for the long-term as part of mixed-use property developments 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 statement of profit or loss.

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Net cash from/(used by) businesses and investments			
Cash generated from operations	**6,572**	2,439	10,961
Dividends received	**735**	960	1,502
Tax paid	**(425)**	(387)	(1,364)
Net interest paid	**(948)**	(878)	(1,956)
Cash used in investing activities	**(4,891)**	(7,243)	(10,959)
	1,043	(5,109)	(1,816)
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(4,312)**	(4,014)	(6,064)
Increase in borrowings	**5,387**	12,919	9,878
Capital contribution from non-controlling interests	**15**	97	97
Security deposits uplifted	**–**	42	42
	1,090	9,044	3,953
Increase in cash and cash equivalents	**2,133**	3,935	2,137

Cash used in investing activities during the first half of 2013 included cash used for stage payments for offshore support vessels under construction, for capital expenditure on property projects and for investments in joint venture companies.

Changes in Financing

Financial Information Reviewed by Auditors
Analysis of Changes in Financing During the Period

	Six months ended 30th June 2013 HK$M	Year ended 31st December 2012 HK$M
Loans, bonds and perpetual capital securities		
At 1st January		
as originally stated	**50,370**	39,650
impact on change in accounting policy	**–**	154
as restated	**50,370**	39,804
Loans drawn and refinancing, as restated	**10,931**	19,210
Repayment of loans and bonds, as restated	**(5,544)**	(9,332)
Changes in composition of Group	**–**	585
Other non-cash movements	**160**	103
	55,917	50,370
Overdrafts, as restated	**–**	27
At 30th June/31st December	**55,917**	50,397

During the first half of 2013, the Group raised financing amounting to HK$9,806 million. This principally comprised:

- the issue of two ten-year medium-term notes totalling HK$700 million under Swire Pacific's US$5 billion medium-term note programme
- the issue of a seven-year US dollar denominated medium-term note of US$500 million under Swire Properties' US$3 billion medium-term note programme
- a three-year term loan facility of US$13 million
- a five-year term and revolving credit facility of HK$1,000 million
- a three-year term and revolving credit facility of RMB196 million
- a four-year term loan facility of US$500 million

Sources of Finance

At 30th June 2013, committed loan facilities and debt securities amounted to HK$69,135 million, of which HK$14,543 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$8,197 million. Sources of funds at 30th June 2013 comprised:

Financial Information Reviewed by Auditors

	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	28,921	28,921	–	–
Bank loans, overdrafts and other loans	37,887	23,344	1,843	12,700
Perpetual capital securities	2,327	2,327	–	–
Total committed facilities	69,135	54,592	1,843	12,700
Uncommitted facilities				
Bank loans, overdrafts and other loans	9,867	1,670	8,197	–
Total	79,002	56,262	10,040	12,700

Note: The figures above are stated before unamortised loan fees of HK$345 million.

The Group had bank balances and short-term deposits of HK$8,344 million at 30th June 2013 compared to HK$6,091 million, as restated, at 31st December 2012.

Maturity Profile and Refinancing

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

Total Available Committed Facilities by Maturity – at 30th June 2013

* 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 2013		31st December 2012	
	HK$M		HK$M (Restated)	
Within 1 year	**7,413**	**13%**	7,155	14%
1 – 2 years	**5,899**	**11%**	6,962	14%
2 – 5 years	**23,198**	**41%**	17,205	34%
After 5 years	**19,407**	**35%**	19,075	38%
Total	**55,917**	**100%**	50,397	100%

Currency Profile

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

	30th June 2013		31st December 2012	
	HK$M		HK$M (Restated)	
Currency				
Hong Kong dollar	**40,670**	**73%**	35,337	70%
Renminbi	**7,214**	**13%**	7,948	16%
United States dollar	**7,831**	**14%**	6,441	13%
New Taiwan dollar	**116**	**–**	579	1%
Others	**86**	**–**	92	–
Total	**55,917**	**100%**	50,397	100%

Finance Charges

At 30th June 2013, 57% of the Group's gross borrowings were on a fixed rate basis and 43% were on a floating rate basis (31st December 2012: 57% and 43% as restated respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Finance Charges			
Interest charged on:			
– Bank loans and overdrafts	**(358)**	(349)	(714)
– Other loans, bonds and perpetual capital securities	**(781)**	(634)	(1,380)
Fair value gains on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**61**	1	19
Amortised loan fees – loans at amortised cost	**(41)**	(29)	(67)
Fair value loss on put option over a non-controlling interest in Taikoo Li Sanlitun	**(142)**	(103)	(175)
Fair value loss on put options over non-controlling interests in subsidiary companies	**(2)**	–	–
Other financing costs	**(56)**	(50)	(113)
Capitalised on:			
– Investment properties	**25**	57	95
– Properties for sale	**130**	115	244
– Hotels and other properties	**6**	20	43
– Vessels	**53**	21	55
	(1,105)	(951)	(1,993)
Interest income on:			
– Short-term deposits and bank balances	**25**	20	47
– Other loans	**46**	70	145
	71	90	192
Net finance charges	**(1,034)**	(861)	(1,801)

Gearing Ratios and Interest Cover

	30th June 2013	30th June 2012 (Restated)	31st December 2012 (Restated)
Gearing ratio*			
Per accounts	**18.7%**	18.7%	17.8%
Underlying	**18.2%**	18.2%	17.3%
Interest cover – times*			
Per accounts	**8.5**	13.2	13.0
Underlying	**4.8**	4.9	6.7
Adjusted#	**4.7**	4.9	6.4
Cash interest cover – times*			
Per accounts	**7.0**	10.5	10.5
Underlying	**4.0**	3.9	5.4
Adjusted#	**3.9**	3.9	5.2

* Refer to Glossary on page 76 for definition.

\# After excluding significant non-recurring items from underlying operating profit. (Refer to page 32 for the list of significant non-recurring items)

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of the Group reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2013 and 31st December 2012:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2013 HK$M	31st December 2012 HK$M (Restated)	**30th June 2013 HK$M**	31st December 2012 HK$M (Restated)	**30th June 2013 HK$M**	31st December 2012 HK$M
Property Division	**6,584**	3,264	**2,654**	1,613	**471**	467
Aviation Division						
Cathay Pacific group	**34,784**	35,364	**15,653**	15,914	**–**	–
HAECO group	**1,061**	1,043	**128**	188	**67**	68
Others	**(3)**	(2)	**(1)**	(1)	**–**	–
Beverages Division	**2,265**	3,070	**814**	1,127	**–**	–
Marine Services Division	**686**	682	**343**	341	**500**	500
Trading & Industrial Division	**(1,734)**	(1,391)	**(543)**	(448)	**73**	72
	43,643	42,030	**19,048**	18,734	**1,111**	1,107

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 26.2% and underlying gearing would rise to 25.4%.

Report on Review of Condensed Interim Accounts

To the Board of Directors of Swire Pacific Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim accounts set out on pages 39 to 71, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 accounts 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 the interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the interim accounts 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 accounts are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15th August 2013

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2013

	Note	(Unaudited) Six months ended 30th June 2013 HK$M	(Unaudited) Six months ended 30th June 2012 HK$M (Restated)	(Audited) Year ended 31st December 2012 HK$M (Restated)
Turnover	4	**23,776**	22,075	49,040
Cost of sales		**(13,997)**	(13,402)	(28,532)
Gross profit		**9,779**	8,673	20,508
Distribution costs		**(2,826)**	(2,650)	(5,528)
Administrative expenses		**(1,965)**	(1,746)	(3,560)
Other operating expenses		**(153)**	(132)	(348)
Other net gains	5	**87**	68	268
Change in fair value of investment properties		**3,861**	7,117	12,147
Operating profit		**8,783**	11,330	23,487
Finance charges		**(1,105)**	(951)	(1,993)
Finance income		**71**	90	192
Net finance charges	7	**(1,034)**	(861)	(1,801)
Share of profits less losses of joint venture companies		**1,108**	1,138	1,519
Share of profits less losses of associated companies		**210**	(358)	582
Profit before taxation		**9,067**	11,249	23,787
Taxation	8	**(951)**	(850)	(2,343)
Profit for the period		**8,116**	10,399	21,444
Profit attributable to:				
The Company's shareholders		**6,608**	8,420	17,410
Non-controlling interests		**1,508**	1,979	4,034
		8,116	10,399	21,444
Cash dividends				
First Interim – declared/paid		**1,505**	1,505	1,505
Second Interim – paid		**–**	–	3,761
Special interim dividend by way of a distribution in specie		**–**	31,589	31,589
	9	**1,505**	33,094	36,855

	Note	**HK$**	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	10			
'A' shares		**4.39**	5.60	11.57
'B' shares		**0.88**	1.12	2.31

	2013 First Interim HK$	2012 First Interim HK$	2012 Second Interim HK$	2012 Total HK$
Cash dividends per share				
'A' shares	**1.00**	1.00	2.50	3.50
'B' shares	**0.20**	0.20	0.50	0.70

The notes on pages 44 to 71 form part of these accounts.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2013

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Profit for the period	**8,116**	10,399	21,444
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property previously occupied by the Group			
gains recognised during the period	**17**	15	54
deferred tax	**–**	(2)	(9)
Defined benefit plans			
actuarial gains recognised during the period	**–**	–	67
deferred tax	**–**	–	(18)
	17	13	94
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
gains/(losses) recognised during the period	**127**	(9)	92
transferred to net finance charges	**(61)**	(1)	(19)
transferred to operating profit – exchange differences	**(10)**	25	33
transferred to initial cost of non-financial assets	**(121)**	27	(56)
deferred tax	**(4)**	(10)	13
Net fair value changes on available-for-sale assets			
gains recognised during the period	**77**	50	153
Share of other comprehensive income of joint venture and associated companies	**1,247**	(193)	891
Net translation differences on foreign operations	**256**	(195)	215
	1,511	(306)	1,322
Other comprehensive income for the period, net of tax	**1,528**	(293)	1,416
Total comprehensive income for the period	**9,644**	10,106	22,860
Total comprehensive income attributable to:			
The Company's shareholders	**8,032**	8,181	18,772
Non-controlling interests	**1,612**	1,925	4,088
	9,644	10,106	22,860

The notes on pages 44 to 71 form part of these accounts.

Consolidated Statement of Financial Position

at 30th June 2013

	Note	(Unaudited) 30th June 2013 HK$M	(Audited) 31st December 2012 HK$M (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**37,775**	34,842
Investment properties	11	**210,197**	205,588
Leasehold land and land use rights	11	**1,172**	1,080
Intangible assets	12	**4,646**	4,592
Properties held for development		**193**	188
Joint venture companies	13	**21,279**	20,222
Associated companies	14	**28,312**	27,420
Available-for-sale assets		**418**	340
Long-term other receivables		**16**	17
Derivative financial instruments	16	**635**	643
Deferred tax assets	19	**580**	555
Retirement benefit assets		**183**	210
		305,406	295,697
Current assets			
Properties for sale		**7,620**	6,910
Stocks and work in progress		**3,394**	4,265
Trade and other receivables	17	**9,315**	9,164
Derivative financial instruments	16	**34**	31
Cash and cash equivalents		**8,207**	6,080
Short-term deposits		**137**	11
		28,707	26,461
Current liabilities			
Trade and other payables	18	**15,650**	15,438
Taxation payable		**1,105**	886
Derivative financial instruments	16	**161**	64
Bank overdrafts and short-term loans		**1,553**	1,941
Long-term loans and bonds due within one year		**5,860**	5,214
		24,329	23,543
Net current assets		**4,378**	2,918
Total assets less current liabilities		**309,784**	298,615
Non-current liabilities			
Perpetual capital securities		**2,327**	2,325
Long-term loans and bonds		**46,177**	40,917
Receipt in advance from an associated company		**43**	48
Derivative financial instruments	16	**77**	125
Other payables	18	**508**	215
Deferred tax liabilities	19	**6,050**	5,673
Deferred profit		**72**	114
Retirement benefit liabilities		**828**	816
		56,082	50,233
NET ASSETS		**253,702**	248,382
EQUITY			
Share capital	20	**903**	903
Reserves	21	**211,824**	207,564
Equity attributable to the Company's shareholders		**212,727**	208,467
Non-controlling interests	22	**40,975**	39,915
TOTAL EQUITY		**253,702**	248,382

The notes on pages 44 to 71 form part of these accounts.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2013

	(Unaudited) Six months ended 30th June 2013 HK$M	(Unaudited) Six months ended 30th June 2012 HK$M (Restated)	(Audited) Year ended 31st December 2012 HK$M (Restated)
Operating activities			
Cash generated from operations	**6,572**	2,439	10,961
Interest paid	**(1,085)**	(924)	(2,058)
Interest received	**137**	46	102
Tax paid	**(425)**	(387)	(1,364)
	5,199	1,174	7,641
Dividends received from joint venture and associated companies and available-for-sale assets	**735**	960	1,502
Net cash generated from operating activities	**5,934**	2,134	9,143
Investing activities			
Purchase of property, plant and equipment	**(3,605)**	(3,665)	(7,532)
Additions of investment properties	**(1,276)**	(1,401)	(2,616)
Purchase of intangible assets	**(22)**	(8)	(39)
Proceeds from disposals of property, plant and equipment	**42**	54	102
Proceeds from disposals of vessels	**67**	50	49
Proceeds from disposals of investment properties	**17**	46	995
Purchase of shares in subsidiary companies	**12**	(219)	(220)
Purchase of shares in joint venture companies	**(25)**	(23)	(296)
Purchase of shares in associated companies	**(62)**	(16)	(63)
Purchase of available-for-sale assets	**(1)**	–	–
Proceeds from disposal of interest in a joint venture company	**4**	–	–
Loans to joint venture companies	**(636)**	(938)	(1,426)
Repayment of loans by joint venture companies	**400**	126	293
Net loans from/(to) associated companies	**125**	(27)	66
Net decrease/(increase) in deposits maturing after more than three months	**98**	(1,184)	(157)
Initial leasing costs incurred	**(29)**	(38)	(115)
Net cash used in investing activities	**(4,891)**	(7,243)	(10,959)
Net cash inflow/(outflow) before financing	**1,043**	(5,109)	(1,816)
Financing activities			
Loans drawn and refinancing	**10,931**	14,088	19,210
Repayment of loans and bonds	**(5,544)**	(1,169)	(9,332)
	5,387	12,919	9,878
Security deposits uplifted	**–**	42	42
Capital contribution from non-controlling interests	**15**	97	97
Dividends paid to the Company's shareholders	**(3,761)**	(3,536)	(5,041)
Dividends paid to non-controlling interests	**(551)**	(478)	(1,023)
Net cash generated from financing activities	**1,090**	9,044	3,953
Increase in cash and cash equivalents	**2,133**	3,935	2,137
Cash and cash equivalents at 1st January	**6,053**	3,920	3,920
Currency adjustment	**21**	(2)	(4)
Cash and cash equivalents at end of the period	**8,207**	7,853	6,053
Represented by:			
Bank balances and short-term deposits maturing within three months	**8,207**	7,943	6,080
Bank overdrafts	**–**	(90)	(27)
	8,207	7,853	6,053

The notes on pages 44 to 71 form part of these accounts.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2013

	Attributable to the Company's shareholders					
	Share capital HK$M	**Revenue reserve HK$M**	**Other reserves HK$M**	**Total HK$M**	**Non-controlling interests HK$M**	**Total equity HK$M**
At 1st January 2013						
as originally stated	903	202,007	6,731	209,641	39,693	249,334
impact of change in accounting policy	–	(1,176)	2	(1,174)	222	(952)
as restated	903	200,831	6,733	208,467	39,915	248,382
Profit for the period	–	6,608	–	6,608	1,508	8,116
Other comprehensive income	–	12	1,412	1,424	104	1,528
Total comprehensive income for the period	–	6,620	1,412	8,032	1,612	9,644
Cash dividends paid	–	(3,761)	–	(3,761)	(576)	(4,337)
Capital contribution from non-controlling interests	–	–	–	–	15	15
Change in composition of the Group	–	(11)	–	(11)	9	(2)
At 30th June 2013 (unaudited)	**903**	**203,679**	**8,145**	**212,727**	**40,975**	**253,702**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2012						
as originally stated	903	221,209	5,447	227,559	4,917	232,476
impact of change in accounting policy	–	(1,180)	2	(1,178)	221	(957)
as restated	903	220,029	5,449	226,381	5,138	231,519
Profit for the period, as restated	–	8,420	–	8,420	1,979	10,399
Other comprehensive income, as restated	–	–	(239)	(239)	(54)	(293)
Total comprehensive income for the period	–	8,420	(239)	8,181	1,925	10,106
Cash dividends paid	–	(3,536)	–	(3,536)	(467)	(4,003)
Dividend by way of a distribution in specie	–	(31,589)	–	(31,589)	31,589	–
Change in composition of the Group	–	(11)	–	(11)	122	111
Recognition of a put option over a non-controlling interest in a subsidiary company	–	(122)	–	(122)	–	(122)
At 30th June 2012 (unaudited)	903	193,191	5,210	199,304	38,307	237,611

The notes on pages 44 to 71 form part of these accounts.

Notes to the Interim Accounts

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 2013	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of joint venture companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	4,718	34	3,538	(803)	41	121	–	(395)	2,502	2,044
Change in fair value of investment properties	–	–	4,016	–	–	548	1	(294)	4,271	3,493
Property trading	571	–	278	(1)	1	(17)	–	(53)	208	139
Hotels	431	–	(44)	(31)	–	(5)	69	(14)	(25)	(20)
	5,720	**34**	**7,788**	**(835)**	**42**	**647**	**70**	**(756)**	**6,956**	**5,656**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	11	–	11	11
HAECO group	3,222	–	174	(27)	8	278	–	(32)	401	269
Others	–	–	(26)	–	–	3	–	–	(23)	(9)
	3,222	**–**	**148**	**(27)**	**8**	**281**	**11**	**(32)**	**389**	**271**
Beverages										
Mainland China	3,760	–	173	(31)	12	72	130	(70)	286	203
Hong Kong	992	1	88	–	–	–	–	(8)	80	73
Taiwan	657	–	1	(3)	–	–	–	–	(2)	(2)
USA	1,853	–	125	–	–	–	–	(30)	95	95
Central costs	–	–	(14)	–	–	–	–	–	(14)	(14)
	7,262	**1**	**373**	**(34)**	**12**	**72**	**130**	**(108)**	**445**	**355**
Marine Services										
Swire Pacific Offshore group	2,877	–	708	(48)	3	4	(1)	(20)	646	642
HUD group	–	–	–	–	–	37	–	–	37	37
	2,877	**–**	**708**	**(48)**	**3**	**41**	**(1)**	**(20)**	**683**	**679**
Trading & Industrial										
Swire Resources group	1,841	–	65	–	4	4	–	(23)	50	54
Taikoo Motors group	2,574	–	17	(3)	1	–	–	(6)	9	9
Swire Foods group	275	52	3	–	–	–	–	(2)	1	1
Campbell Swire	–	–	–	(4)	–	(42)	–	–	(46)	(46)
Swire Pacific Cold Storage group	–	–	(16)	–	–	4	–	(1)	(13)	(13)
Akzo Nobel Swire Paints	–	–	–	–	–	102	–	(4)	98	98
Other activities	–	–	(6)	–	–	(1)	–	–	(7)	(7)
	4,690	**52**	**63**	**(7)**	**5**	**67**	**–**	**(36)**	**92**	**96**
Head Office										
Net income/(expenses)	5	9	(142)	(652)	499	–	–	1	(294)	(294)
Change in fair value of investment properties	–	–	(155)	–	–	–	–	–	(155)	(155)
	5	**9**	**(297)**	**(652)**	**499**	**–**	**–**	**1**	**(449)**	**(449)**
Inter-segment elimination	**–**	**(96)**	**–**	**498**	**(498)**	**–**	**–**	**–**	**–**	**–**
Total	**23,776**	**–**	**8,783**	**(1,105)**	**71**	**1,108**	**210**	**(951)**	**8,116**	**6,608**

Notes:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.
Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Statement of Profit or Loss (continued)

Six months ended 30th June 2012	External turnover HK$M (Restated)	Inter-segment turnover HK$M	Operating profit HK$M (Restated)	Finance charges HK$M (Restated)	Finance income HK$M (Restated)	Share of profits less losses of joint venture companies HK$M (Restated)	Share of profits less losses of associated companies HK$M (Restated)	Tax (charge)/credit HK$M (Restated)	Profit for the period HK$M (Restated)	Profit attributable to the Company's shareholders HK$M (Restated)
Property										
Property investment	4,402	32	3,259	(692)	54	73	–	(394)	2,300	1,877
Change in fair value of investment properties	–	–	7,043	–	–	665	–	(217)	7,491	6,128
Property trading	99	–	(18)	–	2	(7)	–	–	(23)	(17)
Hotels	373	1	7	(20)	–	8	72	(15)	52	43
	4,874	**33**	**10,291**	**(712)**	**56**	**739**	**72**	**(626)**	**9,820**	**8,031**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	(419)	–	(419)	(419)
HAECO group	2,899	–	286	(15)	9	271	–	(65)	486	341
Others	–	–	(27)	–	–	3	–	–	(24)	(10)
	2,899	**–**	**259**	**(15)**	**9**	**274**	**(419)**	**(65)**	**43**	**(88)**
Beverages										
Mainland China	3,494	–	134	(34)	12	77	(11)	(60)	118	67
Hong Kong	972	1	77	–	–	–	–	(9)	68	62
Taiwan	715	–	–	(4)	–	–	–	(1)	(5)	(5)
USA	1,885	–	143	–	–	–	–	(41)	102	102
Central costs	–	–	(11)	–	–	–	–	–	(11)	(11)
	7,066	**1**	**343**	**(38)**	**12**	**77**	**(11)**	**(111)**	**272**	**215**
Marine Services										
Swire Pacific Offshore group	2,252	–	398	(13)	2	–	–	(13)	374	369
HUD group	–	–	–	–	–	27	–	–	27	27
	2,252	**–**	**398**	**(13)**	**2**	**27**	**–**	**(13)**	**401**	**396**
Trading & Industrial										
Swire Resources group	1,658	–	71	–	1	2	–	(20)	54	57
Taikoo Motors group	3,030	–	69	(4)	1	–	–	(15)	51	51
Swire Foods group	293	64	1	–	–	–	–	–	1	1
Campbell Swire*	–	–	–	(3)	–	(41)	–	–	(44)	(44)
Swire Pacific Cold Storage group	–	–	(10)	–	–	–	–	(1)	(11)	(11)
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	(3)	59	59
Other activities	–	–	(5)	–	–	(2)	–	–	(7)	(7)
	4,981	**64**	**126**	**(7)**	**2**	**21**	**–**	**(39)**	**103**	**106**
Head Office										
Net income/(expenses)	3	7	(161)	(699)	542	–	–	4	(314)	(314)
Change in fair value of investment properties	–	–	74	–	–	–	–	–	74	74
	3	**7**	**(87)**	**(699)**	**542**	**–**	**–**	**4**	**(240)**	**(240)**
Inter-segment elimination	**–**	**(105)**	**–**	**533**	**(533)**	**–**	**–**	**–**	**–**	**–**
Total	**22,075**	**–**	**11,330**	**(951)**	**90**	**1,138**	**(358)**	**(850)**	**10,399**	**8,420**

Notes:

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

Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

* Campbell Swire has been accounted for under the Trading & Industrial Division rather than the Beverages Division from the 2012 year-end statutory accounts to reflect the basis on which the Group's internal segment reports are prepared.

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Statement of Profit or Loss (continued)

Year ended 31st December 2012	External turnover HK$M (Restated)	Inter-segment turnover HK$M	Operating profit HK$M (Restated)	Finance charges HK$M (Restated)	Finance income HK$M (Restated)	Share of profits less losses of joint venture companies HK$M (Restated)	Share of profits less losses of associated companies HK$M (Restated)	Tax (charge)/ credit HK$M (Restated)	Profit for the year HK$M (Restated)	Profit attributable to the Company's shareholders HK$M (Restated)
Property										
Property investment	9,060	63	6,861	(1,443)	113	146	–	(768)	4,909	4,011
Change in fair value of investment properties	–	–	12,159	–	–	568	1	(638)	12,090	9,900
Property trading	4,147	–	2,395	–	3	(14)	–	(422)	1,962	1,360
Hotels	781	1	(39)	(40)	–	(40)	160	(29)	12	11
	13,988	**64**	**21,376**	**(1,483)**	**116**	**660**	**161**	**(1,857)**	**18,973**	**15,282**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	387	–	387	387
HAECO group	5,830	–	434	(35)	18	560	–	(122)	855	618
Others	–	–	(52)	–	–	6	–	–	(46)	(21)
	5,830	**–**	**382**	**(35)**	**18**	**566**	**387**	**(122)**	**1,196**	**984**
Beverages										
Mainland China	6,950	–	268	(67)	24	171	33	(113)	316	207
Hong Kong	2,122	1	212	–	–	–	–	(19)	193	175
Taiwan	1,500	–	30	(7)	–	–	–	(5)	18	18
USA	3,824	–	277	–	1	–	–	(100)	178	178
Central costs	–	–	(22)	–	–	–	–	–	(22)	(22)
	14,396	**1**	**765**	**(74)**	**25**	**171**	**33**	**(237)**	**683**	**556**
Marine Services										
Swire Pacific Offshore group	4,864	–	984	(24)	4	–	1	(42)	923	911
HUD group	–	–	–	–	–	53	–	–	53	53
	4,864	**–**	**984**	**(24)**	**4**	**53**	**1**	**(42)**	**976**	**964**
Trading & Industrial										
Swire Resources group	3,584	–	180	–	3	3	–	(53)	133	141
Taikoo Motors group	5,763	–	122	(8)	2	–	–	(27)	89	89
Swire Foods group	606	132	7	–	–	–	–	(4)	3	3
Campbell Swire	–	–	–	(6)	–	(76)	–	–	(82)	(82)
Swire Pacific Cold Storage group	–	–	(24)	–	–	3	–	(1)	(22)	(22)
Akzo Nobel Swire Paints	–	–	–	–	–	145	–	(7)	138	138
Other activities	3	–	(14)	–	–	(6)	–	–	(20)	(20)
	9,956	**132**	**271**	**(14)**	**5**	**69**	**–**	**(92)**	**239**	**247**
Head Office										
Net income/(expenses)	6	42	(279)	(1,414)	1,075	–	–	7	(611)	(611)
Change in fair value of investment properties	–	–	(12)	–	–	–	–	–	(12)	(12)
	6	**42**	**(291)**	**(1,414)**	**1,075**	**–**	**–**	**7**	**(623)**	**(623)**
Inter-segment elimination	**–**	**(239)**	**–**	**1,051**	**(1,051)**	**–**	**–**	**–**	**–**	**–**
Total	**49,040**	**–**	**23,487**	**(1,993)**	**192**	**1,519**	**582**	**(2,343)**	**21,444**	**17,410**

Notes:
Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.
Interest charged by Head Office to the business segments is based on market interest rates and the Group's cost of debt.

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2013	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	210,911	13,426	57	2,796	227,190
Property trading and development	8,012	1,286	–	779	10,077
Hotels	5,678	1,146	415	52	7,291
	224,601	**15,858**	**472**	**3,627**	**244,558**
Aviation					
Cathay Pacific group	–	–	26,565	–	26,565
HAECO group	8,250	1,181	–	1,774	11,205
Others	4,701	2,819	–	–	7,520
	12,951	**4,000**	**26,565**	**1,774**	**45,290**
Beverages					
Swire Beverages	**8,632**	**647**	**1,205**	**1,050**	**11,534**
Marine Services					
Swire Pacific Offshore group	21,451	–	8	565	22,024
HUD group	–	47	–	–	47
	21,451	**47**	**8**	**565**	**22,071**
Trading & Industrial					
Swire Resources group	679	22	62	364	1,127
Taikoo Motors group	2,039	–	–	153	2,192
Swire Foods group	148	–	–	50	198
Campbell Swire	–	(74)	–	–	(74)
Swire Pacific Cold Storage group	277	265	–	205	747
Akzo Nobel Swire Paints	–	507	–	–	507
Other activities	83	7	–	10	100
	3,226	**727**	**62**	**782**	**4,797**
Head Office	**5,268**	**–**	**–**	**595**	**5,863**
	276,129	**21,279**	**28,312**	**8,393**	**334,113**

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group (continued)

At 31st December 2012	Segment assets HK$M (Restated)	Joint venture companies HK$M (Restated)	Associated companies HK$M (Restated)	Bank deposits and securities HK$M (Restated)	Total assets HK$M (Restated)
Property					
Property investment	205,888	12,737	55	1,529	220,209
Property trading and development	7,272	1,063	–	345	8,680
Hotels	5,532	1,078	666	66	7,342
	218,692	**14,878**	**721**	**1,940**	**236,231**
Aviation					
Cathay Pacific group	–	–	25,707	–	25,707
HAECO group	7,869	1,156	–	1,423	10,448
Others	4,727	2,821	–	–	7,548
	12,596	**3,977**	**25,707**	**1,423**	**43,703**
Beverages					
Swire Beverages	**8,291**	**696**	**981**	**649**	**10,617**
Marine Services					
Swire Pacific Offshore group	19,412	2	11	251	19,676
HUD group	–	53	–	–	53
	19,412	**55**	**11**	**251**	**19,729**
Trading & Industrial					
Swire Resources group	844	19	–	364	1,227
Taikoo Motors group	2,759	–	–	14	2,773
Swire Foods group	135	–	–	50	185
Campbell Swire	–	(55)	–	–	(55)
Swire Pacific Cold Storage group	81	255	–	33	369
Akzo Nobel Swire Paints	–	395	–	–	395
Other activities	143	2	–	78	223
	3,962	**616**	**–**	**539**	**5,117**
Head Office	**5,420**	**–**	**–**	**1,341**	**6,761**
	268,373	**20,222**	**27,420**	**6,143**	**322,158**

1. SEGMENT INFORMATION (continued)

(c) Analysis of Total Liabilities and Non-controlling Interests of the Group

At 30th June 2013	Segment liabilities HK$M	Current and deferred tax liabilities HK$M	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M	Total liabilities HK$M	Non-controlling interests HK$M
Property						
Property investment	6,634	5,745	7,862	19,220	39,461	34,263
Property trading and development	1,017	520	4,579	709	6,825	686
Hotels	143	–	–	509	652	1,195
	7,794	**6,265**	**12,441**	**20,438**	**46,938**	**36,144**
Aviation						
HAECO group	**1,788**	**335**	**–**	**2,190**	**4,313**	**3,956**
Beverages						
Swire Beverages	**3,996**	**350**	**1,270**	**116**	**5,732**	**847**
Marine Services						
Swire Pacific Offshore group	**1,443**	**63**	**8,864**	**85**	**10,455**	**18**
Trading & Industrial						
Swire Resources group	768	1	(171)	–	598	10
Taikoo Motors group	853	13	–	–	866	–
Swire Foods group	83	1	–	–	84	–
Campbell Swire	–	–	168	–	168	–
Swire Pacific Cold Storage group	13	–	–	–	13	–
Other activities	23	17	–	–	40	–
	1,740	**32**	**(3)**	**–**	**1,769**	**10**
Head Office	**578**	**110**	**(22,572)**	**33,088**	**11,204**	**–**
	17,339	**7,155**	**–**	**55,917**	**80,411**	**40,975**

1. SEGMENT INFORMATION (continued)

(c) Analysis of Total Liabilities and Non-Controlling Interests of the Group (continued)

At 31st December 2012	Segment liabilities HK$M (Restated)	Current and deferred tax liabilities HK$M (Restated)	Inter-segment borrowings/ (advances) HK$M	External borrowings HK$M (Restated)	Total liabilities HK$M (Restated)	Non-controlling interests HK$M (Restated)
Property						
Property investment	6,828	5,189	10,999	14,189	37,205	33,393
Property trading and development	557	469	4,265	423	5,714	604
Hotels	165	–	–	691	856	1,167
	7,550	**5,658**	**15,264**	**15,303**	**43,775**	**35,164**
Aviation						
HAECO group	**1,643**	**334**	**–**	**1,664**	**3,641**	**3,921**
Beverages						
Swire Beverages	**3,422**	**346**	**1,395**	**132**	**5,295**	**801**
Marine Services						
Swire Pacific Offshore group	**1,792**	**55**	**6,816**	**102**	**8,765**	**15**
Trading & Industrial						
Swire Resources group	724	14	(30)	–	708	14
Taikoo Motors group	1,026	25	–	470	1,521	–
Swire Foods group	84	2	–	–	86	–
Campbell Swire	–	–	144	–	144	–
Swire Pacific Cold Storage group	1	–	–	–	1	–
Other activities	27	12	–	–	39	–
	1,862	**53**	**114**	**470**	**2,499**	**14**
Head Office	**551**	**113**	**(23,589)**	**32,726**	**9,801**	**–**
	16,820	**6,559**	**–**	**50,397**	**73,776**	**39,915**

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

The reportable segments within each of the five divisions are classified according to the nature of the business. The Head Office is also considered to be a reportable segment as discrete financial information is available for the Head Office activities and regularly provided to the executive directors of the Board.

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated statement of profit or loss in note 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.

There are no differences from the last annual accounts in the basis of segmentation or in the basis of measurement of segment profit or loss.

2. BASIS OF PREPARATION

(a) The unaudited condensed interim accounts have 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, methods of computation and presentation used in the preparation of the interim accounts are consistent with those described in the 2012 annual accounts except for those noted in 2(b) below.

(b) The following relevant new and revised standards were required to be adopted by the Group effective from 1st January 2013:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (revised 2011)	Employee Benefits
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The improvements to HKFRSs 2009 to 2011 cycle consists of six amendments to five existing standards, including an amendment to HKAS 34 "Interim Financial Reporting". The amendment aligns the disclosure requirements for segment assets and liabilities in interim financial reports with those in HKFRS 8 "Operating Segments". It has had no significant impact on the results and financial position of the Group.

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to the profit or loss account subsequently or not. The Group's presentation of other comprehensive income in these interim accounts has been modified accordingly.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The adoption of HKFRS 11 has prompted the Group to review the accounting treatment of certain of its franchise businesses in Mainland China within the Beverages Division. Having regard to HKFRS 11, it has concluded that certain franchises previously accounted for as jointly controlled companies no longer meet the definition of joint ventures under the new standard. Having regard to the relevant standards, the group has reclassified these franchise businesses as subsidiaries and has fully consolidated them in its interim accounts. The change has been applied retrospectively.

2. BASIS OF PREPARATION (continued)

HKAS 19 was amended in 2011. The impact on the Group's defined benefit plans and post employment benefits is as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. In addition, it removes the accounting policy choice that previously permitted only the recognition of actuarial gains and losses outside a 10% 'corridor' to be recognised in the Statement of Profit or Loss. Instead all such remeasurements are required to be recognised in other comprehensive income, when they occur. The above change is required to be applied retrospectively.

As a result of the adoption of the new HKFRS 11 and revised HKAS 19, the Group has changed its accounting policy with respect to interests in joint venture companies and defined benefit plans. These changes in accounting policy have been applied retrospectively by restating the balances at 31st December 2012, and the results for the six months ended 30th June 2012 and year ended 31st December 2012 as summarised in the below table:

Consolidated Statement of Profit or Loss for the six months ended 30th June 2012	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Turnover	19,389	2,686	–	22,075
Cost of sales	11,512	1,890	–	13,402
Distribution costs	2,101	549	–	2,650
Administrative expenses	1,571	139	36	1,746
Other net gains	34	34	–	68
Finance charges	946	5	–	951
Finance income	89	1	–	90
Share of profits less losses of joint venture companies	1,198	(58)	(2)	1,138
Share of profits less losses of associated companies	360	(38)	36	358
Taxation	818	39	(7)	850
Profit attributable to the Company's shareholders	8,441	38	(59)	8,420
Profit attributable to non-controlling interests	1,946	41	(8)	1,979
	HK$	HK$	HK$	HK$
Earnings per 'A' share (basic and diluted)	5.61	0.03	(0.04)	5.60
Earnings per 'B' share (basic and diluted)	1.12	0.01	(0.01)	1.12

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30th June 2012	HK$M	HK$M	HK$M	HK$M
Cash flow hedge losses recognised during the period	10	(1)	–	9
Share of other comprehensive income of joint venture and associated companies	133	60	–	193
Total comprehensive income attributable to the Company's shareholders	8,261	(21)	(59)	8,181
Total comprehensive income attributable to non-controlling interests	1,892	41	(8)	1,925

2. BASIS OF PREPARATION (continued)

Consolidated Statement of Profit or Loss for the year ended 31st December 2012	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Turnover	43,859	5,181	–	49,040
Cost of sales	24,923	3,609	–	28,532
Distribution costs	4,406	1,122	–	5,528
Administrative expenses	3,236	255	69	3,560
Other net gains	194	74	–	268
Finance charges	1,988	5	–	1,993
Finance income	191	1	–	192
Share of profits less losses of joint venture companies	1,647	(119)	(9)	1,519
Share of profits less losses of associated companies	607	46	(71)	582
Taxation	2,289	67	(13)	2,343
Profit attributable to the Company's shareholders	17,484	46	(120)	17,410
Profit attributable to non-controlling interests	3,971	79	(16)	4,034
	HK$	HK$	HK$	HK$
Earnings per 'A' share (basic and diluted)	11.62	0.03	(0.08)	11.57
Earnings per 'B' share (basic and diluted)	2.32	–	(0.01)	2.31

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2012	HK$M	HK$M	HK$M	HK$M
Defined benefit plans – actuarial gains recognised during the year	–	–	67	67
Defined benefit plans – deferred tax	–	–	18	18
Cash flow hedge gains recognised during the year	86	6	–	92
Share of other comprehensive income of joint venture and associated companies	860	(40)	71	891
Total comprehensive income attributable to the Company's shareholders	18,767	12	(7)	18,772
Total comprehensive income attributable to non-controlling interests	4,018	79	(9)	4,088

2. BASIS OF PREPARATION (continued)

Consolidated Statement of Financial Position as at 31st December 2012	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Property, plant and equipment	33,641	1,201	–	34,842
Leasehold land and land use rights	998	82	–	1,080
Intangible assets	4,509	83	–	4,592
Joint venture companies	20,969	(731)	(16)	20,222
Associated companies	27,946	17	(543)	27,420
Deferred tax assets	338	78	139	555
Retirement benefit assets	637	–	(427)	210
Stocks and work in progress	3,860	405	–	4,265
Trade and other receivables	8,835	329	–	9,164
Cash and cash equivalents	5,888	192	–	6,080
Short-term deposits	310	(299)	–	11
Trade and other payables	14,376	1,277	–	15,653
Taxation payable	873	13	–	886
Derivative financial instrument liabilities	174	15	–	189
Bank overdrafts and short-term loans	1,918	23	–	1,941
Long-term loans and bonds due within one year	5,508	(294)	–	5,214
Deferred tax liabilities	5,757	–	(84)	5,673
Retirement benefit liabilities	304	–	512	816
Reserves	208,738	17	(1,191)	207,564
Non-controlling interests	39,693	306	(84)	39,915

Consolidated Statement of Cash Flows for the period ended 30th June 2012	HK$M	HK$M	HK$M	HK$M
Cash generated from operations	2,043	396	–	2,439
Interest paid	919	5	–	924
Interest received	45	1	–	46
Tax paid	350	37	–	387
Dividends received from joint venture and associated companies and available-for-sale assets	929	31	–	960
Purchase of property, plant and equipment	3,396	269	–	3,665
Purchase of intangible assets	4	4	–	8
Proceeds from disposals of property, plant and equipment	53	1	–	54
Net increase in deposits maturing after more than three months	1,244	(60)	–	1,184
Loans drawn and refinancing	14,271	(183)	–	14,088
Repayment of loans and bonds	1,102	67	–	1,169
Dividends paid to non-controlling interests	453	25	–	478
Cash and cash equivalents at 1st January	3,706	214	–	3,920
Cash and cash equivalents at end of the period	7,740	113	–	7,853

2. BASIS OF PREPARATION (continued)

Consolidated Statement of Cash Flows for the year ended 31st December 2012	As previously reported HK$M	Effect of adopting HKFRS 11 HK$M	Effect of adopting revised HKAS 19 HK$M	As restated HK$M
Cash generated from operations	10,186	775	–	10,961
Interest paid	2,053	5	–	2,058
Interest received	101	1	–	102
Tax paid	1,290	74	–	1,364
Dividends received from joint venture and associated companies and available-for-sale assets	1,337	165	–	1,502
Purchase of property, plant and equipment	7,183	349	–	7,532
Purchase of intangible assets	19	20	–	39
Proceeds from disposals of property, plant and equipment	100	2	–	102
Net increase in deposits maturing after more than three months	134	23	–	157
Loans drawn and refinancing	19,455	(245)	–	19,210
Repayment of loans and bonds	9,129	203	–	9,332
Dividends paid to non-controlling interests	954	69	–	1,023
Cash and cash equivalents at 1st January	3,706	214	–	3,920
Cash and cash equivalents at end of the year	5,884	169	–	6,053

HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has considered whether to consolidate Cathay Pacific Airways Limited ("Cathay Pacific") as a subsidiary in its accounts from 2013 in light of the provisions of HKFRS 10 and has concluded that because it does not have unilateral control of Cathay Pacific it should not consolidate it from 2013 but should continue to account for its interest in Cathay Pacific as an associate interest.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use in all relevant HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how fair value should be measured where its use is already required or permitted by other standards in HKFRSs. It also provides new disclosure requirements. The adoption of HKFRS 13 only affects disclosures on fair value measurements of financial assets and financial liabilities in the Group's interim accounts.

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

(c) The preparation of the interim accounts 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 and areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2012 annual accounts.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2012 annual accounts. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. 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
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Gross rental income from investment properties	**4,679**	4,378	8,954
Property trading	**571**	99	4,147
Hotels	**431**	373	781
Aircraft and engine maintenance services	**3,064**	2,849	5,603
Sales of goods	**11,974**	12,059	24,447
Charter hire	**2,412**	1,856	3,870
Rendering of other services	**645**	461	1,238
	23,776	22,075	49,040

5. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Profit on sale of investment properties	**–**	1	66
Profit on sale of property, plant and equipment	**8**	18	22
Net foreign exchange (losses)/gains	**(42)**	6	18
Fair value gains/(losses) on derivative instruments transferred from cash flow hedge reserve			
Cross-currency swaps	**10**	(25)	(33)
Fair value gains/(losses) on derivative instruments not qualifying as hedges			
Forward foreign exchange contracts	**21**	(20)	(6)
Dividend income on available-for-sale assets	**–**	–	3

6. EXPENSES BY TYPE

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

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Direct operating expenses of investment properties that			
generated rental income	**697**	678	1,490
did not generate rental income	**69**	43	102
Cost of stocks sold	**8,834**	8,775	18,773
Write-down of stocks and work in progress	**23**	12	41
Goodwill written off	**–**	8	8
Impairment losses recognised on			
Property, plant and equipment	**–**	13	58
Intangible assets (note 12)	**2**	3	10
Trade receivables	**38**	2	22
Reversal of impairment losses on			
Properties held for development	**(6)**	–	(4)
Property, plant and equipment (note 11)	**(61)**	–	–
Depreciation of property, plant and equipment (note 11)	**1,101**	896	1,846
Amortisation of			
Leasehold land and land use rights (note 11)	**15**	15	30
Intangible assets (note 12)	**31**	29	60
Initial leasing costs	**50**	41	89
Staff costs	**4,307**	3,730	7,665
Operating lease rentals			
Properties	**388**	349	728
Vessels	**67**	70	129
Plant and equipment	**12**	14	21
Others	**3,374**	3,252	6,900
Total cost of sales, distribution costs, administrative expenses and other operating expenses	**18,941**	17,930	37,968

7. NET FINANCE CHARGES

Refer to page 36 for details of the Group's net finance charges.

8. TAXATION

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M (Restated)	2012 HK$M (Restated)
Current taxation			
Hong Kong profits tax	**(447)**	(408)	(1,240)
Overseas taxation	**(198)**	(220)	(438)
Over/(under)-provisions in prior years	**1**	–	(2)
	(644)	(628)	(1,680)
Deferred taxation (note 19)			
Change in fair value of investment properties in Mainland China	**(181)**	(176)	(249)
Origination and reversal of temporary differences	**(126)**	(46)	(414)
	(307)	(222)	(663)
	(951)	(850)	(2,343)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates applicable in the jurisdictions in which the Group is assessable to tax.

The Group's share of joint venture and associated companies' tax charges for the six months ended 30th June 2013 of HK$234 million (30th June 2012: HK$238 million, as restated; year ended 31st December 2012: HK$239 million, as restated) and HK$98 million (30th June 2012: HK$33 million, as restated; year ended 31st December 2012: HK$220 million, as restated) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

9. DIVIDENDS

	Six months ended 30th June		Year ended 31st December
	2013 HK$M	2012 HK$M	2012 HK$M
Cash dividends			
First interim dividend declared on 15th August 2013 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2012 first interim dividend paid: HK$1.00 and HK$0.20)	**1,505**	1,505	1,505
Second interim dividend paid on 3rd May 2013 of HK$2.50 per 'A' share and HK$0.50 per 'B' share	**–**	–	3,761
Special interim dividend by way of a distribution in specie	**–**	31,589	31,589
	1,505	33,094	36,855

10. 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 2013 of HK$6,608 million (30th June 2012: HK$8,420 million, as restated; 31st December 2012: HK$17,410 million, as restated) 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 and 31st December 2012: 905,578,500 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

11. 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 2013			
as originally stated	46,800	1,160	47,960
impact of change in accounting policy	2,122	99	2,221
as restated	48,922	1,259	50,181
Translation differences	54	7	61
Change in composition of Group	2	–	2
Additions	3,810	101	3,911
Disposals	(945)	–	(945)
Net transfers from investment properties	749	–	749
Other transfers	(5)	–	(5)
Revaluation surplus	17	–	17
At 30th June 2013	**52,604**	**1,367**	**53,971**
Accumulated depreciation/amortisation and impairment			
At 1st January 2013			
as originally stated	13,159	162	13,321
impact of change in accounting policy	921	17	938
as restated	14,080	179	14,259
Translation differences	11	1	12
Change in composition of Group	2	–	2
Charge for the period (note 6)	1,101	15	1,116
Reversal of impairment losses (note 6)	(61)	–	(61)
Disposals	(303)	–	(303)
Net transfers from investment properties	(1)	–	(1)
At 30th June 2013	**14,829**	**195**	**15,024**
Net book value			
At 30th June 2013	**37,775**	**1,172**	**38,947**
At 1st January 2013	34,842	1,080	35,922

11. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS (continued)

(a) During the period, certain properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from their carrying amount to their fair value at the date of transfer of HK$17 million has been recognised in other comprehensive income and the property revaluation reserve.

(b) Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2013.

Refer to pages 9 and 10 for details of the Group's investment properties.

12. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Technical licences HK$M	Others HK$M	Total HK$M
Cost					
At 1st January 2013					
as originally stated	3,975	231	535	–	4,741
impact of change in accounting policy	45	96	–	–	141
as restated	4,020	327	535	–	4,882
Translation differences	4	(1)	–	–	3
Transfer from property, plant and equipment	–	5	–	–	5
Additions	–	12	–	67	79
At 30th June 2013	**4,024**	**343**	**535**	**67**	**4,969**
Accumulated amortisation and impairment					
At 1st January 2013					
as originally stated	19	142	71	–	232
impact of change in accounting policy	–	58	–	–	58
as restated	19	200	71	–	290
Amortisation for the period (note 6)	–	18	13	–	31
Provision for impairment losses (note 6)	2	–	–	–	2
At 30th June 2013	**21**	**218**	**84**	**–**	**323**
Net book value					
At 30th June 2013	**4,003**	**125**	**451**	**67**	**4,646**
At 1st January 2013	4,001	127	464	–	4,592

13. JOINT VENTURE COMPANIES

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Share of net assets, unlisted	**9,837**	9,014
Goodwill	**94**	95
	9,931	9,109
Loans due from joint venture companies less provisions		
Interest-free	**10,517**	10,395
Interest-bearing at 1.71% to 5.00% (2012: 1.71% to 5.00%)	**831**	718
	21,279	20,222

14. ASSOCIATED COMPANIES

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Share of net assets		
Listed in Hong Kong	**25,808**	24,950
Unlisted	**1,690**	1,530
	27,498	26,480
Goodwill	**757**	757
	28,255	27,237
Loans due from associated companies		
Interest-free	**52**	176
Interest-bearing at 6.0% (2012: 6.0%)	**5**	7
	28,312	27,420

The market value of the shares in the listed associated company at 30th June 2013 was HK$24,004 million (31st December 2012: HK$25,173 million).

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total carrying amount HK$M (Restated)
Assets as per consolidated statement of financial position				
At 30th June 2013				
Available-for-sale assets				
– Shares listed in Hong Kong	**99**	**–**	**–**	**99**
– Shares listed overseas	**306**	**–**	**–**	**306**
– Unlisted investments	**–**	**13**	**–**	**13**
Derivatives used for hedging (note 16)	**–**	**669**	**–**	**669**
Total	**405**	**682**	**–**	**1,087**
At 31st December 2012				
Available-for-sale assets				
– Shares listed in Hong Kong	103	–	–	103
– Shares listed overseas	225	–	–	225
– Unlisted investments	–	12	–	12
Derivatives used for hedging (note 16)	–	674	–	674
Total	328	686	–	1,014
Liabilities as per consolidated statement of financial position				
At 30th June 2013				
Derivatives used for hedging (note 16)	**–**	**238**	**–**	**238**
Put option over a non-controlling interest in Taikoo Li Sanlitun (note 18)	**–**	**1,254**	**–**	**1,254**
Put options over non-controlling interests in subsidiary companies (note 18)	**–**	**–**	**508**	**508**
Total	**–**	**1,492**	**508**	**2,000**
At 31st December 2012				
Derivatives used for hedging (note 16)	–	189	–	189
Put option over a non-controlling interest in Taikoo Li Sanlitun (note 18)	–	1,112	–	1,112
Put options over non-controlling interests in subsidiary companies (note 18)	–	–	215	215
Total	–	1,301	215	1,516

Notes:
The levels in the hierarchy represent the following:
Level 1 – Financial instruments measured at fair value using quoted prices in active markets.
Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.
Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

There were no transfers of financial instruments between level 1 and level 2 fair value hierarchy classifications and there were no transfers into or out of level 3 fair value hierarchy classifications.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The following table presents the changes in level 3 financial instruments for the period ended 30th June 2013:

	HK$M
Put options over non-controlling interests in subsidiary companies	
At 1st January 2013	**215**
Recognition of a new put option	**291**
Change in fair value recognised in profit or loss during the period	**2**
At 30th June 2013	**508**
Total losses for the period included in profit or loss in respect of financial liabilities held at 30th June 2013	**2**

There has been no change in valuation techniques for Level 2 and Level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in Level 2 has been determined based on quotes from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value of the put option over a non-controlling interest in Taikoo Li Sanlitun in Level 2 has been determined based on the market value of the investment property, Taikoo Li Sanlitun, carried out by an independent property valuer DTZ Debenham Tie Leung. The most significant inputs are open market rents and yields.

The fair value of the put options over non-controlling interests in subsidiary companies classified as Level 3 is determined using a discounted cash flow valuation technique. For the put options in place at 1st January 2013, the significant unobservable inputs used are expected future growth rates and discount rates. The valuations of these put options are sensitive to changes in each of these assumptions. The new put option recognised in the period relates to the Property Division. It is classified as Level 3 as it contains a number of significant non-market observable valuation inputs. These include forecasts of future cash flows, the discount rate applied to these cash flows and the expected date of the opening of the development. In addition, it contains market based assumptions of rents and yields. The valuation of the put option is sensitive to changes in each of these assumptions.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including Level 3 fair values. The valuations are reviewed and approved by Divisional Finance Directors.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value:

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31st December 2012 and 30th June 2013 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2013		At 31st December 2012	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Perpetual capital securities	**2,327**	**2,467**	2,325	2,604
Long-term loans and bonds due after one year	**46,177**	**47,179**	40,917	43,860

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments solely for management of an underlying risk. The Group minimises 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 Group's policy not to enter into derivative transactions for speculative purposes.

	30th June 2013		31st December 2012	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M (Restated)	Liabilities HK$M (Restated)
Cross-currency swaps – cash flow hedges	**611**	**49**	632	83
Interest rate swaps – cash flow hedges	**18**	**–**	–	–
Forward foreign exchange contracts				
Cash flow hedges	**25**	**165**	33	80
Not qualifying as hedges	**15**	**1**	5	9
Commodity swaps				
Cash flow hedges	**–**	**16**	–	15
Not qualifying as hedges	**–**	**7**	4	2
Total	**669**	**238**	674	189
Less non-current portion:				
Cross-currency swaps – cash flow hedges	**611**	**49**	632	83
Interest rate swaps – cash flow hedges	**18**	**–**	–	–
Forward foreign exchange contracts				
Cash flow hedges	**–**	**27**	9	34
Not qualifying as hedges	**6**	**1**	2	8
	635	**77**	643	125
Current portion	**34**	**161**	31	64

17. TRADE AND OTHER RECEIVABLES

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Trade debtors	**3,200**	3,119
Amounts due from joint venture companies	**392**	369
Amounts due from associated companies	**688**	439
Interest-bearing advances to joint venture companies	**99**	190
Prepayments and accrued income	**1,892**	1,867
Other receivables	**3,044**	3,180
	9,315	9,164

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

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Under three months	**2,958**	2,957
Between three and six months	**159**	113
Over six months	**83**	49
	3,200	3,119

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 the credit risk associated with receivables.

18. TRADE AND OTHER PAYABLES

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Trade creditors	**3,285**	3,231
Amounts due to immediate holding company	**162**	253
Amounts due to joint venture companies	**235**	197
Amounts due to associated companies	**177**	134
Interest-bearing advances from joint venture companies	**491**	484
Advances from non-controlling interests	**396**	365
Rental deposits from tenants	**2,142**	1,953
Put option over a non-controlling interest in Taikoo Li Sanlitun	**1,254**	1,112
Put options over non-controlling interests in subsidiary companies	**508**	215
Accrued capital expenditure	**852**	1,235
Other accruals	**4,083**	4,058
Other payables	**2,573**	2,416
	16,158	15,653
Amounts due after one year included under non-current liabilities	**(508)**	(215)
	15,650	15,438

18. TRADE AND OTHER PAYABLES (continued)

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

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Under three months	**2,945**	2,995
Between three and six months	**280**	200
Over six months	**60**	36
	3,285	3,231

19. DEFERRED TAXATION

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

	HK$M
At 1st January 2013	
as originally stated	5,419
impact of change in accounting policy	(301)
as restated	5,118
Translation differences	41
Charged to statement of profit or loss (note 8)	307
Charged to other comprehensive income	4
At 30th June 2013	5,470
Represented by:	
Deferred tax assets	(580)
Deferred tax liabilities	6,050
	5,470

20. 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 2013 and 31st December 2012	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 30th June 2013 and 31st December 2012	905,578,500	2,995,220,000	543	360	903

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

21. RESERVES

	Revenue reserve* HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Properties revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2013								
as originally stated	202,007	342	49	1,686	605	105	3,944	208,738
impact of change in accounting policy	(1,176)	–	–	–	–	–	2	(1,174)
as restated	200,831	342	49	1,686	605	105	3,946	207,564
Profit for the period	6,608	–	–	–	–	–	–	6,608
Other comprehensive income								
Cash flow hedges								
– recognised during the period	–	–	–	–	–	122	–	122
– transferred to net finance charges	–	–	–	–	–	(61)	–	(61)
– transferred to operating profit – exchange differences	–	–	–	–	–	(10)	–	(10)
– transferred to initial cost of non-financial assets	–	–	–	–	–	(121)	–	(121)
– deferred tax	–	–	–	–	–	(3)	–	(3)
Net fair value changes on available-for-sale assets								
– net gains recognised during the period	–	–	–	–	77	–	–	77
Revaluation of property previously occupied by the Group								
– gain recognised during the period	–	–	–	14	–	–	–	14
Share of other comprehensive income of joint venture and associated companies	12	–	–	–	14	880	306	1,212
Net translation differences on foreign operations	–	–	–	–	–	–	194	194
Total comprehensive income for the period	**6,620**	**–**	**–**	**14**	**91**	**807**	**500**	**8,032**
Change in composition of Group	(11)	–	–	–	–	–	–	(11)
2012 second interim dividend	(3,761)	–	–	–	–	–	–	(3,761)
At 30th June 2013	**203,679**	**342**	**49**	**1,700**	**696**	**912**	**4,446**	**211,824**

* The revenue reserve includes HK$1,505 million representing the declared first interim dividend for the period (31st December 2012: HK$3,761 million representing the second interim dividend for 2012).

22. NON-CONTROLLING INTERESTS

	HK$M
At 1st January 2013	
as originally stated	39,693
impact of change in accounting policy	222
as restated	39,915
Share of profits less losses for the period	1,508
Share of cash flow hedges	
– recognised during the period	5
– deferred tax	(1)
Share of revaluation of property previously occupied by the Group	
– gain recognised during the period	3
Share of other comprehensive income of joint venture and associated companies	35
Share of translation differences on foreign operations	62
Share of total comprehensive income for the period	**1,612**
Dividends paid and payable	(576)
Change in composition of the Group	9
Capital contribution from non-controlling interests	15
At 30th June 2013	**40,975**

23. CAPITAL COMMITMENTS

	30th June 2013 HK$M	31st December 2012 HK$M (Restated)
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**6,546**	8,291
Authorised by Directors but not contracted for	**5,363**	3,182
Investment properties		
Contracted for	**1,230**	1,648
Authorised by Directors but not contracted for	**6,947**	7,064
The Group's share of capital commitments of joint venture companies*		
Contracted for	**3,559**	1,799
Authorised by Directors but not contracted for	**2,592**	4,898
	6,151	6,697

* of which the Group is committed to funding HK$1,056 million (31st December 2012: HK$818 million).

24. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$1,111 million (31st December 2012: HK$1,107 million).

(b) Contingent tax liabilities

Certain Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2006/07 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 the ultimate outcome of the IRD's review with an acceptable degree of certainty. Consequently no provision has been recognised in these interim accounts for any amounts that may fall due in regard to these queries.

There is a contingent tax liability totalling HK$579 million in respect of the IRD queries for the years under review. The companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK$42 million and one of the companies involved has purchased Tax Reserve Certificates of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK$537 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK$303 million as at 30th June 2013. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD's review of this matter and consequently to make a judgement as to its materiality.

(c) Cathay Pacific Airways

Cathay Pacific Airways Limited ("Cathay Pacific") remains the subject of antitrust proceedings in various jurisdictions and continues to defend itself vigorously. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In 2006 the Competition Bureau of Canada (the "Bureau") commenced a non-public investigation of Cathay Pacific's air cargo operations. On 20th June 2013, pursuant to a plea agreement entered into by Cathay Pacific and the Bureau, the Ontario Superior Court of Justice accepted Cathay Pacific's plea of guilty with respect to certain violations of the Canadian Competition Act relating to a NavCan surcharge. Pursuant to the plea agreement and the Court's judgment, Cathay Pacific agreed to pay a fine of CAD$1.5 million (approximately HK$11 million at the exchange rate current when the judgment was entered). Cathay Pacific has satisfied the judgment.

In December 2008, Cathay Pacific received a statement of claim, since amended, from the New Zealand Commerce Commission ("NZCC") with regard to Cathay Pacific's air cargo operations. Agreement has been reached between Cathay Pacific and the NZCC to settle the allegations which arose out of the amended statement of claim. Under the settlement, which has been approved by the High Court of New Zealand, Cathay Pacific has pleaded guilty to certain violations of the Commerce Act 1986 and agreed to make a payment of NZ$4.56 million (approximately HK$30 million at the April 2013 exchange rate), made up of a penalty of NZ$4.30 million and a contribution of NZ$0.26 million to the legal costs of the NZCC. Cathay Pacific has satisfied the judgment.

24. CONTINGENCIES (continued)

(c) Cathay Pacific Airways (continued)

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of €57.12 million (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal is currently pending.

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

The proceedings and civil actions, except as otherwise stated above, are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

25. RELATED PARTY TRANSACTIONS

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from joint venture and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements commenced on 1st January 2011 and will last for three years until 31st December 2013. For the period ended 30th June 2013, service fees payable amounted to HK$125 million (2012: HK$108 million). Expenses of HK$100 million (2012: HK$102 million) were reimbursed at cost; in addition, HK$142 million (2012: HK$143 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the period ended 30th June 2013, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$40 million (2012: HK$35 million).

The above transactions under the Services Agreement and the JSSHK Tenancy Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

25. RELATED PARTY TRANSACTIONS (continued)

In addition, the following is a summary of significant transactions between the Group and related parties (including transactions under the JSSHK Tenancy Framework Agreement), which were carried out in the normal course of the Group's business, in addition to those transactions disclosed elsewhere in the accounts.

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2013 HK$M**	2012 HK$M (restated)	**2013 HK$M**	2012 HK$M (restated)	**2013 HK$M**	2012 HK$M	**2013 HK$M**	2012 HK$M
Revenue from	(a)								
Sales of beverage drinks		**–**	–	**8**	9	**–**	–	**–**	–
Aircraft and engine maintenance		**18**	36	**1,341**	1,206	**–**	–	**–**	–
Rendering of services		**–**	–	**2**	1	**2**	–	**–**	–
Purchases of beverage drinks	(a)	**26**	51	**935**	920	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	3	**5**	12	**–**	–	**–**	–
Purchases of services	(a)	**9**	4	**9**	6	**26**	14	**–**	–
Rental revenue	(b)	**2**	2	**5**	4	**7**	7	**33**	30
Interest income	(c)	**16**	11	**–**	–	**–**	–	**–**	–
Interest charges	(c)	**3**	6	**–**	–	**–**	–	**–**	–

Notes:

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

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

(c) Loans advanced to joint venture and associated companies are disclosed in notes 13 and 14. Advances to and from joint venture companies are disclosed in notes 17 and 18.

26. EVENTS AFTER THE REPORTING PERIOD

(a) As referred to in Note 44 to the Company's consolidated accounts for the year ended 31st December 2012, the options in respect of the remaining part of Swire Properties' additional interest in the Daci Temple project were extended for a further year from January 2013. Sino-Ocean Land exercised its call option and purchased from Swire Properties a 13% interest in the Daci Temple project during July 2013. Following the completion of this transaction, Swire Properties' interest in the project was reduced to 50% and Sino-Ocean Land's interest in the project was increased to 50%. This has no impact on Swire Properties' accounting for its interest in the Daci Temple project, as it had previously accounted for this as a 50% interest in a joint venture. The exercise of the call option will be treated as a repayment of a secured loan in the second half of 2013.

(b) On 7th August 2013, GC Acquisitions VI Limited ("GCA"), which holds a 20% interest in the retail portion of the Taikoo Li Sanlitun development in Beijing, gave notice of its intention to exercise its option to sell that 20% interest to a subsidiary of Swire Properties at a fair price as at 31st December 2013 based on that percentage interest. The fair price will reflect the fair market value of the portions of Taikoo Li Sanlitun in which GCA is interested, subject to certain agreed assumptions and adjustments. The sale is expected to be completed in early 2014.

CORPORATE GOVERNANCE

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

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

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out 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 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. T.G. Freshwater ceased to be a Director of the Community Chest of Hong Kong with effect from 25th June 2013 and Chairman and a Non-Executive Director of Grosvenor Asia Pacific Limited with effect from 1st July 2013.

2. R.W.M. Lee was appointed as a Member of the Financial Services Advisory Committee of Hong Kong Trade Development Council with effect from 1st April 2013. She was also appointed Co-chairman of the Campaign Committee of the Community Chest of Hong Kong with effect from 1st April 2013, Board Member of the Community Chest of Hong Kong with effect from 25th June 2013 and Vice-Chairman of the Finance Professional Committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao in June 2013. She ceased to be Vice-Chairman of the China Committee of Hong Kong General Chamber of Commerce with effect from 9th July 2013.

3. M.C.C. Sze was appointed as a Director of SADS HK Foundation Limited with effect from 11th June 2013.

DIRECTORS' INTERESTS

At 30th June 2013, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Pacific Limited						
'A' shares						
Baroness Dunn	100,000	–	–	100,000	0.0110	
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
P A Kilgour	5,000	–	–	5,000	0.0006	
C D Pratt	41,000	–	–	41,000	0.0045	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	850,000	–	21,605,000	22,455,000	0.7497	2
C D Pratt	100,000	–	–	100,000	0.0033	
J B Rae-Smith	17,500	–	–	17,500	0.0006	
I S C Shiu	–	20,000	–	20,000	0.0007	

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,140,523	–	19,222,920	22,363,443	22.36	3
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
J B Rae-Smith	18,821	–	9,628	28,449	0.09	1
M B Swire	846,476	–	5,655,441	6,501,917	21.67	3

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Swire Properties Limited						
Ordinary Shares						
Baroness Dunn	70,000	–	–	70,000	0.00120	
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
P A Kilgour	3,500	–	–	3,500	0.00006	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	2
C D Pratt	4,200	–	–	4,200	0.00007	
J B Rae-Smith	2,450	–	3,500	5,950	0.00010	1
I S C Shiu	–	2,800	–	2,800	0.00005	
M B Swire	–	–	138,855	138,855	0.00237	3
M C C Sze	4,200	–	–	4,200	0.00007	

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Total no. of shares	Percentage of issued capital (%)
Cathay Pacific Airways Limited				
Ordinary Shares				
I S C Shiu	1,000	–	1,000	0.00003

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Other	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	1,200	11,200	0.0067
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

Notes:

1. All the shares held by J B Rae-Smith under "Trust interest" are held by him as beneficiary of trusts.
2. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
3. M B Swire is a trustee of trusts which held 138,855 shares in Swire Properties Limited and 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons 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 OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th June 2013, the Company had been notified of the following interests in the Company's shares:

	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Long position					
Substantial Shareholders					
John Swire & Sons Limited	278,769,520	30.78	2,051,533,782	68.49	1
Aberdeen Asset Management plc	118,712,051	13.11	360,638,226	12.04	2
JPMorgan Chase & Co.	45,346,013	5.01	–	–	3

	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Short position					
JPMorgan Chase & Co.	187,100	0.02	–	–	4

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 278,769,520 'A' shares and 2,051,533,782 'B' shares of the Company as at 30th June 2013, comprising:
   (a) 885,861 'A' shares and 13,367,962 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 206,455,500 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 10,075,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.
3. The shares held by JPMorgan Chase & Co. are held in the following capacities:

Capacity	No. of shares
Beneficial owner	1,368,631
Investment manager	290,420
Custodian Corporation / Lending agent	43,686,962

4. This short position is held in the capacity as beneficial owner and comprises physically settled derivatives listed or traded on a stock exchange or on a futures exchange.

At 30th June 2013, the Swire group owned interests in shares of the Company representing 45.80% of the issued capital and 59.74% of the voting rights.

Glossary

TERMS

FINANCIAL

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

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

Net debt or consolidated borrowed money Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying equity attributable to the Company's shareholders Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China.

Underlying profit Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

AVIATION

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Available tonne kilometres ("ATK") Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

Revenue tonne kilometres ("RTK") Traffic volume, measured in load tonnes from the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

RATIOS

FINANCIAL

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

$$\text{Equity attributable to the Company's shareholders per share} = \frac{\text{Equity before non-controlling interests}}{\text{Weighted average number of shares in issue during the period}}$$

$$\text{Underlying equity attributable to the Company's shareholders per share} = \frac{\text{Underlying equity before non-controlling interests}}{\text{Weighted average number of shares in issue during the period}}$$

$$\text{Interest cover} = \frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$$

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

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

AVIATION

$$\text{Passenger/Cargo and mail load factor} = \frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$$

$$\text{Passenger/Cargo and mail yield} = \frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses}}{\text{ATK}}$$

Financial Calendar and Information for Investors

FINANCIAL CALENDAR 2013

Interim Report sent to shareholders	28th August
'A' and 'B' shares trade ex-dividend	11th September
Share registers closed	13th September
Payment of 2013 first interim dividends	4th October
Annual results announcement	March 2014
Second interim dividends payable	May 2014
Annual General Meeting	May 2014

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DESIGN:
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STOCK CODES	'A'	'B'
Hong Kong Stock Exchange	19	87
ADR	SWRAY	SWRBY

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

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PricewaterhouseCoopers

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REQUEST FOR FEEDBACK

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