SWIRE PACIFIC

Swire Pacific Limited

INTERIM REPORT 2014

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

Contents

Financial Highlights

	Note	Six months ended 30th June			Year ended 31st December
		2014 HK$M	2013 HK$M	**Change %**	2013 HK$M
Turnover		**30,111**	23,776	**+27%**	51,437
Operating profit		**8,557**	8,783	**-3%**	16,686
Profit attributable to the Company's shareholders		**6,484**	6,608	**-2%**	13,291
Cash generated from operations		**7,698**	6,572	**+17%**	14,301
Net cash (outflow)/inflow before financing		**(2,049)**	1,043	**N/A**	(211)
Total equity (including non-controlling interests)		**264,552**	253,702	**+4%**	262,508
Net debt		**58,226**	47,524	**+23%**	50,505
		HK$	HK$		HK$
Earnings per share	(a)				
'A' share		**4.31**	4.39	**-2%**	8.83
'B' share		**0.86**	0.88		1.77
		HK$	HK$		HK$
Dividends per share					
'A' share		**1.10**	1.00	**+10%**	3.50
'B' share		**0.22**	0.20		0.70
		HK$	HK$		HK$
Equity attributable to the Company's shareholders per share	(b)				
'A' share		**147.35**	141.38	**+4%**	146.41
'B' share		**29.47**	28.28		29.28

UNDERLYING PROFIT AND EQUITY

	Note	Six months ended 30th June			Year ended 31st December
		2014 HK$M	2013 HK$M	**Change %**	2013 HK$M
Underlying profit attributable to the Company's shareholders	(c)	**4,330**	3,297	**+31%**	8,471
		HK$	HK$		HK$
Underlying earnings per share	(a)				
'A' share		**2.88**	2.19	**+31%**	5.63
'B' share		**0.58**	0.44		1.13
		HK$	HK$		HK$
Underlying equity attributable to the Company's shareholders per share	(b), (c)				
'A' share		**152.06**	145.74	**+4%**	150.74
'B' share		**30.41**	29.15		30.15

Notes:

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

(b) Refer to the glossary on page 75 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 33.

Chairman's Statement

CONSOLIDATED RESULTS

Our consolidated profit attributable to shareholders for the first half of 2014 was HK$6,484 million, HK$124 million lower than for the first half of 2013. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$1,033 million to HK$4,330 million.

This increase in underlying profit reflects higher profits from the Property, Aviation, Beverages, and Trading & Industrial Divisions and lower profits from the Marine Services Division.

DIVIDENDS

The Directors have declared first interim dividends of HK$1.10 (2013: HK$1.00) per 'A' share and HK$0.22 (2013: HK$0.20) per 'B' share for the period ended 30th June 2014. The first interim dividends, which total HK$1,655 million (2013: HK$1,505 million), will be paid on 7th October 2014 to shareholders registered at the close of business on the record date, being Friday 12th September 2014. Shares of the Company will be traded ex-dividend as from Wednesday 10th September 2014.

The register of members will be closed on Friday 12th September 2014, 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 11th September 2014.

HALF-YEAR OPERATING PERFORMANCE

Attributable underlying profit from the Property Division increased by HK$868 million to HK$3,058 million in the first half of 2014. This increase mainly reflects higher profits from property investment and property trading. There was growth in gross rental income at the office and retail properties in Hong Kong and at TaiKoo Hui and Taikoo Li Sanlitun in Mainland China. Profits from property trading arose principally from sales of units in the ARGENTA and MOUNT PARKER RESIDENCES residential developments in Hong Kong. The group's share of profits from the DUNBAR PLACE residential joint venture also contributed to the increase. The performance of the hotel portfolio improved, in particular in Mainland China.

The Property Division's net investment property valuation gain, before deferred tax in Mainland China, in the first half of 2014 was HK$3,254 million, compared to a net gain in the first half of 2013 of HK$4,680 million.

Attributable profit from the Aviation Division was HK$357 million for the first half of 2014, compared with a profit of HK$271 million in the same period in 2013. The Cathay Pacific group contributed a profit of HK$156 million, compared with a profit of HK$11 million in the first half of 2013. A number of factors had a significant negative impact on Cathay Pacific's business in the first six months of this year. The principal adverse factors were reduced passenger yield, continued weakness and over-capacity in the air cargo market, the continued high fuel price and a weak performance from Cathay Pacific's associated company, Air China.

Attributable profit from the Hong Kong Aircraft Engineering Company Limited ("HAECO") group was HK$212 million, a decrease of 21% from the corresponding figure in 2013. A total of 5.0 million airframe maintenance manhours were sold in the first half of 2014. HAECO's newly acquired subsidiary, TIMCO Aviation Services, Inc. ("TIMCO"), contributed 1.7 million manhours and manhours sold by Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") increased by 1%. This was partly offset by a 5% decrease in manhours sold at HAECO. Demand for HAECO's line maintenance services in Hong Kong remained stable. Taikoo Engine Services (Xiamen) Company Limited ("TEXL") performed well. It overhauled more engines and made a profit (compared to a loss in the first half of 2013). Hong Kong Aero Engine Services Limited ("HAESL") overhauled fewer engines than in the same period last year and profits decreased. The results of the other subsidiaries and joint ventures in Mainland China were lower than those of the same period last year.

The Beverages Division recorded an attributable profit of HK$403 million in the first half of 2014, an increase of 14% compared to the first half of 2013. Excluding a non-recurring profit of HK$69 million recorded in the first half of 2013, attributable profit increased by 41%. This result principally reflected a strong performance in Mainland China, and generally lower raw material costs. Overall sales volume grew by 6% to 505 million unit cases. Sales volumes increased in Mainland China and the USA but fell in Hong Kong and Taiwan. The assumption of new franchise territories in Denver and Colorado Springs was completed in May 2014.

The Marine Services Division reported an attributable profit of HK$658 million, a 3% decrease from the same period in 2013. This decrease principally reflected lower profits at the Hongkong United Dockyards group. Profits at Swire Pacific Offshore ("SPO") were similar to those of the same period last year. Excluding non-recurring profits, relating principally to the sale of vessels, SPO's attributable profit increased by 10%. SPO's results benefited from the additional revenue from new vessels delivered and higher utilisation rates for the fleet of construction and specialist vessels. SPO's overall fleet utilisation increased by 2.5 percentage points to 89.1%. Average daily charter hire rates rose by 16%.

Attributable profit from the Trading & Industrial Division in the first half of 2014 increased by 121% to HK$212 million. The increase principally reflects better results from Taikoo Motors and reduced losses from Campbell Swire. This was partly offset by weaker results from the Swire Retail group and increased start-up costs from Swire Pacific Cold Storage.

FINANCE

In the first half of 2014, we raised HK$7,579 million of new finance. This principally comprised HK dollar, US dollar and Renminbi bank loans and an issue of a HK dollar denominated medium-term note under Swire Pacific's medium-term note programme.

Net debt at 30th June 2014 was HK$58,226 million, an increase of HK$7,721 million since 31st December 2013. The increase principally reflects investments in property projects, in new vessels for SPO and the acquisition of TIMCO by HAECO. Gearing increased by 2.8 percentage points to 22.0%. Cash and undrawn committed facilities totalled HK$25,809 million at 30th June 2014, compared with HK$30,806 million at 31st December 2013.

PROSPECTS

Overall business conditions for the Group are expected to be generally positive in the second half of 2014.

Swire Properties' Hong Kong office portfolio is expected to show further improvement. The fall in retail sales in Hong Kong has resulted in retailers becoming more cautious. However, this is not expected to have a significant adverse effect on Swire Properties' retail properties in Hong Kong, which remain fully let.

Retail sales at Swire Properties' shopping malls in Beijing and Guangzhou are expected to record continued strong growth in the second half of 2014. Demand for our office space in Beijing and Guangzhou remains good, but concerns remain about the over-supply of office space in Guangzhou.

Demand for luxury residential properties in Hong Kong has picked up over the last three months, a trend that is likely to continue. In the second half of 2014, further property trading profits are expected to be recognised, principally on sales of units at our residential developments.

Cathay Pacific expects business to be better in the second half of 2014. Its financial position remains strong and will enable it, despite the current difficult trading conditions, to maintain the quality of its products and services and to continue with its long-term strategic investment in its business.

The size of HAECO's workforce in Hong Kong has now stabilised. However, capacity in the second half of the year is expected to remain flat due to the time required to train new staff. Demand for the airframe maintenance services of TAECO and TIMCO is expected to be lower in the second half of the year. TEXL is expected to perform well. A reduction in demand for engine overhaul services is expected to continue to have an impact on HAESL's performance.

The Beverages Division expects sales volume growth to continue, but margins will come under increasing pressure in the second half of the year. Raw material costs remain favourable in most territories.

The growth in SPO's core business should continue in the second half of 2014. SPO's positioning as a safe, reliable provider of high quality services will help to ensure that it remains a preferred supplier to the industry and that vessel utilisation levels are maintained.

The results of the Trading & Industrial Division for the second half of 2014 are expected to be affected by the cost of new business development.

We believe that our strategy of seeking sustainable growth in shareholder value over the long-term in a broad range of businesses will continue to be successful.

John Slosar
Chairman
Hong Kong, 14th August 2014

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 13.4 million square feet of gross floor area. 1.9 million square feet is under development on Hong Kong Island and in Kowloon. 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 City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.1 million square feet (6.7 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 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. In the United Kingdom, Swire Properties wholly-owns four hotels. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), a residential complex under development at Brickell City Centre in Miami, an office property under development as part of the Daci Temple project in Chengdu and unsold units in completed developments. These completed developments are the ARGENTA, AZURA and MOUNT PARKER RESIDENCES developments on Hong Kong Island and the DUNBAR PLACE development in Kowloon. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

Swire Properties is listed on the Hong Kong stock exchange.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Turnover			
Gross rental income derived from			
Office	**2,790**	2,619	5,386
Retail	**2,086**	1,931	3,961
Residential	**169**	161	329
Other revenue*	**64**	41	110
Property investment	**5,109**	4,752	9,786
Property trading	**2,707**	571	2,207
Hotels	**522**	431	942
Total turnover	**8,338**	5,754	12,935
Operating profit/(loss) derived from			
Property investment	**3,943**	3,538	7,309
Valuation gains on investment properties	**2,346**	4,016	6,141
Property trading	**807**	278	1,035
Hotels	**(8)**	(44)	(65)
Total operating profit	**7,088**	7,788	14,420
Share of post-tax profits from joint venture and associated companies	**1,104**	717	948
Attributable profit	**6,446**	6,897	12,448
Swire Pacific share of attributable profit	**5,286**	5,656	10,207

* Other revenue is mainly estate management fees.

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	**2014 HK$M**	2013 HK$M	2013 HK$M
Reported attributable profit		**6,446**	6,897	12,448
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(3,254)**	(4,680)	(6,946)
Deferred tax on investment properties	(b)	**505**	409	573
Realised profit on sale of investment properties	(c)	**19**	23	94
Depreciation of investment properties occupied by the Group	(d)	**11**	10	20
Non-controlling interests' share of revaluation movements less deferred tax		**3**	11	19
Underlying attributable profit		**3,730**	2,670	6,208
Swire Pacific share of underlying attributable profit		**3,058**	2,190	5,091

Notes:

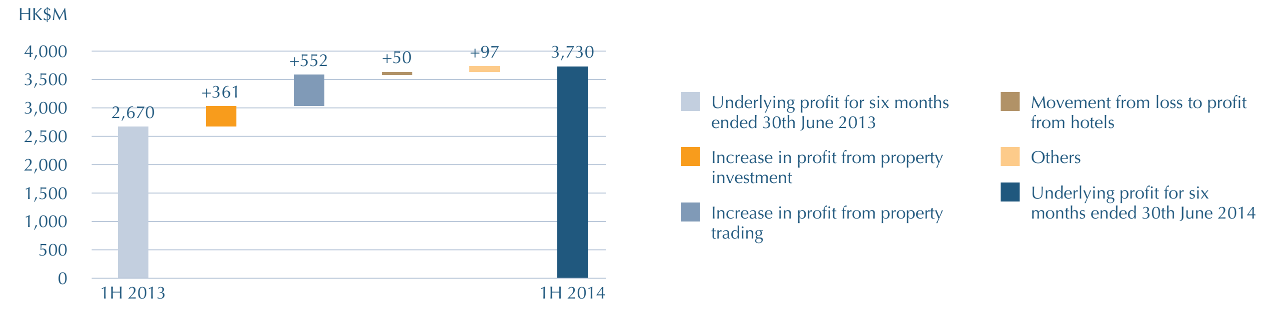
(a) This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of joint venture and associated companies.

(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 2014 was HK$5,286 million compared to HK$5,656 million in the first half of 2013. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$3,254 million and HK$4,680 million respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK$868 million to HK$3,058 million. This increase mainly reflects higher profits from property investment and property trading.

Gross rental income amounted to HK$5,045 million in the first half of 2014 compared with HK$4,711 million in the first half of 2013, the increase principally reflecting positive rental reversions from office and retail properties in Hong Kong. In Mainland China, gross rental income from TaiKoo Hui and Taikoo Li Sanlitun benefited from positive rental reversions and higher retail sales.

An operating profit of HK$807 million from property trading activities was recognised in the first half of 2014. This largely arose from sales of units at the ARGENTA and MOUNT PARKER RESIDENCES residential developments. Profits were also recognised on sales of units at Swire Properties' 50%-owned DUNBAR PLACE residential joint venture development.

The performance of the hotel portfolio improved, particularly (despite new supply) the hotels in Mainland China.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In January 2014, Swire Properties acquired 50% of the DCH Commercial Centre, an office building with a gross floor area of approximately 389,000 square feet in Quarry Bay, Hong Kong. The building was renamed Berkshire House.

In January 2014, Swire Properties entered into a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian. Swire Properties plans to hold a 50% interest in the joint venture. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the relevant Government leases to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. The development is expected to be completed in 2018.

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

Location	At 30th June 2014						At 31st December 2013
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
TaiKoo Place	5,451*	–	–	–	–	5,451	5,257
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	98	–	1,163	1,163
– Hong Kong	9,680	2,424	743	541	–	13,388	13,194
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	**11,710**	**5,754**	**2,142**	**593**	**–**	**20,199**	20,005
Under and pending development							
– Hong Kong	1,746	12	–	63	92	1,913	1,722
– Mainland China	926	1,141	346	41	–	2,454	2,454
– United States	260	587	218	109	1,300	2,474	2,452
Total	**14,642**	**7,494**	**2,706**	**806**	**1,392**	**27,040**	26,633

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 894,000 square feet at two techno-centres (Warwick House and Cornwall House).

INVESTMENT PROPERTIES

Hong Kong

Office

The Hong Kong office portfolio's gross rental income for the first half of 2014 increased by 6% compared with the first half of 2013, to HK$2,630 million. This reflected positive rental reversions at Pacific Place and Island East. At 30th June 2014, the office occupancy rate was 97%.

Demand for the Group's office space in Hong Kong has improved. Mainland Chinese companies are taking more space in the central district and our existing tenants are renting more space. The occupancy rate at Pacific Place offices rose to 93% at 30th June 2014. At Island East, rents remain robust due to high occupancy and solid demand. The occupancy rate at 28 Hennessy Road continued to improve and reached 95% at 30th June 2014. Generali Tower generated stable rental income during the period following the commencement of a ten-year lease in September 2013.

Retail

The Hong Kong retail portfolio's gross rental income for the first half of 2014 increased by 5% compared with the first half of 2013, to HK$1,344 million. Occupancy rates at the division's wholly-owned malls were 100%.

Cityplaza Mall at Island East is undergoing a HK$100 million enhancement. The first phase of the enhancement was completed in March 2014 with the opening of the Beauty Zone, an area dedicated to cosmetics and skincare. The second phase, comprising the Family and Lifestyle Zones, was completed in July 2014. The final phase is expected to be completed by the end of November 2014. Completion of the enhancement will enable 35 new tenants to be brought into the mall, so broadening choice for consumers.

Investment Properties under Development

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments with a gross floor area of approximately 75,000 square feet. The property has been named TAIKOO PLACE APARTMENTS and will comprise 111 serviced apartments. The development is expected to be completed by the end of 2014 and to open in the middle of 2015.

The commercial site adjacent to the Citygate Outlets development at Tung Chung is being developed into a multi-storey commercial building with a gross floor area of approximately 460,000 square feet. The development is expected to be completed in 2017. Swire Properties holds a 20% interest in the development.

The commercial site at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay acquired by tender in November 2013 will be developed into an office building, with a gross floor area of approximately 555,000 square feet. Building design is in progress. The development is expected to be completed in 2017.

In February 2014, Swire Properties entered into an agreement with the Hong Kong Government to acquire its interest in Cornwall House in TaiKoo Place, Hong Kong. The transaction is expected to be completed on or before 30th December 2016. The acquisition will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade A office buildings. The first phase of the redevelopment is underway. Somerset House is being demolished and will be redeveloped into a 51 storey office building with a gross floor area of approximately 1,000,000 square feet. It is expected to be completed in 2018. The second phase of the redevelopment (the redevelopment of Cornwall House and Warwick House into an office tower) is being planned.

Outlook

Swire Properties' Hong Kong office portfolio is expected to show further improvement, with modest additional demand for office space in the central district and continued firm rental levels on renewals at Island East.

The fall in retail sales in Hong Kong has resulted in retailers becoming more cautious. However, this is not expected to have a significant adverse effect on Swire Properties' retail properties in Hong Kong, which remain fully let.

Mainland China

Retail

The Mainland China retail portfolio's gross rental income for the first half of 2014 was HK$742 million, an increase of 13% compared to the same period in 2013.

Retail sales increased by 23% at Taikoo Li Sanlitun following recent changes to the tenant mix and completion of structural works designed to improve traffic flows around the mall. Gross rental income growth at this development reflected continued improvement in reversionary rents. At 30th June 2014, the overall occupancy rate was 97%.

In February 2014, Swire Properties completed the purchase of a 20% interest in Taikoo Li Sanlitun from GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, following the exercise of an option by GCA to sell its interest in Taikoo Li Sanlitun to Swire Properties in August 2013. Following this transaction, Taikoo Li Sanlitun became wholly-owned by Swire Properties.

Retail sales at the TaiKoo Hui development in Guangzhou grew by 13% in the first half of 2014. The mall was 99% leased at 30th June 2014. The first major renewal of leases at the TaiKoo Hui mall takes place later this year and discussions with new and existing tenants are progressing well.

The mall at INDIGO in Beijing was 95% occupied at 30th June 2014. Retail sales increased by 94% in the first half of 2014. The mall will benefit from direct access to line 14 of the Beijing Metro, which is expected to open in late 2014.

Office

The Mainland China office portfolio's gross rental income for the first half of 2014 was HK$152 million, an increase of 18% compared to the same period in 2013.

Occupancy at the office portion of TaiKoo Hui rose to 99% at 30th June 2014. This was in spite of substantial new supply of space in Guangzhou over the last 18 months.

Occupancy at ONE INDIGO in Beijing was 96% at 30th June 2014.

Investment Properties under Development

Pre-letting at Sino-Ocean Taikoo Li Chengdu, the retail portion of the Daci Temple project, is satisfactory. Commitments (including letters of intent) have been received for over 80% of the lettable area. Façade installation works are in progress. The development is expected to open in late 2014. Internal fit-out works at The Temple House (the hotel and serviced apartment portion of the project) are in progress.

At the Dazhongli development in Shanghai, construction of the office, hotel and retail portions is in progress. Upon completion in phases from 2016, the development will comprise a retail mall, two office towers and three hotels. The project will be linked to line 13 of the Shanghai Metro.

Outlook

Retail sales at Swire Properties' shopping malls in Beijing and Guangzhou are expected to record continued strong growth in the second half of 2014. Demand for decentralised office space in Beijing remains good, reflecting rental increases in the central business district. In Guangzhou, there is demand for prime office space in Tianhe central business district. Nevertheless, the supply of new office space in the city is expected to be substantial over the coming years.

USA

Phase I of the Brickell City Centre development, comprising a shopping centre, a hotel, serviced apartments, two office buildings and two residential towers, is scheduled to be completed by the end of 2015. The residential towers are being developed for sale. Swire Properties owns 100% of the office, hotel and residential portions and 87.5% of the retail portion of Phase I.

Phase II is planned to be a mixed-use development comprising retail, office, hotel and condominium space, including an 80 storey tower called One Brickell City Centre. Swire Properties owns 100% of Phase II.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2014 (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$218,988 million compared to HK$216,239 million at 31st December 2013 and HK$209,899 million at 30th June 2013.

The increase in the valuation of the investment property portfolio is mainly due to higher rental income at the offices at Island East in Hong Kong and at the malls in Hong Kong, Beijing and Guangzhou.

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.

Financial Information Reviewed by Auditors

Investment Properties	HK$M
At 1st January 2014	**216,239**
Translation differences	**(605)**
Additions	**1,496**
Disposals	**(21)**
Net transfers to property, plant and equipment	**(265)**
Other net transfers to properties for sale	**(138)**
Net fair value gains	**2,282**
At 30th June 2014	**218,988**
Add: Initial leasing costs	**242**
At 30th June 2014 (including initial leasing costs)	**219,230**
At 1st January 2014 (including initial leasing costs)	**216,524**

HOTELS

Hong Kong

Both the managed and non-managed hotels in Hong Kong performed well in the first half of 2014. Average room rates and food and beverage sales grew.

Mainland China

Occupancy rates at The Opposite House and EAST, Beijing improved in the first half of 2014 despite an increase in the supply of new hotel rooms. Occupancy rates at the Mandarin Oriental, Guangzhou improved in the first half of 2014 despite an over-supply of hotel rooms.

A third House hotel, The Temple House, is expected to open in late 2014 as part of the Daci Temple project in Chengdu. It will be managed by Swire Hotels.

Others

The Mandarin Oriental in Miami performed well in the first half of 2014. Room rates were higher compared to the same period in 2013.

Occupancy and room rates at the UK hotels were satisfactory in the first half of 2014, showing some improvement compared to the same period in 2013.

Outlook

The performance of the hotels in Hong Kong is expected to be stable in the second half of 2014. Trading conditions for the division's hotels in Mainland China are expected to continue to improve.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				Commitments*
	Six months ended 30th June 2014 HK$M	Six months ending 31st December 2014 HK$M	2015 HK$M	2016 HK$M	2017 & beyond HK$M	**at 30th June 2014 HK$M**
Property project						
Hong Kong projects	**3,151**	811	1,740	3,215	12,089	**17,855**
Mainland China projects	**1,016**	1,346	2,018	1,461	390	**5,215**
USA and other projects	**1,014**	318	1,633	8	–	**1,959**
Total	**5,181**	2,475	5,391	4,684	12,479	**25,029**

* 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$1,728 million of the capital commitments of joint venture companies.

PROPERTY TRADING

Hong Kong

122 of the 126 units at the AZURA development on Seymour Road had been sold at 12th August. The profit from the sale of three units was recognised in the first half of 2014.

23 of the 30 units at the ARGENTA development, also on Seymour Road, had been sold at 12th August. Profits were recognised on sales of nine units in the first half of 2014.

48 of the 53 units at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, had been sold at 12th August. Handover to purchasers began in January 2014. The profit from the sale of 45 units was recognised in the first half of 2014. Swire Properties holds a 50% interest in this development.

Sales of apartments at MOUNT PARKER RESIDENCES in Quarry Bay began in March 2014. 73 of the 92 units had been sold at 12th August. Handover to purchasers began in May 2014 and the profit from the sale of 57 units was recognised in the first half of 2014. The profit from the sale of the remaining units is expected to be recognised in the second half of 2014. Swire Properties holds an 80% interest in this development.

Superstructure work at AREZZO, the residential development at 33 Seymour Road, is progressing on schedule, with completion expected in the second half of 2014. Superstructure work at 2 Castle Road (formerly known as 33 Seymour Road (Phase 2)) is in progress, with completion expected in 2016.

Two adjacent residential sites at 160 South Lantau Road, Cheung Sha, on Lantau Island, are being developed into detached houses. Superstructure works are in progress. The development is expected to be completed and available for handover to purchasers in 2015.

Mainland China

Superstructure and façade installation works at Pinnacle One, the office tower at the Daci Temple project in Chengdu, are in progress. 89% of the gross floor area was pre-sold in August 2013. The tower is scheduled for handover later this year.

USA

Pre-sales of apartments at the residential portion of Brickell City Centre began in June 2014. 204 of 390 units had been pre-sold at 12th August 2014, with 16 of the buyers having customary unexpired rights of rescission. The units are expected to be completed and available for handover to purchasers in late 2015 or 2016.

Outlook

Demand for luxury residential properties in Hong Kong has picked up over the last three months, a trend that is likely to continue into the second half. In the second half of 2014, property trading profits are expected to be recognised on sales of units at the MOUNT PARKER RESIDENCES, AZURA, ARGENTA and DUNBAR PLACE developments in Hong Kong and on the sale of the office portion of the Daci Temple development in Chengdu, Mainland China.

Martin Cubbon

AVIATION DIVISION

The Aviation Division principally comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering Company ("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 Limited ("Air China") and an interest in Air China Cargo Co., Ltd. ("Air China Cargo"). In addition, the Cathay Pacific group provides flight catering and ramp and passenger handling services and owns and operates a cargo terminal.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
HAECO group			
Turnover	**5,337**	3,222	7,387
Operating profit	**258**	174	266
Attributable profit	**212**	269	469
Share of post-tax profits from associated companies			
Cathay Pacific group	**156**	11	1,179
Attributable profit	**357**	271	1,627

Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		
		2014	2013	**Change %**
Available tonne kilometres ("ATK")*	*Million*	**13,545**	12,520	**+8.2%**
Available seat kilometres ("ASK")*	*Million*	**65,474**	62,187	**+5.3%**
Passenger revenue	*HK$M*	**36,520**	34,978	**+4.4%**
Revenue passengers carried	*'000*	**15,437**	14,497	**+6.5%**
Passenger load factor*	*%*	**83.6**	81.3	**+2.3%pt**
Passenger yield*	*HK¢*	**66.6**	69.0	**-3.5%**
Cargo revenue – Group	*HK$M*	**11,663**	11,278	**+3.4%**
Cargo revenue – Cathay Pacific and Dragonair	*HK$M*	**10,028**	9,625	**+4.2%**
Cargo and mail carried	*Tonnes '000*	**804**	741	**+8.5%**
Cargo and mail load factor*	*%*	**63.2**	62.4	**+0.8%pt**
Cargo and mail yield*	*HK$*	**2.17**	2.33	**-6.9%**
Cost per ATK*	*HK$*	**3.57**	3.69	**-3.3%**
Cost per ATK without fuel	*HK$*	**2.20**	2.23	**-1.3%**
Aircraft utilisation	*Hours per day*	**12.0**	11.6	**+3.4%**
On-time performance*	*%*	**70.7**	77.7	**-7.0%pt**

* Refer to Glossary on page 75 for definitions.

RESULTS SUMMARY

The Aviation Division reported an attributable profit of HK$357 million in the first half of 2014. This compared with a profit of HK$271 million in the same period in 2013.

CATHAY PACIFIC GROUP

The Cathay Pacific group's attributable profit on a 100% basis was HK$347 million for the first half of 2014, compared with a profit of HK$24 million in the first half of 2013. Turnover for the period rose by 5% to HK$50,840 million. The share of losses from Cathay Pacific's associated companies increased.

A number of factors had a significant negative impact on Cathay Pacific's business in the first six months of this year. The principal adverse factors were reduced passenger yield, continued weakness and over-capacity in the air cargo market, the continued high fuel price and a weak performance from Cathay Pacific's associated company, Air China.

Passenger revenue for the period increased by 4% to HK$36,520 million compared with the first half of 2013. 15.4 million passengers were carried, a rise of 7%. Capacity increased by 5%. The passenger load factor increased by 2.3 percentage points. Yield fell by 4% to HK66.6 cents.

The Cathay Pacific group's cargo revenue for the first half of 2014 increased by 3% to HK$11,663 million compared with the same period in 2013. The cargo capacity of Cathay Pacific and Dragonair increased by 11%. The tonnage carried increased by 9% to 804,000 tonnes. The cargo load factor rose by 0.8 percentage points to 63%. Yield decreased by 7% to HK$2.17.

Fuel remains the airlines' most significant cost, accounting for 38% of total operating costs in the first half of 2014. The group's fuel cost increased by HK$980 million (or 5%) compared with the same period in 2013. This was primarily due to a 6% increase in consumption. In the first half of 2014, hedging activities resulted in a gain of HK$1,024 million. A significant amount of this gain is unrealised.

Cathay Pacific (which accounts for its share of Air China's results three months in arrear) recorded a loss from Air China in the first half of 2014. A reduced loss was recorded from Air China Cargo.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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

Passenger demand was strong in all classes of travel on long-haul routes, particularly to North America and London. Demand on regional routes was generally robust, although strong competition put downward pressure on yield and demand was weak on certain Southeast Asian routes.

Cathay Pacific and Dragonair continue to develop their passenger networks. Cathay Pacific introduced services to Doha and Newark in March and has announced the introduction of services to Manchester and Zurich from December 2014 and March 2015 respectively. The Los Angeles service was increased to four-times-daily in June. The Chicago service was increased to 10 flights per week (from daily) in August. One more flight per day has been added to the Osaka service. The network in the

Middle East has also been reorganised. Cathay Pacific stopped flying to Abu Dhabi, Karachi and Jeddah but has improved its schedules on other Middle Eastern routes. Dragonair started flying to Denpasar-Bali and Penang (replacing Cathay Pacific on the latter route). Dragonair increased frequencies on the Beijing, Da Nang, Kaohsiung, Phuket and Siem Reap routes. The frequency on the Yangon route will become daily from September.

Cathay Pacific's new business class, premium economy class and economy class seats have been installed in all Cathay Pacific's Boeing 777-300ER and long-haul Airbus A330-300 aircraft. Installation of new regional business class seats is almost complete. The update of its first class seats in Boeing 777-300ER aircraft will be finished by March 2015. New business and economy class seats had been installed in 23 Dragonair aircraft at 30th June 2014. The first Dragonair aircraft to be fitted with new first class seats entered service in February.

Cargo Services

Cathay Pacific and Dragonair

The world's air cargo industry has been affected by weak demand since 2011. Overcapacity in the industry remains a major concern and has made it difficult to increase rates. Cathay Pacific continued to manage capacity in line with demand in the first half of the year. During the period, Cathay Pacific tagged Mexico City onto its Guadalajara cargo service and increased this service from two to three flights per week. A cargo service to Columbus in the United States was introduced in March and moved to three flights per week from June. Cathay Pacific will introduce a cargo service to Calgary in Canada from October. It stopped operating a cargo service to Manchester in June.

Air Hong Kong

In the first half of 2014, Air Hong Kong recorded a higher profit compared with the same period in 2013. Capacity and load factor increased marginally compared with the first half of 2013.

Fleet Profile

At 30th June 2014, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 182, an increase of one since 31st December 2013.

In the first half of 2014, the Cathay Pacific group took delivery of five new aircraft: two Boeing 777-300ERs, two Airbus A330-300s and (for Dragonair) one Airbus A321-200.

Two Boeing 747-400 passenger aircraft were retired during the period. As part of agreements entered into with The Boeing Company in 2013, Cathay Pacific is selling its six Boeing 747-400F freighters back to The Boeing Company. Four of these freighters are now parked and all six will have left the fleet by 2016.

In the first half of 2014, the Cathay Pacific group planned the accelerated retirement of 11 Airbus A340-300 aircraft. Four of these aircraft will be retired by the end of 2015 and the remaining seven will be retired by the end of 2017.

At 30th June 2014, the Cathay Pacific group had 90 aircraft on order for delivery by 2024. In the second half of 2014, Cathay Pacific and Dragonair will take delivery of 11 new aircraft. Four Boeing 747-400 passenger aircraft will be retired.

Fleet Profile*

Aircraft type	Number at 30th June 2014 Owned	Leased Finance	Leased Operating	Total	Firm orders '14	Firm orders '15	Firm orders '16 and beyond	Total	Expiry of operating leases '14	'15	'16	'17	'18	'19 and beyond	Options
Aircraft operated by Cathay Pacific:															
A330-300	16	15	6	**37**	3	3		**6**		2	1	1		2	
A340-300	6	5		**11**[a]											
A350-900							22[b]	**22**							
A350-1000							26	**26**							
747-400	10[c]		1	**11**						1					
747-400F	6			**6**[d/e]											
747-400BCF			1[f]	**1**									1		
747-400ERF		6		**6**											
747-8F	2	11		**13**			1[e]	**1**							
777-200	5			**5**											
777-200F															5[g]
777-300	8	4		**12**											
777-300ER	9	11	20	**40**	7	6[e]		**13**				2	2	16	
777-9X							21[e]	**21**							
Total	62	52	28	**142**	10	9	70	**89**		3	1	3	3	18	5
Aircraft operated by Dragonair:															
A320-200	5		10	**15**									2	8	
A321-200	2		5	**7**	1[h]			**1**						5	
A330-300	8		10	**18**					2	1	2	4		1	
Total	15		25	**40**	1			**1**	2	1	2	4	2	14	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		**8**											
747-400BCF			3	**3**							1	2			
Total	2	6	3	**11**[i]							1	2			
Grand total	**79**	**58**	**56**	**193**	**11**	**9**	**70**	**90**	**2**	**4**	**4**	**9**	**5**	**32**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 30th June 2014.

(a) Cathay Pacific planned the accelerated retirement of 11 Airbus A340-300 aircraft. Four of these aircraft will be retired by the end of 2015 and the remaining seven will be retired by the end of 2017.

(b) Including two aircraft on 12-year operating leases.

(c) Two aircraft were retired in August 2014.

(d) Four aircraft were parked, one in May 2013, two in January 2014 and one in February 2014.

(e) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters.

(f) Aircraft was parked in August 2013.

(g) Purchase options in respect of five Boeing 777-200F freighters.

(h) Aircraft on an 8-year operating lease.

(i) Air Hong Kong operates a total of 13 aircraft. It has two Airbus A300-600F freighters on wet leases, with lease terms ending in 2015. In May, Air Hong Kong early terminated one of the wet leases, which will be changed to a dry lease with effect from October 2014.

Air China

The Cathay Pacific group's share of the results of Air China (in which the Cathay Pacific group has a 20.13% interest) is based on its financial statements drawn up three months in arrear. Consequently the 2014 interim results include Air China's results for the six months ended 31st March 2014, adjusted for any significant events or transactions for the period from 1st April 2014 to 30th June 2014.

Air China suffered a loss in the six months ended 31st March 2014. Air China's results were adversely affected by a difficult operating environment and substantial foreign exchange losses caused by the depreciation of the Renminbi.

Air China Cargo

A reduced loss was recorded by Air China Cargo in the first half of 2014 compared to the first half of 2013. This was mainly due to the retirement of older aircraft and the introduction of more modern ones.

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

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

The financial results for the first half of 2014 were better than expected, because of increases in the numbers of customer airlines served and flights handled and cost savings.

Cathay Pacific Services Limited ("CPSL")

CPSL, a wholly owned subsidiary of Cathay Pacific, operates the new Cathay Pacific cargo terminal at Hong Kong International Airport.

CPSL reported a reduced loss for the first half of 2014 compared with the same period in 2013. The improvement mainly reflected the fact that the cargo terminal became fully operational in October 2013.

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 rise in profit in the first half of 2014 compared to the first half of 2013. This was due to an increase in business volume and effective management of operating costs.

Hong Kong Airport Services Limited ("HAS")

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

The financial results for the first half of 2014 improved compared with the same period in 2013. The improvement was attributable to higher handling rates introduced during the first half of 2014. Some customers switched to lower cost service providers. This is likely to have an adverse effect on the full year's financial performance.

Outlook

The operating environment for the Cathay Pacific group – and the aviation industry as a whole – remains challenging. It faces significant competition in its passenger business. This makes it difficult to maintain yields. The air cargo business remains problematic because of excess capacity. Intense competition similarly puts pressure on yield. On the plus side, the Cathay Pacific group continues to strengthen its passenger network and the connections available through Hong Kong. The high quality of its products and services increases its attractiveness to passengers. Cathay Pacific expects its new freighter fleet and new cargo terminal to allow it to compete successfully in the air cargo market in the long term.

Cathay Pacific expects business to be better in the second half of 2014. Its financial position remains strong and will enable it, despite the current difficult trading conditions, to maintain the quality of its products and services and to continue with its long-term strategic investment in its business. As always, Cathay Pacific remains committed to strengthening the world class aviation hub in its home, Hong Kong.

Ivan Chu

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

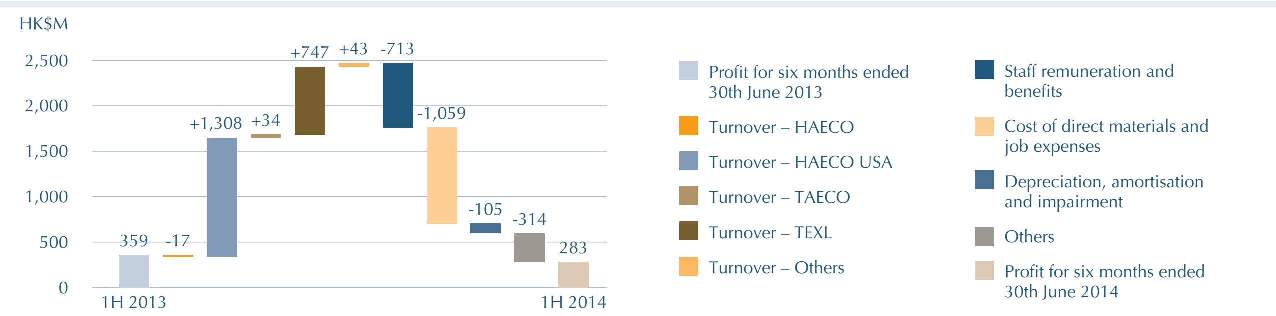
The HAECO group provides aviation maintenance and repair services, in Hong Kong through HAECO, in Xiamen through its subsidiary company Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") and in the United States through its 100% owned subsidiary company TIMCO Aviation Services, Inc. ("TIMCO"). Engine overhaul work is performed by HAECO's joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAESL's joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL"), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL") and by a subsidiary of TIMCO. 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
	2014 HK$M	2013 HK$M	2013 HK$M
Turnover			
HAECO	**1,554**	1,571	3,169
HAECO USA	**1,308**	N/A	N/A
TAECO	**1,009**	975	1,860
TEXL	**1,299**	552	2,095
Others	**167**	124	263
Net operating profit	**225**	155	228
Profit attributable to the Company's shareholders			
HAECO	**42**	44	60
HAECO USA	**(3)**	N/A	(35)
TAECO	**51**	62	90
TEXL	**68**	(13)	39
Share of profit/(loss) of:			
HAESL and SAESL	**136**	255	465
Other subsidiary and joint venture companies	**(11)**	11	6
Total	**283**	359	625
Swire Pacific Share	**212**	269	469

Note: The TIMCO group's results are reported within the results of HAECO USA from the date the acquisition of TIMCO was completed, which was 6th February 2014. The turnover and profit attributable to HAECO USA stated above therefore relate to the TIMCO group for the period 6th February 2014 to 30th June 2014.

HAECO Group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2014	2013	**Change**
Airframe maintenance manhours sold – HAECO	*Million*	**1.26**	1.32	**-4.5%**
Airframe maintenance manhours sold – TIMCO	*Million*	**1.73**	N/A	**N/A**
Airframe maintenance manhours sold – TAECO	*Million*	**1.97**	1.95	**+1.0%**
Line maintenance movements handled – HAECO	*Average per day*	**327**	326	**+0.3%**

RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in the first half of 2014 on a 100% basis was HK$283 million, a decrease of 21% compared to the corresponding figure in 2013 of HK$359 million.

A total of 4.96 million airframe maintenance manhours were sold by HAECO, TIMCO and TAECO in the first half of 2014. TIMCO contributed 1.73 million manhours and manhours sold by TAECO increased by 1%. This was partly offset by a 5% decrease in manhours sold at HAECO.

Demand for HAECO's line maintenance services in Hong Kong remained stable.

TEXL recorded a profit in the first half of the year with a total of 29 engines overhauled. HAESL overhauled 68 engines, 37% fewer than the number overhauled in the same period last year.

The overall results of the group's other subsidiaries and joint ventures in Mainland China were lower than those of the same period last year. This principally reflected losses at Taikoo (Xiamen) Landing Gear Services Company Limited ("TALSCO") and HAECO Component Overhaul (Xiamen) Limited ("CAO China").

HAECO

HAECO recorded a 5% decrease in attributable profit, to HK$42 million. 1.26 million airframe maintenance manhours were sold by HAECO in the first half of 2014, 5% fewer than in the first half of 2013. More staff were recruited and fewer staff left. However, airframe maintenance capacity was constrained by the length of time required to train new staff. Approximately 72% of the work was for airlines based outside Hong Kong.

Line maintenance aircraft movements increased marginally compared with the first half of 2013, with an average of 327 aircraft handled per day.

HAECO USA

HAECO USA completed the acquisition of 100% of the shares of TIMCO in February and contributed a small loss (HK$3 million) in the first half of the year.

Demand for TIMCO's airframe maintenance services was strong. 1.73 million manhours were sold. TIMCO opened three new line maintenance stations in the first half of 2014, so that it now has maintenance stations at 18 airports in the United States. Demand for Pratt & Whitney JT8D engine overhaul services was steady in the first half of 2014. 23 engines were overhauled and two were sold by TIMCO.

The performance of TIMCO's cabin integration services and interior products manufacturing businesses benefited from work on two large cabin integration programmes and the shipment of approximately 4,300 premium economy and economy seats. However, the overall performance was adversely affected by the deferral of some work.

TAECO

TAECO recorded an 18% decrease in attributable profit in the first half of 2014 to HK$51 million. Demand for airframe maintenance services was stable in the first half of the year. However labour costs were higher. Manhours sold increased from 1.95 million in the first half of 2013 to 1.97 million in the first half of 2014. Three narrow-body passenger aircraft were converted to cargo aircraft in the first half of the year, compared to one in the first half of 2013.

TEXL

TEXL completed 14 quick turn repairs and 15 performance restorations of GE90 aircraft engines. More engines were overhauled, more work was done per engine and more components were repaired in the first half of 2014 than in the first half of 2013. This resulted in TEXL making satisfactory profits compared with a loss in the first half of 2013.

HAESL and SAESL

HAESL recorded a 53% decrease in profit to HK$211 million. The reduction in profit was mainly a result of fewer engines being overhauled and less overhaul work being done per engine. This reflected a reduction in the required frequency of scheduled maintenance of engines (in particular, of Trent 700 engines) and the retirement of older engine types. Engine output was 68 in the first half of 2014 compared with 108 in the corresponding period last year.

SAESL recorded a 24% decrease in profit in the first half of 2014, reflecting fewer engines overhauled.

Other Principal Subsidiary and Joint Venture Companies

HXITM provides inventory technical management services to Cathay Pacific and other airlines. In the first half of 2014, the total number of aircraft for which services were provided was 225, an increase of 6% over the equivalent period in 2013. Profits increased accordingly.

TALSCO resumed landing gear overhaul work for customers in April 2014. It reported a higher loss in the first half of 2014 as the results for the comparative period included income from a business interruption insurance policy.

CAO China, a 100%-owned subsidiary, started to operate in May 2014. It incurred a loss in the first half of the year. This principally reflected training and pre-operating expenses.

Outlook

The group continues to invest in order to expand its facilities and technical capabilities and to improve and widen the range of services it can offer to customers.

In Hong Kong, improvements in remuneration, career development opportunities and training have resulted in more staff joining and fewer leaving. Consequently, the size of the workforce stabilised in the first half of 2014. However, it still takes considerable time to train new staff to reach the required level of skill and experience. As a result, HAECO's available aircraft maintenance capacity in the second half of 2014 is expected to remain flat.

Demand for line maintenance services is expected to remain stable.

Demand for the airframe maintenance services of TAECO and TIMCO is expected to be lower in the second half of the year.

TEXL is expected to perform well. HAESL's performance is expected to continue to be impacted by a reduction in demand for engine overhaul services.

The municipal government in Xiamen has submitted a proposal to government authorities in Beijing to develop a new airport at Xiang'an. The timing of the development of the new airport and its impact on the operations of TAECO and other HAECO group companies at the existing airport are not yet clear. Management maintains regular communication with the local authorities and intends to develop plans for continued operations in Xiamen.

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 in 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 57 beverage brands and distributes them to a franchise population of over 450 million people.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Turnover	**7,815**	7,263	15,054
Operating profit	**480**	373	864
Share of post-tax profits from joint venture and associated companies	**182**	202	397
Attributable profit	**403**	355	802

Segment Information

	Turnover			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M	**2014 HK$M**	2013 HK$M	2013 HK$M
Mainland China	**4,151**	3,760	7,614	**258**	203	415
Hong Kong	**976**	993	2,145	**73**	73	177
Taiwan	**649**	657	1,418	**1**	(2)	22
USA	**2,039**	1,853	3,877	**89**	95	217
Central costs	**–**	–	–	**(18)**	(14)	(29)
Beverages Division	**7,815**	7,263	15,054	**403**	355	802

Accounting for the Beverages Division

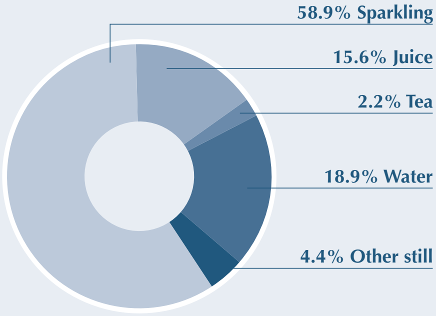
The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan, the USA and Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries and fully consolidated in the financial statements of Swire Pacific. Turnover and operating profit shown above, 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$4,444 million in the first half of 2014 (2013 first-half: HK$4,267 million). The turnover of Coca-Cola Bottlers Manufacturing Holdings Limited, excluding sales to the seven franchises, was HK$2,662 million in the first half of 2014 (2013 first-half: HK$2,656 million). The sales volume for Mainland China shown in the table below represents sales in the seven franchises only.

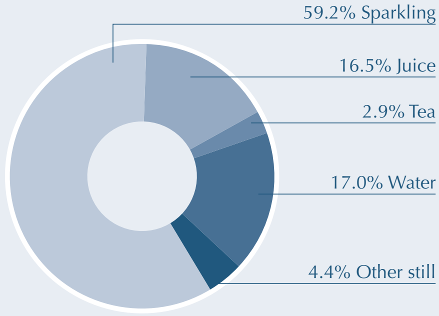
Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2014	**407.0**	**29.3**	**24.8**	**43.6**	**504.7**
Six months ended 30th June 2013	378.2	29.8	27.2	40.3	475.5

Breakdown of Total Volume by Category (%)



Six months ended 30th June 2014



Six months ended 30th June 2013

RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$403 million in the first half of 2014, an increase of 14% compared with the same period in 2013. Excluding a non-recurring profit of HK$69 million on remeasurement of an associate recorded in the first half of 2013, attributable profit increased by 41%. This increase principally reflected a strong performance in Mainland China, and generally lower raw material costs.

Overall sales volume grew by 6% to 505 million unit cases. Sales volumes increased in Mainland China and the USA but fell in Hong Kong and Taiwan.

Mainland China

Attributable profit from Mainland China for the first half of 2014 was HK$258 million, a 27% increase from the first half of 2013.

Sales volume increased by 8% compared with the same period in 2013. Sparkling sales volume grew by 8% and water sales volume grew by 18%. New product launches, in particular Schweppes +C, Shuidongle and Ice Dew Pure Joy, helped to increase sales volume.

Margins improved by 8% per unit case due to lower raw material costs (mainly sweetener and resin). Effective management of other variable costs also contributed to the improved attributable profits.

Hong Kong

Attributable profit from Hong Kong for the first half of 2014 was HK$73 million, which was in line with the first half of 2013.

Sales volume fell by 2% compared with the same period in 2013 due to lower sales of sparkling and tea drinks. Water, coffee and juice sales volumes grew.

Margins improved by 7% per unit case, mainly due to lower raw material costs and price increases. Operating costs were well controlled.

Taiwan

The attributable profit from Taiwan for the first half of 2014 was HK$1 million compared with a loss of HK$2 million in the first half of 2013.

Sales volume fell by 9% compared with 2013, reflecting generally weak retail sales in most sectors. Sparkling and still beverage sales volumes both fell by 9%. Margins benefited from reductions in raw material costs, in particular sweeteners.

USA

Attributable profit from the USA for the first half of 2014 was HK$89 million, a 6% decrease from the first half of 2013.

Sales volume increased by 8% compared with the same period in 2013. Sparkling sales volume grew by 2%. Still sales volume grew by 28%.

Operating expenses were higher than those of the same period in 2013 due to higher staff costs and additional expenses associated with the assumption of new franchise territories in Denver and Colorado Springs, which was completed in May 2014. This has increased the franchise population by 4.5 million people and contributed sales volume of 3.4 million unit cases in the first half of the year.

Outlook

Overall, sales volume growth is expected to continue, but margins will come under increasing pressure in the second half of the year.

Supported by summer marketing campaigns and new product launches, sales in Mainland China are expected to grow moderately. Raw material costs are expected to remain low. Operating costs, in particular staff costs, will continue to put pressure on margins.

The Hong Kong business is expected to maintain its strong market position and intends to expand its product portfolio in the second half of the year. Raw material prices should remain low, allowing margins to be maintained. Capacity constraints at the Shatin facility and labour shortages are problems in the summer months.

The retail environment in Taiwan will remain weak. It is expected that the second variant of Real Leaf tea (introduced in the first half of 2014) will strengthen tea sales, and that the introduction of new Minute Maid products will improve the product offering. Raw material prices are expected to remain low.

The second half of 2014 looks reasonably promising for the USA business. Most raw material prices should remain low. Sales volume is expected to increase as a result of promotional events during the summer months. The newly assumed territories are expected to make a positive contribution in the second half of the year.

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 the USA. SPO has a logistics business working in the oil and gas industry and a subsea Inspection, Maintenance and Repair ("IMR") business. The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

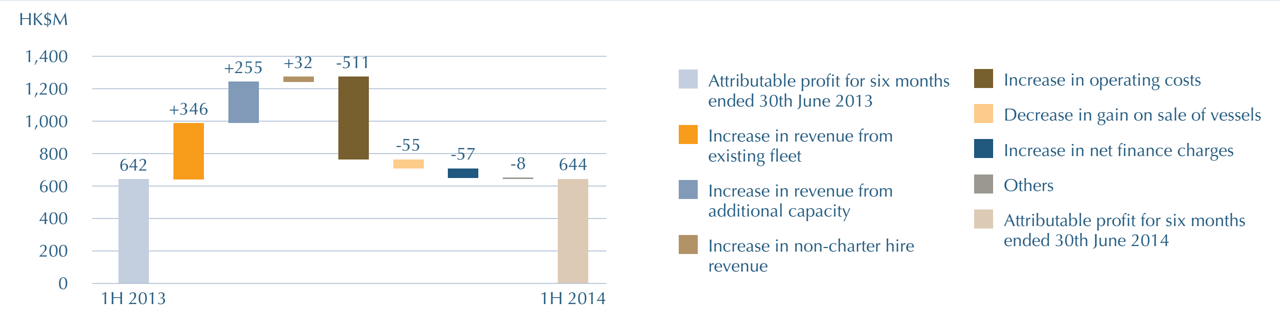
Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Swire Pacific Offshore group			
Charter hire revenue	**3,013**	2,412	5,257
Non-charter hire revenue	**497**	465	1,035
Turnover	**3,510**	2,877	6,292
Charter hire related operating profit	**679**	452	1,121
Non-charter hire related operating profit	**129**	256	383
Operating profit	**808**	708	1,504
Attributable profit	**644**	642	1,243
Share of post-tax profits from joint venture companies			
HUD group	**14**	37	64
Attributable profit	**658**	679	1,307

Fleet Size

	At 30th June		At 31st December
	2014	2013	2013
Fleet size (number of vessels)			
Swire Pacific Offshore group	**86**	80	82
HUD group – Hongkong Salvage & Towage	**20**	20	20
Total	**106**	100	102

SPO – Movement in Attributable Profit



RESULTS SUMMARY

The attributable profit of the Marine Services Division in the first half of 2014 was HK$658 million, a decrease of 3% compared to the same period in 2013. This decrease principally reflected lower profits at the HUD group.

Swire Pacific Offshore group

SPO reported an attributable profit of HK$644 million for the first half of 2014, similar to that of the first half of 2013. Excluding non-recurring profits of HK$5 million in the first half of 2014 and HK$60 million in the equivalent period in 2013, which include profits on disposal of one vessel in 2014 and four vessels in 2013, attributable profit increased by 10%.

During the half-year, five new vessels were delivered, comprising four large anchor handling tug supply ("AHTS") vessels and one large platform supply vessel ("PSV"). One older vessel was sold in January 2014.

The fleet size at 30th June 2014 was 86, compared to 80 at 30th June 2013.

Charter hire revenue increased by 25% to HK$3,013 million in the first half of 2014. This was mainly due to the additional contribution from new vessels and higher utilisation rates for the construction and specialist vessels ("CSV").

Fleet utilisation during the first half of 2014 was 89.1%, 2.5 percentage points higher than in the first half of 2013. Utilisation of SPO's core fleet of AHTSs and PSVs increased by 2.5 percentage points to 89.6%. Utilisation of SPO's fleet of CSVs improved by 5.0 percentage points to 86.3%, mainly reflecting higher utilisation of SPO's IMR vessels.

Average charter hire rates rose by 16% to USD29,100 per day. Average charter hire rates for the core fleet were USD21,900 per day, an increase of 12%, which was due to higher specification vessels entering the fleet. The CSV fleet's average charter hire rates rose by 4% to USD94,600 per day.

Non-charter hire income increased by 7% to HK$497 million in the first half of 2014, mainly due to increased activity in the group's logistics business.

Total operating costs increased by HK$511 million in the first half of 2014. The increase was in line with the increase in revenue and included the additional cost of operating new vessels.

Fleet Expansion

Total capital expenditure on new vessels and other fixed assets during the first half of 2014 amounted to HK$1,878 million, compared to HK$2,664 million in the first half of 2013.

During the half-year, SPO exercised options to purchase an additional four PSVs. These vessels are expected to be delivered in 2016 and 2017.

Delays have been encountered in the construction of four large PSVs in a Brazilian shipyard. Discussions are taking place with the yard.

At 30th June 2014, SPO had a total capital expenditure commitment of HK$6,503 million (31st December 2013: HK$7,198 million, 30th June 2013: HK$7,866 million).

Outlook

SPO remains optimistic about the second half of 2014. This is despite downward pressure on costs from oil and gas companies and the potential oversupply of vessels in the market. SPO's positioning as a safe, reliable provider of high quality services will help to ensure that it remains a preferred supplier to the industry and that vessel utilisation levels are maintained.

Strong demand for modern jack up vessels and dynamically positioned rigs and an increase in exploration activity in deeper waters means SPO's modern, fuel-efficient AHTS and PSV fleet is well-suited to the industry's future vessel requirements.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th June 2014 HK$M	Six months ending 31st December 2014 HK$M	2015 HK$M	2016 HK$M	2017 HK$M	**at 30th June 2014 HK$M**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**1,827**	1,685	2,892	1,155	640	**6,372**
Other fixed assets	**51**	52	67	12	–	**131**
Total	**1,878**	1,737	2,959	1,167	640	**6,503**

SPO – Fleet Size Growth

		Additions	**Disposals**	**Half-year**	Vessels expected to be received in:			
Vessel class	2013		**30th June 2014**		2014	2015	2016	2017
Anchor Handling Tug Supply Vessels	43	**–**	**1**	**42**	–	–	–	–
Large Anchor Handling Tug Supply Vessels	18	**4**	**–**	**22**	2	–	–	–
Platform Supply Vessels	8	**–**	**–**	**8**	2	4	1	3
Large Platform Supply Vessels	4	**1**	**–**	**5**	2	2	3	–
Construction and Specialist Vessels	9	**–**	**–**	**9**	–	–	–	–
	82	**5**	**1**	**86**	6	6	4	3

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 2014 was HK$14 million, compared to HK$37 million for the same period in 2013.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$25 million in the first half of 2014, compared with a loss of HK$14 million in the corresponding period in 2013. The results were adversely affected by continued competition from regional marine repair facilities and slower than expected development of the non-marine engineering business.

The profit of Hong Kong Salvage & Towage ("HKST") (before tax and interest and on a 100% basis) in the first half of 2014 was HK$69 million, compared to HK$102 million for the same period in 2013. Tug moves in the period were 7% lower than in the same period in 2013. Harbour towage revenue was adversely affected by the loss of a large harbour towage contract in November 2013. There was also a reduced contribution from HKST's waste management contracts, which were renewed at reduced rates.

HKST expects to sell a 4,000 BHP tug in the second half of 2014. The total fleet size, including container vessels, will be 19 after the disposal.

Outlook

The engineering division's marine business is likely to remain under pressure as regional competitors continue to offer lower pricing. There are non-marine business opportunities in Hong Kong in infrastructure projects and general engineering services.

Tug operations in Hong Kong waters are likely to remain under pressure as container shipping companies reduce the number of scheduled vessel port calls. HKST is pursuing sea-going and project work with a view to improving 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 Retail group:
  - (i) Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong, Macau and Mainland China
  - (ii) Swire Brands group – investment in Columbia China and other brand-owning companies
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan, Hong Kong, Mainland China and Malaysia
- Swire Foods group:
  - (i) Taikoo Sugar – packaging and selling of sugar in Hong Kong and Mainland China
  - (ii) Campbell Swire – distribution of soup and broth products in Mainland China
  - (iii) Swire Foods – marketing and distribution of food and coffee products in Hong Kong and 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
- Swire Sustainable Business group:
  - (i) Swire Waste Management – provision of waste management services in Hong Kong
  - (ii) Swire Sustainability Fund – investment in clean and early-stage sustainable technology companies

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Turnover			
Swire Retail group	**1,498**	1,841	3,896
Taikoo Motors group	**3,355**	2,574	5,322
Swire Foods group	**333**	327	726
	5,186	4,742	9,944
Operating profits/(losses)			
Swire Retail group	**23**	65	211
Taikoo Motors group	**146**	17	90
Swire Foods group	**2**	3	13
Swire Pacific Cold Storage group	**(30)**	(16)	(39)
Other subsidiary companies and central costs	**(8)**	(6)	(15)
	133	63	260
Attributable profits/(losses)			
Swire Retail group	**36**	54	139
Taikoo Motors group	**121**	9	57
Swire Foods group	**1**	1	7
Campbell Swire	**(13)**	(46)	(125)
Swire Pacific Cold Storage group	**(25)**	(13)	(31)
Akzo Nobel Swire Paints	**100**	98	206
Swire Waste Management	**–**	(1)	(1)
Other subsidiary companies and central costs	**(8)**	(6)	(15)
Attributable profit	**212**	96	237

RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2014 increased by 121% from the corresponding period in 2013 to HK$212 million. The increase principally reflects better results from Taikoo Motors and reduced losses from Campbell Swire. This was partly offset by weaker results from the Swire Retail group and costs associated with developing the Swire Pacific Cold Storage business.

Swire Retail group

Attributable profit decreased by 33% in the first half of 2014 to HK$36 million.

Turnover in Hong Kong and Macau was 12% higher than in the same period in 2013. Retail sales benefited from demand from visitors from Mainland China. Gross margins improved due to less discounting, but operating costs, in particular occupancy, advertising and staff costs, continued to increase. Swire Resources managed 170 retail outlets in Hong Kong and Macau at the end of the period, a net decrease of 10 outlets since 31st December 2013.

Turnover in Mainland China decreased by 86% compared with the same period in 2013. This principally reflected the replacement of Swire Resources' Columbia distributorship by an interest, with Columbia, in an associated company from 1st January 2014. Excluding the Columbia business, turnover was 19% higher than that of the first half of 2013. Gross margins declined as a result of more discounting. Higher occupancy and staff costs were partly offset by lower inventory provisions for slow moving stock. Swire Resources operated 68 retail outlets in Mainland China (excluding the Columbia business) at the end of the period, a decrease of three outlets since 31st December 2013.

The performance of the new Columbia China associated company was satisfactory.

Swire Brands acquired a minority interest in Rebecca Minkoff, which sells affordable luxury apparel, handbags and accessories, in June 2014.

Taikoo Motors group

Taikoo Motors recorded an attributable profit in the first half of 2014 of HK$121 million, compared with a profit of HK$9 million in the same period in 2013.

Turnover increased by 30% in the first half of 2014, mainly due to an increase in the number of vehicles sold. In total, 12,661 cars, commercial vehicles and motorcycles were sold in the first half of 2014, 44% more than in the same period in 2013. Gross margins improved, mainly due to a better sales mix. This was partly offset by the cost of developing new dealership businesses in Mainland China and Malaysia.

Taiwan

Sales of passenger cars and light commercial vehicles increased by 34% compared with the same period in 2013 to 7,373 units. Sales of commercial vehicles increased by 23% and of motorcycles and scooters by 65%. 363 vehicles were assembled in the first half of the year, an increase of 16% compared with the same period last year.

Hong Kong

167 Fiat and Alfa Romeo passenger cars were sold in the first half of 2014, a decrease of 17% compared with the same period in 2013. The group started to sell Jeep passenger cars in January 2014; 47 units were sold in the first half of 2014. 275 Volvo and UD trucks were sold in the first half of the year, an increase of 79% compared with the same period last year.

Mainland China

Sales of Volkswagen passenger cars in Shanghai and Fuzhou started in September 2013 and in January 2014 respectively. 203 cars were sold in the first half of 2014.

Malaysia

Taikoo Motors began selling Volkswagen passenger cars in Malaysia in November 2013. 179 cars were sold in the first half of 2014.

Swire Foods group

Swire Foods (including Taikoo Sugar)

Swire Foods (including Taikoo Sugar) reported an attributable profit of HK$1 million for the first half of 2014, in line with that of the same period in 2013. Volumes of sugar sold in Hong Kong and Mainland China dropped by 10% and rose by 27% respectively. The costs associated with developing new businesses rose. Swire Foods expanded its product range in Mainland China to include dried fruits and began distributing Mövenpick coffee through a joint venture in Hong Kong.

In June 2014, Swire Foods entered into conditional agreements to acquire Chongqing New Qinyuan Bakery Co. Ltd., a leading bakery chain in southwest China with over 400 stores in Chongqing, Guiyang and Chengdu. 65% of the equity will be acquired from a private equity fund and the acquisition of these shares is expected to close in the first half of 2015, following satisfaction of certain conditions (including the Ministry of Commerce's approval). The remaining equity will be acquired in 2017 if certain additional conditions are met.

Campbell Swire

Campbell Swire's attributable loss in the first half of 2014 was HK$13 million, compared with a loss of HK$46 million in the same period in 2013.

Sales of soup and broth products increased by 2% in the first half of 2014. The joint venture closed down its production facilities in June 2014 and outsourced production to Swire Beverages in July 2014.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss for the first half of 2014 of HK$25 million, compared with a loss of HK$13 million in the same period in 2013. 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$5 million from the 60% interest in Guangdong Swire Cold Chain Logistics Co. Ltd., where performance was in line with expectations.

The cold storage facility in Shanghai commenced operations in June 2014. The Hebei facility is expected to be completed in the third quarter of 2014. The Nanjing and Ningbo facilities are expected to be completed in 2015.

The capital commitments of the Swire Pacific Cold Storage group at 30th June 2014 were HK$1,656 million.

Akzo Nobel Swire Paints

Attributable profit at Akzo Nobel Swire Paints for the first half of 2014 was HK$100 million, compared to HK$98 million in the same period in 2013.

Sales volume in Mainland China was 144 million litres, an increase of 9% over the same period in 2013. Operating expenses were higher.

In Hong Kong, there was an attributable profit of HK$2 million, in line with that of the first half of 2013.

Swire Sustainable Business group

Swire Waste Management

Swire Waste Management reported a breakeven result in the first half of 2014, compared with an attributable loss of HK$1 million in the first half of last year. The operating profit from a waste management contract was offset by administrative costs and tender costs for new projects.

Swire Sustainability Fund

The Swire Sustainability Fund acquired a minority equity interest in a third early-stage sustainable technology company in June 2014. Avantium is a biotechnology company that develops and commercialises bio-based plastics and chemicals.

Outlook

Swire Retail's results in the second half of 2014 will continue to be adversely affected by the replacement of the Columbia China distributorship by an associated company and by the increased costs of developing the Chevignon brand and multibrand stores in Mainland China. The retail market in Hong Kong will remain highly competitive. Increased staff and occupancy costs are likely to put pressure on profit margins. Swire Brands will continue to seek attractive investment opportunities.

Taikoo Motors expects sales of vehicles to remain strong in the second half of 2014. The Volkswagen and Škoda groups plan to set up a national sales company in Taiwan. There will be a transitional period up to the end of 2014 at the end of which Taikoo Motors will cease to be the Volkswagen and Škoda importer in Taiwan. Taikoo Motors will focus on developing its Volkswagen and Škoda dealer network and its other motor-related businesses. The costs of developing and expanding showrooms are expected to increase.

Swire Foods intends to start selling rice-based dairy dessert products and its own brand of coffee in Mainland China in the second half of 2014. The joint venture with Mövenpick will commence distributing premium coffee in Mainland China.

Taikoo Sugar expects moderate sales growth in the second half of 2014. Taikoo Sugar has a 34% interest in a joint venture to build and operate a sugar refinery in Guangdong. Construction of the refinery has commenced, with operations expected to commence in mid-2015.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China. It intends to acquire a site in Chengdu in the second half of 2014 as a site for a fourth plant in Mainland China.

Other companies in the division will continue to seek further business opportunities.

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 2014 HK$M	Six months ended 30th June 2013 HK$M	Year ended 31st December 2013 HK$M
Underlying profit				
Profit attributable to the Company's shareholders per accounts		**6,484**	6,608	13,291
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(3,190)**	(4,525)	(6,650)
Deferred tax on investment properties	(b)	**505**	409	573
Realised profit on sale of investment properties	(c)	**29**	23	94
Depreciation of investment properties occupied by the Group	(d)	**11**	10	20
Non-controlling interests' share of adjustments		**491**	772	1,143
Underlying profit attributable to the Company's shareholders		**4,330**	3,297	8,471
Other significant non-recurring items:				
Loss/(profit) on sale of property, plant and equipment and other investments		**2**	(39)	(197)
Profit on sale of investment properties		**(15)**	–	(21)
Net impairment/(impairment reversal) of property, plant and equipment, leasehold land and intangible assets		**153**	(61)	161
Adjusted underlying profit		**4,470**	3,197	8,414
Underlying equity				
Equity attributable to the Company's shareholders per accounts		**221,703**	212,727	220,297
Deferred tax on investment properties		**4,124**	3,569	3,713
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,934**	1,807	1,840
Revaluation of investment properties occupied by the Group		**956**	1,115	890
Cumulative depreciation of investment properties occupied by the Group		**76**	65	67
Underlying equity attributable to the Company's shareholders		**228,793**	219,283	226,807
Underlying non-controlling interests		**44,460**	42,465	43,694
Underlying equity		**273,253**	261,748	270,501

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
	2014 HK$M	2013 HK$M	2013 HK$M
Net cash (used by)/from businesses and investments			
Cash generated from operations	**7,698**	6,572	14,301
Dividends received	**661**	735	1,356
Tax paid	**(377)**	(425)	(1,831)
Net interest paid	**(1,111)**	(948)	(1,969)
Cash used in investing activities	**(8,920)**	(4,891)	(12,068)
	(2,049)	1,043	(211)
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(4,439)**	(4,312)	(6,123)
Purchase of shares in an existing subsidiary company	**(1,256)**	–	–
Increase in borrowings	**7,617**	5,387	11,157
Capital contribution from non-controlling interests	**4**	15	20
	1,926	1,090	5,054
(Decrease)/increase in cash and cash equivalents	**(123)**	2,133	4,843

Cash used in investing activities during the first half of 2014 included cash used for stage payments for offshore support vessels under construction, for capital expenditure on property projects and for investments in subsidiary and joint venture companies.

Changes in Financing

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

	Six months ended 30th June 2014 HK$M	Year ended 31st December 2013 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**61,844**	50,370
Loans drawn and refinancing	**12,000**	17,900
Repayment of loans and bonds	**(4,383)**	(6,743)
Acquisition of a subsidiary company	**20**	–
Other non-cash movements	**(178)**	317
At 30th June/31st December	**69,303**	61,844

During the first half of 2014, the Group raised financing amounting to HK$7,579 million. This principally comprised:

- the issue of a ten-year medium-term note of HK$700 million under Swire Pacific's US$5 billion medium-term note programme
- a three-year term loan facility of RMB2,440 million replacing an expired RMB2,700 million facility
- three five-year term and revolving loan facilities totalling HK$2,250 million
- a five-year term loan facility of US$150 million
- a one-year revolving credit facility of US$19 million
- a three-year revolving credit facility of US$25 million
- a five-year revolving credit facility of US$10 million

Subsequent to 30th June 2014, a ten-year medium-term note of HK$300 million was issued under Swire Properties' US$3 billion medium-term note programme.

Sources of Finance

At 30th June 2014, committed loan facilities and debt securities amounted to HK$82,850 million, of which HK$14,783 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$9,423 million. Sources of funds at 30th June 2014 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	36,465	36,465	–	–
Bank loans, overdrafts and other loans	44,060	29,277	301	14,482
Perpetual capital securities	2,325	2,325	–	–
Total committed facilities	82,850	68,067	301	14,482
Uncommitted facilities				
Bank loans, overdrafts and other loans	11,031	1,608	9,423	–
Total	93,881	69,675	9,724	14,482

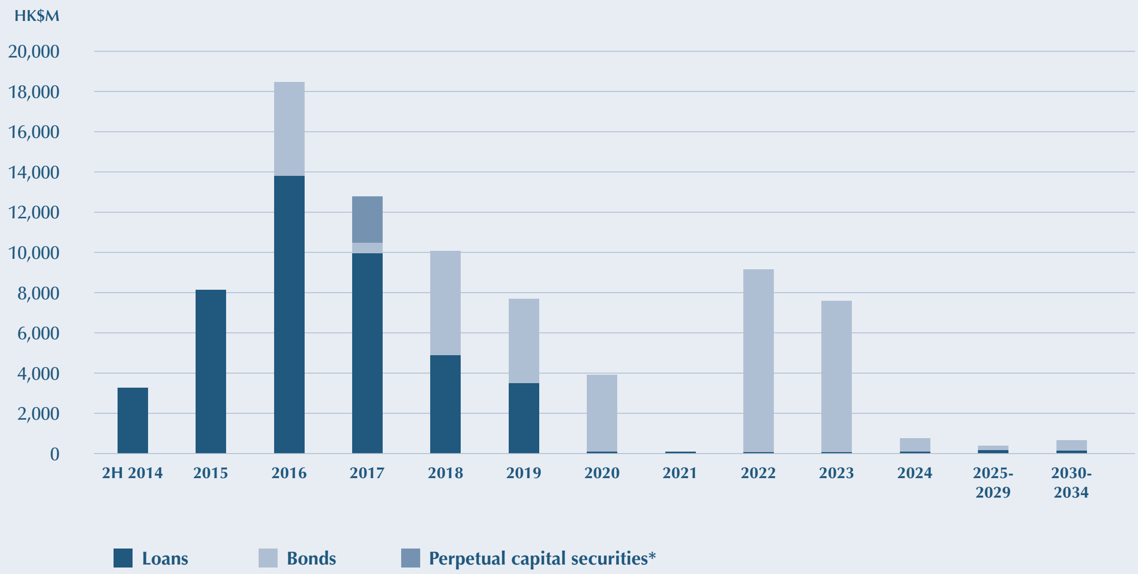
Note: The figures above are stated before unamortised loan fees of HK$372 million.

The Group had bank balances and short-term deposits of HK$11,026 million at 30th June 2014 compared to HK$11,288 million at 31st December 2013.

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 2014



* 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 2014		31st December 2013	
	HK$M		HK$M	
Within 1 year	**7,339**	**11%**	8,677	14%
1 – 2 years	**11,499**	**16%**	3,882	6%
2 – 5 years	**24,049**	**35%**	23,519	38%
After 5 years	**26,416**	**38%**	25,766	42%
Total	**69,303**	**100%**	61,844	100%

Currency Profile

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

	30th June 2014		31st December 2013	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**43,752**	**63%**	38,458	62%
Renminbi	**7,819**	**11%**	8,484	14%
United States dollar	**17,609**	**26%**	14,812	24%
New Taiwan dollar	**93**	**–**	65	–
Others	**30**	**–**	25	–
Total	**69,303**	**100%**	61,844	100%

Finance Charges

At 30th June 2014, 61% of the Group's gross borrowings were on a fixed rate basis and 39% were on a floating rate basis (31st December 2013: 66% and 34% respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Finance Charges			
Interest charged on:			
– Bank loans and overdrafts	**(388)**	(358)	(747)
– Other loans, bonds and perpetual capital securities	**(934)**	(781)	(1,639)
Fair value gains on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**51**	61	109
Amortised loan fees – loans at amortised cost	**(54)**	(41)	(89)
Fair value loss on put options over non-controlling interests in subsidiary companies	**(45)**	(144)	(149)
Other financing costs	**(53)**	(56)	(98)
Capitalised interest on:			
– Investment properties	**88**	25	63
– Properties for sale	**101**	130	256
– Hotels and other properties	**3**	6	8
– Vessels	**59**	53	127
	(1,172)	(1,105)	(2,159)
Interest income on:			
– Short-term deposits and bank balances	**81**	25	70
– Fair value gain on put options over non-controlling interests in subsidiary companies	**–**	–	9
– Other loans	**55**	46	81
	136	71	160
Net finance charges	**(1,036)**	(1,034)	(1,999)

Gearing Ratios and Interest Cover

	30th June 2014	30th June 2013	31st December 2013
Gearing ratio*			
Per accounts	**22.0%**	18.7%	19.2%
Underlying	**21.3%**	18.2%	18.7%
Interest cover – times*			
Per accounts	**8.3**	8.5	8.3
Underlying	**6.1**	4.8	5.5
Cash interest cover – times*			
Per accounts	**6.7**	7.0	6.8
Underlying	**4.9**	4.0	4.5

* Refer to Glossary on page 75 for definition.

Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2014 and 31st December 2013:

	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 2014 HK$M	31st December 2013 HK$M	**30th June 2014 HK$M**	31st December 2013 HK$M	**30th June 2014 HK$M**	31st December 2013 HK$M
Property Division	**9,461**	7,817	**4,056**	3,252	**1,482**	496
Aviation Division						
Cathay Pacific group	**41,448**	39,316	**18,652**	17,693	**–**	–
HAECO group	**1,343**	1,484	**195**	222	**–**	66
Others	**(3)**	–	**(1)**	–	**–**	–
Beverages Division	**1,990**	2,224	**706**	785	**–**	–
Marine Services Division	**778**	834	**389**	417	**500**	500
Trading & Industrial Division	**(2,483)**	(2,316)	**(812)**	(739)	**86**	69
	52,534	49,359	**23,185**	21,630	**2,068**	1,131

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 30.8% and underlying gearing would rise to 29.8%.

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 40 to 70, which comprise the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") at 30th June 2014 and the related consolidated statement of profit or loss, consolidated statement of 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 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 these interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these 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, 14th August 2014

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2014

	Note	(Unaudited) Six months ended 30th June 2014 HK$M	(Unaudited) Six months ended 30th June 2013 HK$M	(Audited) Year ended 31st December 2013 HK$M
Turnover	4	**30,111**	23,776	51,437
Cost of sales		**(18,672)**	(13,997)	(30,763)
Gross profit		**11,439**	9,779	20,674
Distribution costs		**(2,890)**	(2,826)	(5,802)
Administrative expenses		**(2,209)**	(2,015)	(4,081)
Other operating expenses		**(176)**	(153)	(287)
Other net gains	5	**111**	137	337
Change in fair value of investment properties		**2,282**	3,861	5,845
Operating profit		**8,557**	8,783	16,686
Finance charges		**(1,172)**	(1,105)	(2,159)
Finance income		**136**	71	160
Net finance charges	7	**(1,036)**	(1,034)	(1,999)
Share of profits less losses of joint venture companies		**1,406**	1,108	1,682
Share of profits less losses of associated companies		**324**	210	1,521
Profit before taxation		**9,251**	9,067	17,890
Taxation	8	**(1,254)**	(951)	(1,852)
Profit for the period		**7,997**	8,116	16,038
Profit attributable to:				
The Company's shareholders		**6,484**	6,608	13,291
Non-controlling interests		**1,513**	1,508	2,747
		7,997	8,116	16,038
Dividends				
First Interim – declared/paid		**1,655**	1,505	1,505
Second Interim – paid		**–**	–	3,761
	9	**1,655**	1,505	5,266

	Note	**HK$**	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	10			
'A' share		**4.31**	4.39	8.83
'B' share		**0.86**	0.88	1.77

	2014 First Interim HK$	2013 First Interim HK$	2013 Second Interim HK$	2013 Total HK$
Dividends per share				
'A' share	**1.10**	1.00	2.50	3.50
'B' share	**0.22**	0.20	0.50	0.70

The notes on pages 45 to 70 form part of these accounts.

Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2014

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Profit for the period	**7,997**	8,116	16,038
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	**1**	17	357
deferred tax	**–**	–	(15)
Defined benefit plans			
remeasurement gains recognised during the period	**4**	–	569
deferred tax	**(1)**	–	(139)
Share of other comprehensive income of joint venture and associated companies	**29**	12	491
	33	29	1,263
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
gains recognised during the period	**47**	127	4
transferred to net finance charges	**(51)**	(61)	(109)
transferred to operating profit – exchange differences	**10**	(10)	(4)
transferred to initial cost of non-financial assets	**89**	(121)	4
deferred tax	**2**	(4)	10
Net fair value gains on available-for-sale assets	**17**	77	252
Share of other comprehensive income of joint venture and associated companies	**(1,002)**	1,235	2,090
Net translation differences on foreign operations	**(622)**	256	675
	(1,510)	1,499	2,922
Other comprehensive income for the period, net of tax	**(1,477)**	1,528	4,185
Total comprehensive income for the period	**6,520**	9,644	20,223
Total comprehensive income attributable to:			
The Company's shareholders	**5,167**	8,032	17,115
Non-controlling interests	**1,353**	1,612	3,108
	6,520	9,644	20,223

The notes on pages 45 to 70 form part of these accounts.

Consolidated Statement of Financial Position

at 30th June 2014

	Note	(Unaudited) 30th June 2014 HK$M	(Audited) 31st December 2013 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**41,810**	39,457
Investment properties	11	**219,230**	216,524
Leasehold land and land use rights	11	**1,132**	1,164
Intangible assets	12	**6,803**	4,634
Properties held for development		**736**	706
Joint venture companies	13	**24,180**	21,805
Associated companies	14	**29,821**	30,699
Available-for-sale assets		**952**	713
Long-term other receivables		**25**	21
Derivative financial instruments	16	**561**	590
Deferred tax assets	19	**591**	567
Retirement benefit assets		**414**	429
		326,255	317,309
Current assets			
Properties for sale		**7,513**	7,982
Stocks and work in progress		**3,786**	3,234
Trade and other receivables	17	**10,632**	9,187
Derivative financial instruments	16	**23**	25
Bank balances and short-term deposits		**11,026**	11,288
		32,980	31,716
Current liabilities			
Trade and other payables	18	**16,161**	16,439
Taxation payable		**938**	456
Derivative financial instruments	16	**28**	97
Short-term loans		**1,493**	1,547
Long-term loans and bonds due within one year		**5,846**	7,130
		24,466	25,669
Net current assets		**8,514**	6,047
Total assets less current liabilities		**334,769**	323,356
Non-current liabilities			
Perpetual capital securities		**2,325**	2,326
Long-term loans and bonds		**59,639**	50,841
Derivative financial instruments	16	**76**	112
Other payables	18	**854**	620
Deferred tax liabilities	19	**6,725**	6,357
Deferred income		**52**	47
Retirement benefit liabilities		**546**	545
		70,217	60,848
NET ASSETS		**264,552**	262,508
EQUITY			
Share capital	20	**1,294**	903
Reserves	21	**220,409**	219,394
Equity attributable to the Company's shareholders		**221,703**	220,297
Non-controlling interests	22	**42,849**	42,211
TOTAL EQUITY		**264,552**	262,508

The notes on pages 45 to 70 form part of these accounts.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2014

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Operating activities			
Cash generated from operations	**7,698**	6,572	14,301
Interest paid	**(1,252)**	(1,085)	(2,203)
Interest received	**141**	137	234
Tax paid	**(377)**	(425)	(1,831)
	6,210	5,199	10,501
Dividends received from joint venture and associated companies and available-for-sale assets	**661**	735	1,356
Net cash generated from operating activities	**6,871**	5,934	11,857
Investing activities			
Purchase of property, plant and equipment	**(3,186)**	(3,605)	(6,385)
Additions of investment properties	**(1,355)**	(1,276)	(5,108)
Purchase of intangible assets	**(13)**	(22)	(44)
Proceeds from disposals of property, plant and equipment	**100**	109	214
Proceeds from disposals of investment properties	**27**	17	48
Purchase of shares in subsidiary companies	**(2,942)**	12	12
Purchase of shares in joint venture companies	**(15)**	(25)	(63)
Purchase of shares in associated companies	**–**	(62)	(62)
Purchase of available-for-sale assets	**(222)**	(1)	(56)
Loans to joint venture companies	**(1,672)**	(636)	(888)
Repayment of loans by joint venture companies	**328**	404	504
Net loans from associated companies	**1**	125	119
Decrease/(increase) in deposits maturing after more than three months	**40**	98	(303)
Initial leasing costs incurred	**(11)**	(29)	(56)
Net cash used in investing activities	**(8,920)**	(4,891)	(12,068)
Net cash (outflow)/inflow before financing	**(2,049)**	1,043	(211)
Financing activities			
Loans drawn and refinancing	**12,000**	10,931	17,900
Repayment of loans and bonds	**(4,383)**	(5,544)	(6,743)
	7,617	5,387	11,157
Capital contribution from non-controlling interests	**4**	15	20
Purchase of shares in an existing subsidiary company	**(1,256)**	–	–
Dividends paid to the Company's shareholders	**(3,761)**	(3,761)	(5,266)
Dividends paid to non-controlling interests	**(678)**	(551)	(857)
Net cash generated from financing activities	**1,926**	1,090	5,054
(Decrease)/Increase in cash and cash equivalents	**(123)**	2,133	4,843
Cash and cash equivalents at 1st January	**10,950**	6,053	6,053
Currency adjustment	**(98)**	21	54
Cash and cash equivalents at end of the period	**10,729**	8,207	10,950
Represented by:			
Bank balances and short-term deposits maturing within three months	**10,729**	8,207	10,950

The notes on pages 45 to 70 form part of these accounts.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2014

	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 2014	903	209,682	9,712	220,297	42,211	262,508
Profit for the period	–	6,484	–	6,484	1,513	7,997
Other comprehensive income	–	32	(1,349)	(1,317)	(160)	(1,477)
Total comprehensive income for the period	–	6,516	(1,349)	5,167	1,353	6,520
Transition to no-par value regime on 3rd March 2014 (note 20)	391	–	(391)	–	–	–
Dividends paid	–	(3,761)	–	(3,761)	(719)	(4,480)
Capital contribution from non-controlling interests	–	–	–	–	4	4
At 30th June 2014 (unaudited)	**1,294**	**212,437**	**7,972**	**221,703**	**42,849**	**264,552**

	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	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
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

The notes on pages 45 to 70 form part of these accounts.

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 2014	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	5,065	44	3,943	(691)	55	117	–	(464)	2,960	2,417
Change in fair value of investment properties	–	–	2,346	–	–	739	–	(336)	2,749	2,252
Property trading	2,707	–	807	–	2	175	–	(133)	851	596
Hotels	522	–	(8)	(24)	–	(10)	83	(15)	26	21
	8,294	**44**	**7,088**	**(715)**	**57**	**1,021**	**83**	**(948)**	**6,586**	**5,286**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	156	–	156	156
HAECO group	5,337	–	258	(48)	15	161	–	(63)	323	212
Others	–	–	(26)	–	–	4	(2)	–	(24)	(11)
	5,337	**–**	**232**	**(48)**	**15**	**165**	**154**	**(63)**	**455**	**357**
Beverages										
Mainland China	4,151	–	284	(28)	16	105	77	(86)	368	258
Hong Kong	975	1	88	–	–	–	–	(8)	80	73
Taiwan	649	–	5	(3)	–	–	–	(1)	1	1
USA	2,039	–	121	(1)	–	–	–	(31)	89	89
Central costs	–	–	(18)	–	–	–	–	–	(18)	(18)
	7,814	**1**	**480**	**(32)**	**16**	**105**	**77**	**(126)**	**520**	**403**
Marine Services										
Swire Pacific Offshore group	3,510	–	808	(128)	26	–	2	(61)	647	644
HUD group	–	–	–	–	–	14	–	–	14	14
	3,510	**–**	**808**	**(128)**	**26**	**14**	**2**	**(61)**	**661**	**658**
Trading & Industrial										
Swire Retail group	1,498	–	23	–	10	4	8	(14)	31	36
Taikoo Motors group	3,355	–	146	(1)	1	–	–	(25)	121	121
Swire Foods group	291	42	2	–	–	–	–	(1)	1	1
Campbell Swire	–	–	–	–	–	(13)	–	–	(13)	(13)
Swire Pacific Cold Storage group	–	–	(30)	(1)	1	5	–	–	(25)	(25)
Akzo Nobel Swire Paints	–	–	–	–	–	105	–	(5)	100	100
Other activities	–	–	(8)	–	–	–	–	–	(8)	(8)
	5,144	**42**	**133**	**(2)**	**12**	**101**	**8**	**(45)**	**207**	**212**
Head Office										
Net income/(expenses)	12	10	(120)	(811)	574	–	–	(11)	(368)	(368)
Change in fair value of investment properties	–	–	(64)	–	–	–	–	–	(64)	(64)
	12	**10**	**(184)**	**(811)**	**574**	**–**	**–**	**(11)**	**(432)**	**(432)**
Inter-segment elimination	**–**	**(97)**	**–**	**564**	**(564)**	**–**	**–**	**–**	**–**	**–**
Total	**30,111**	**–**	**8,557**	**(1,172)**	**136**	**1,406**	**324**	**(1,254)**	**7,997**	**6,484**

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by the 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 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 Retail 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 the 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)

Year ended 31st December 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 year HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	9,707	79	7,309	(1,468)	76	208	(2)	(681)	5,442	4,443
Change in fair value of investment properties	–	–	6,141	–	–	683	(4)	(447)	6,373	5,211
Property trading	2,207	–	1,035	–	7	(46)	–	(185)	811	591
Hotels	942	–	(65)	(62)	–	(36)	145	(30)	(48)	(38)
	12,856	**79**	**14,420**	**(1,530)**	**83**	**809**	**139**	**(1,343)**	**12,578**	**10,207**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	1,179	–	1,179	1,179
HAECO group	7,387	–	266	(59)	21	501	–	(33)	696	469
Others	–	–	(52)	–	–	6	(2)	–	(48)	(21)
	7,387	**–**	**214**	**(59)**	**21**	**507**	**1,177**	**(33)**	**1,827**	**1,627**
Beverages										
Mainland China	7,614	–	364	(62)	22	190	207	(144)	577	415
Hong Kong	2,144	1	209	–	–	–	–	(13)	196	177
Taiwan	1,418	–	36	(7)	–	–	–	(7)	22	22
USA	3,877	–	284	–	–	–	–	(67)	217	217
Central costs	–	–	(29)	–	–	–	–	–	(29)	(29)
	15,053	**1**	**864**	**(69)**	**22**	**190**	**207**	**(231)**	**983**	**802**
Marine Services										
Swire Pacific Offshore group	6,292	–	1,504	(163)	8	1	(2)	(98)	1,250	1,243
HUD group	–	–	–	–	–	64	–	–	64	64
	6,292	**–**	**1,504**	**(163)**	**8**	**65**	**(2)**	**(98)**	**1,314**	**1,307**
Trading & Industrial										
Swire Retail group	3,896	–	211	–	13	4	–	(101)	127	139
Taikoo Motors group	5,322	–	90	(4)	2	–	–	(31)	57	57
Swire Foods group	618	108	13	–	–	–	–	(6)	7	7
Campbell Swire	–	–	–	(8)	–	(117)	–	–	(125)	(125)
Swire Pacific Cold Storage group	–	–	(39)	(1)	1	9	–	(1)	(31)	(31)
Akzo Nobel Swire Paints	–	–	–	–	–	216	–	(10)	206	206
Other activities	–	–	(15)	–	–	(1)	–	–	(16)	(16)
	9,836	**108**	**260**	**(13)**	**16**	**111**	**–**	**(149)**	**225**	**237**
Head Office										
Net income/(expenses)	13	22	(280)	(1,117)	802	–	–	2	(593)	(593)
Change in fair value of investment properties	–	–	(296)	–	–	–	–	–	(296)	(296)
	13	**22**	**(576)**	**(1,117)**	**802**	**–**	**–**	**2**	**(889)**	**(889)**
Inter-segment elimination	**–**	**(210)**	**–**	**792**	**(792)**	**–**	**–**	**–**	**–**	**–**
Total	**51,437**	**–**	**16,686**	**(2,159)**	**160**	**1,682**	**1,521**	**(1,852)**	**16,038**	**13,291**

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by the 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 2014	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	219,860	16,281	50	2,507	238,698
Property trading and development	9,323	1,257	–	782	11,362
Hotels	6,230	1,179	469	92	7,970
	235,413	**18,717**	**519**	**3,381**	**258,030**
Aviation					
Cathay Pacific group	–	–	27,873	–	27,873
HAECO group	11,786	1,231	–	2,236	15,253
Others	4,650	2,818	(4)	–	7,464
	16,436	**4,049**	**27,869**	**2,236**	**50,590**
Beverages					
Swire Beverages	**8,830**	**657**	**1,359**	**1,625**	**12,471**
Marine Services					
Swire Pacific Offshore group	24,510	–	4	1,229	25,743
HUD group	–	(17)	–	–	(17)
	24,510	**(17)**	**4**	**1,229**	**25,726**
Trading & Industrial					
Swire Retail group	653	26	70	305	1,054
Taikoo Motors group	1,912	–	–	769	2,681
Swire Foods group	146	10	–	151	307
Campbell Swire	–	(121)	–	–	(121)
Swire Pacific Cold Storage group	849	267	–	159	1,275
Akzo Nobel Swire Paints	–	575	–	–	575
Other activities	424	17	–	1	442
	3,984	**774**	**70**	**1,385**	**6,213**
Head Office	**4,984**	**–**	**–**	**1,221**	**6,205**
	294,157	**24,180**	**29,821**	**11,077**	**359,235**

1. SEGMENT INFORMATION (continued)

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

At 31st December 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	217,067	14,008	50	1,713	232,838
Property trading and development	9,255	1,128	–	729	11,112
Hotels	5,734	1,243	471	79	7,527
	232,056	**16,379**	**521**	**2,521**	**251,477**
Aviation					
Cathay Pacific group	–	–	28,799	–	28,799
HAECO group	8,719	1,213	–	2,364	12,296
Others	4,675	2,819	(2)	–	7,492
	13,394	**4,032**	**28,797**	**2,364**	**48,587**
Beverages					
Swire Beverages	**8,104**	**748**	**1,315**	**1,667**	**11,834**
Marine Services					
Swire Pacific Offshore group	23,086	–	4	1,031	24,121
HUD group	–	(29)	–	–	(29)
	23,086	**(29)**	**4**	**1,031**	**24,092**
Trading & Industrial					
Swire Retail group	702	22	62	457	1,243
Taikoo Motors group	1,856	–	–	559	2,415
Swire Foods group	169	–	–	130	299
Campbell Swire	–	(111)	–	–	(111)
Swire Pacific Cold Storage group	505	266	–	184	955
Akzo Nobel Swire Paints	–	481	–	–	481
Other activities	205	17	–	1	223
	3,437	**675**	**62**	**1,331**	**5,505**
Head Office	**5,105**	**–**	**–**	**2,425**	**7,530**
	285,182	**21,805**	**30,699**	**11,339**	**349,025**

1. SEGMENT INFORMATION (continued)

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

At 30th June 2014	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	5,912	6,355	10,882	20,922	44,071	35,530
Property trading and development	1,189	222	4,151	1,236	6,798	959
Hotels	318	1	–	459	778	1,310
	7,419	**6,578**	**15,033**	**22,617**	**51,647**	**37,799**
Aviation						
HAECO group	**2,186**	**356**	**–**	**5,405**	**7,947**	**4,054**
Beverages						
Swire Beverages	**4,124**	**403**	**1,177**	**93**	**5,797**	**976**
Marine Services						
Swire Pacific Offshore group	**1,470**	**122**	**10,207**	**639**	**12,438**	**19**
Trading & Industrial						
Swire Retail group	697	54	(193)	–	558	(3)
Taikoo Motors group	926	18	82	–	1,026	–
Swire Foods group	109	(5)	–	–	104	–
Swire Pacific Cold Storage group	148	1	56	–	205	4
Other activities	27	19	–	–	46	–
	1,907	**87**	**(55)**	**–**	**1,939**	**1**
Head Office	**611**	**117**	**(26,362)**	**40,549**	**14,915**	**–**
	17,717	**7,663**	**–**	**69,303**	**94,683**	**42,849**

1. SEGMENT INFORMATION (continued)

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

At 31st December 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	6,979	5,700	8,892	19,829	41,400	34,957
Property trading and development	873	102	4,754	795	6,524	969
Hotels	247	1	–	547	795	1,227
	8,099	**5,803**	**13,646**	**21,171**	**48,719**	**37,153**
Aviation						
HAECO group	**2,084**	**338**	**–**	**2,545**	**4,967**	**4,095**
Beverages						
Swire Beverages	**3,756**	**379**	**1,268**	**65**	**5,468**	**945**
Marine Services						
Swire Pacific Offshore group	**1,560**	**89**	**9,427**	**655**	**11,731**	**17**
Trading & Industrial						
Swire Retail group	755	66	(194)	–	627	1
Taikoo Motors group	876	9	38	–	923	–
Swire Foods group	111	1	–	–	112	–
Campbell Swire	–	–	206	–	206	–
Swire Pacific Cold Storage group	36	–	–	–	36	–
Other activities	20	14	–	–	34	–
	1,798	**90**	**50**	**–**	**1,938**	**1**
Head Office	**563**	**114**	**(24,391)**	**37,408**	**13,694**	**–**
	17,860	**6,813**	**–**	**61,844**	**86,517**	**42,211**

The 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 2013 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 2014:

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Levies

The amendment to HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendment has had no significant impact on the Group's accounts.

The amendment to HKAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment has had no significant impact on the Group's accounts.

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The interpretation has had no significant impact on the Group's accounts.

(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 2013 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 2013 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
	2014 HK$M	2013 HK$M	2013 HK$M
Gross rental income from investment properties	**5,010**	4,679	9,606
Property trading	**2,707**	571	2,207
Hotels	**522**	431	942
Aircraft and engine maintenance services	**4,797**	3,064	6,972
Sales of goods	**13,275**	11,974	24,904
Charter hire	**3,013**	2,412	5,262
Rendering of other services	**787**	645	1,544
	30,111	23,776	51,437

5. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Profit on sale of investment properties	**6**	–	–
Profit on sale of property, plant and equipment	**6**	58	95
Net foreign exchange gains/(losses)	**27**	(42)	(54)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	**(10)**	10	4
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges	**(1)**	21	42
Dividend income on available-for-sale assets	**–**	–	1
Other income	**83**	90	249
	111	137	337

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
	2014 HK$M	2013 HK$M	2013 HK$M
Direct operating expenses of investment properties that			
generated rental income	**746**	697	1,571
did not generate rental income	**57**	69	127
Cost of stocks sold	**12,037**	8,834	19,622
Write-down of stocks and work in progress	**16**	23	51
Net impairment losses/(reversals) recognised on			
Property, plant and equipment (note 11)	**23**	(11)	46
Intangible assets (note 12)	**–**	2	20
Trade receivables	**13**	38	43
Trading properties	**(24)**	(6)	(21)
Depreciation of property, plant and equipment (note 11)	**1,203**	1,101	2,294
Amortisation of			
Leasehold land and land use rights (note 11)	**16**	15	32
Intangible assets (note 12)	**65**	31	69
Initial leasing costs	**46**	50	94
Staff costs	**5,345**	4,307	8,667
Operating lease rentals			
Properties	**381**	388	778
Vessels	**67**	67	135
Plant and equipment	**19**	12	22
Others	**3,937**	3,374	7,383
Total cost of sales, distribution costs, administrative expenses and other operating expenses	**23,947**	18,991	40,933

7. NET FINANCE CHARGES

Refer to page 37 for details of the Group's net finance charges.

8. TAXATION

	Six months ended 30th June		Year ended 31st December
	2014 HK$M	2013 HK$M	2013 HK$M
Current taxation			
Hong Kong profits tax	**(562)**	(447)	(974)
Overseas taxation	**(275)**	(198)	(544)
(Under)/over-provisions in prior years	**(12)**	1	117
	(849)	(644)	(1,401)
Deferred taxation (note 19)			
Change in fair value of investment properties	**(219)**	(181)	(208)
Origination and reversal of temporary differences	**(186)**	(126)	(243)
	(405)	(307)	(451)
	(1,254)	(951)	(1,852)

Hong Kong profits tax is calculated at 16.5% (2013: 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 2014 of HK$323 million (30th June 2013: HK$234 million; year ended 31st December 2013: HK$371 million) and HK$127 million (30th June 2013: HK$98 million; year ended 31st December 2013: HK$363 million) 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
	2014 HK$M	2013 HK$M	2013 HK$M
First interim dividend declared on 14th August 2014 of HK$1.10 per 'A' share and HK$0.22 per 'B' share (2013 first interim dividend paid: HK$1.00 and HK$0.20)	**1,655**	1,505	1,505
Second interim dividend paid on 9th May 2014 of HK$2.50 per 'A' share and HK$0.50 per 'B' share	**–**	–	3,761
	1,655	1,505	5,266

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 2014 of HK$6,484 million (30th June 2013: HK$6,608 million; 31st December 2013: HK$13,291 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during the period (30th June and 31st December 2013: 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 2014	55,277	1,378	56,655
Translation differences	(227)	(17)	(244)
Acquisition of a subsidiary company (note 23)	375	–	375
Additions	3,222	–	3,222
Disposals	(394)	(4)	(398)
Net transfers from investment properties	265	–	265
Other transfers	(43)	–	(43)
Revaluation surplus	1	–	1
At 30th June 2014	**58,476**	**1,357**	**59,833**
Accumulated depreciation/amortisation and impairment			
At 1st January 2014	15,820	214	16,034
Translation differences	(89)	(3)	(92)
Charge for the period (note 6)	1,203	16	1,219
Disposals	(291)	(2)	(293)
Net impairment losses (note 6)	23	–	23
At 30th June 2014	**16,666**	**225**	**16,891**
Net book value			
At 30th June 2014	**41,810**	**1,132**	**42,942**
At 1st January 2014	39,457	1,164	40,621

(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$1 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 2014.

(c) At 30th June 2014, bank borrowings of HK$534 million (30th June 2013: Nil; 31st December 2013: HK$535 million) are secured on vessels with a net book value of HK$775 million (30th June 2013: Nil; 31st December: HK$706 million).

Refer to page 12 for details of the Group's investment properties.

12. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Technical licences HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost						
At 1st January 2014	4,040	372	535	–	67	5,014
Translation differences	(9)	(4)	–	–	–	(13)
Acquisition of a subsidiary company (note 23)	–	7	–	740	65	812
Additions	1,420	13	–	–	–	1,433
At 30th June 2014	**5,451**	**388**	**535**	**740**	**132**	**7,246**
Accumulated amortisation and impairment						
At 1st January 2014	39	243	98	–	–	380
Translation differences	–	(2)	–	–	–	(2)
Amortisation for the period (note 6)	–	21	13	21	10	65
At 30th June 2014	**39**	**262**	**111**	**21**	**10**	**443**
Net book value						
At 30th June 2014	**5,412**	**126**	**424**	**719**	**122**	**6,803**
At 1st January 2014	4,001	129	437	–	67	4,634

13. JOINT VENTURE COMPANIES

	30th June 2014 HK$M	31st December 2013 HK$M
Share of net assets, unlisted	**10,970**	10,145
Goodwill	**94**	94
	11,064	10,239
Loans due from joint venture companies less provisions		
Interest-free	**12,245**	10,983
Interest-bearing at 1.71% to 7.50% (2013: 1.71% to 5.00%)	**871**	583
	24,180	21,805

14. ASSOCIATED COMPANIES

	30th June 2014 HK$M	31st December 2013 HK$M
Share of net assets		
Listed in Hong Kong	**27,116**	28,042
Unlisted	**1,896**	1,847
	29,012	29,889
Goodwill	**757**	757
	29,769	30,646
Loans due from associated companies		
Interest-free	**52**	52
Interest-bearing (2013: 6.0%)	**–**	1
	29,821	30,699

The market value of the shares in the listed associated company, Cathay Pacific, at 30th June 2014 was HK$25,633 million (31st December 2013: HK$29,032 million). The forecast cash flows of Cathay Pacific indicate that no impairment exists.

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
Assets as per consolidated statement of financial position				
At 30th June 2014				
Available-for-sale assets				
– Shares listed in Hong Kong	**84**	**–**	**–**	**84**
– Shares listed overseas	**513**	**–**	**–**	**513**
– Unlisted investments	**–**	**–**	**355**	**355**
Derivatives used for hedging (note 16)	**–**	**584**	**–**	**584**
Total	**597**	**584**	**355**	**1,536**
At 31st December 2013				
Available-for-sale assets				
– Shares listed in Hong Kong	94	–	–	94
– Shares listed overseas	486	–	–	486
– Unlisted investments	–	–	133	133
Derivatives used for hedging (note 16)	–	615	–	615
Total	580	615	133	1,328
Liabilities as per consolidated statement of financial position				
At 30th June 2014				
Derivatives used for hedging (note 16)	**–**	**104**	**–**	**104**
Put option over a non-controlling interest in Brickell City Centre (note 18)	**–**	**–**	**477**	**477**
Put options over non-controlling interests in other subsidiary companies (note 18)	**–**	**–**	**216**	**216**
Total	**–**	**104**	**693**	**797**
At 31st December 2013				
Derivatives used for hedging (note 16)	–	209	–	209
Put option over a non-controlling interest in Taikoo Li Sanlitun (note 18)	–	–	1,256	1,256
Put option over a non-controlling interest in Brickell City Centre (note 18)	–	–	367	367
Put options over non-controlling interests in other subsidiary companies (note 18)	–	–	216	216
Total	–	209	1,839	2,048

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 classifications and there were no transfers into or out of level 3 fair value hierarchy classifications. The Group's policy is to recognise any transfer into and out of fair value hierarchy levels at the date of the event or change in circumstances that causes the transfer.

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 2014:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M
At 1st January 2014	**1,839**	**133**
Additions	**65**	**222**
Put option exercised during the period	**(1,256)**	**–**
Change in fair value recognised in profit or loss during the period	**45**	**–**
At 30th June 2014	**693**	**355**
Total losses for the period included in profit or loss in respect of financial liabilities held at 30th June 2014	**45**	**–**
Change in unrealised gains or losses for the period included in profit or loss in respect of financial liabilities and assets held at 30th June 2014	**45**	**–**

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 quotations 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 estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself, and the discount rate used. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would change the valuation of the put option.

The fair value of put options over non-controlling interests in other subsidiary companies classified as level 3 is determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of the put options.

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 at 31st December 2013 and 30th June 2014 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2014		At 31st December 2013	
	Carrying amount HK$M	Fair value HK$M	Carrying amount HK$M	Fair value HK$M
Perpetual capital securities	2,325	2,534	2,326	2,559
Long-term loans and bonds due after one year	59,639	61,868	50,841	52,012

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 2014		31st December 2013	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	544	53	562	88
Interest rate swaps – cash flow hedges	12	17	17	11
Forward foreign exchange contracts				
Cash flow hedges	9	30	9	105
Not qualifying as hedges	18	2	27	–
Commodity swaps				
Cash flow hedges	1	2	–	3
Not qualifying as hedges	–	–	–	2
Total	584	104	615	209
Less non-current portion:				
Cross-currency swaps – cash flow hedges	544	53	562	88
Interest rate swaps – cash flow hedges	12	17	17	11
Forward foreign exchange contracts				
Cash flow hedges	–	4	–	13
Not qualifying as hedges	5	2	11	–
	561	76	590	112
Current portion	23	28	25	97

17. TRADE AND OTHER RECEIVABLES

	30th June 2014 HK$M	31st December 2013 HK$M
Trade debtors	**4,931**	3,845
Amounts due from joint venture companies	**171**	168
Amounts due from associated companies	**544**	624
Interest-bearing advances to an associated company	**123**	–
Prepayments and accrued income	**2,249**	2,211
Other receivables	**2,614**	2,339
	10,632	9,187

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

	30th June 2014 HK$M	31st December 2013 HK$M
Under three months	**4,578**	3,666
Between three and six months	**234**	103
Over six months	**119**	76
	4,931	3,845

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 2014 HK$M	31st December 2013 HK$M
Trade creditors	**3,839**	3,418
Amounts due to immediate holding company	**190**	213
Amounts due to joint venture companies	**169**	167
Amounts due to associated companies	**252**	264
Interest-bearing advances from joint venture companies	**744**	528
Interest-bearing advances from an associated company	**130**	–
Advances from non-controlling interests	**279**	445
Rental deposits from tenants	**2,179**	2,124
Put option over a non-controlling interest in Taikoo Li Sanlitun	**–**	1,256
Put option over a non-controlling interest in Brickell City Centre	**477**	367
Put options over non-controlling interests in other subsidiary companies	**216**	216
Accrued capital expenditure	**1,015**	988
Other accruals	**4,460**	4,728
Other payables	**3,065**	2,345
	17,015	17,059
Amounts due after one year included under non-current liabilities	**(854)**	(620)
	16,161	16,439

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

	30th June 2014 HK$M	31st December 2013 HK$M
Under three months	**3,552**	3,218
Between three and six months	**228**	126
Over six months	**59**	74
	3,839	3,418

19. DEFERRED TAXATION

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

	HK$M
At 1st January 2014	5,790
Translation differences	(70)
Charged to statement of profit or loss (note 8)	405
Acquisition of a subsidiary company (note 23)	10
Charged to other comprehensive income	(1)
At 30th June 2014	6,134
Represented by:	
Deferred tax assets	(591)
Deferred tax liabilities	6,725
	6,134

20. SHARE CAPITAL

	Company		
	'A' shares of HK$0.60 each[b]	'B' shares of HK$0.12 each[b]	Total HK$M
Authorised:[a]			
At 31st December 2013	1,140,000,000	3,600,000,000	1,116
At 30th June 2014	–	–	–

	'A' shares	'B' shares	Total HK$M
Issued and fully paid:			
At 1st January 2014	905,578,500	2,995,220,000	903
Transition to no-par value regime on 3rd March 2014 (note 21)[c]	–	–	391
At 30th June 2014	905,578,500	2,995,220,000	1,294

On 3rd March 2014, the Companies Ordinance (Cap. 662) (the "New CO") came into effect. This had the following results:

(a) The Company's authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).

(b) The Company's shares ceased to have nominal or par value (by virtue of section 135 of the New CO).

(c) The amounts standing to the credit of the Company's share premium account and capital redemption reserve became part of the Company's share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion of five to one. This was unaffected by the Company's shares ceasing to have nominal or par value as referred to in (b) above. Paragraph 40 of Schedule 11 to the New CO preserved the rights attaching to the Company's 'A' shares and 'B' shares as if they still had their nominal values.

21. RESERVES

	Revenue reserve* HK$M	Share premium HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2014	209,682	342	49	1,967	884	1,517	4,953	219,394
Profit for the period	6,484	–	–	–	–	–	–	6,484
Other comprehensive income								
Defined benefit plans								
– remeasurement gains recognised during the period	4	–	–	–	–	–	–	4
– deferred tax	(1)	–	–	–	–	–	–	(1)
Cash flow hedges								
– recognised during the period	–	–	–	–	–	44	–	44
– transferred to net finance charges	–	–	–	–	–	(51)	–	(51)
– transferred to operating profit – exchange differences	–	–	–	–	–	9	–	9
– transferred to initial cost of non-financial assets	–	–	–	–	–	88	–	88
– deferred tax	–	–	–	–	–	3	–	3
Net fair value gains on available-for-sale assets	–	–	–	–	17	–	–	17
Revaluation gain of property previously occupied by the Group	–	–	–	1	–	–	–	1
Share of other comprehensive income of joint venture and associated companies	29	–	–	–	(9)	(565)	(401)	(946)
Net translation differences on foreign operations	–	–	–	–	–	–	(485)	(485)
Total comprehensive income for the period	**6,516**	**–**	**–**	**1**	**8**	**(472)**	**(886)**	**5,167**
Transition to no-par value regime on 3rd March 2014 (note 20)	–	(342)	(49)	–	–	–	–	(391)
2013 second interim dividend	(3,761)	–	–	–	–	–	–	(3,761)
At 30th June 2014	**212,437**	**–**	**–**	**1,968**	**892**	**1,045**	**4,067**	**220,409**

* The revenue reserve includes HK$1,655 million representing the declared first interim dividend for the period (31st December 2013: HK$3,761 million representing the second interim dividend for 2013).

22. NON-CONTROLLING INTERESTS

	HK$M
At 1st January 2014	**42,211**
Share of profits less losses for the period	1,513
Share of cash flow hedges	
– recognised during the period	3
– transferred to operating profit – exchange differences	1
– transferred to initial cost of non-financial assets	1
– deferred tax	(1)
Share of other comprehensive income of joint venture and associated companies	(27)
Share of translation differences on foreign operations	(137)
Share of total comprehensive income for the period	**1,353**
Dividends paid and payable	(719)
Capital contribution from non-controlling interests	4
At 30th June 2014	**42,849**

23. BUSINESS COMBINATION

Acquisition of Shares in TIMCO Aviation Services, Inc. ("TIMCO")

On 6th February 2014, a wholly owned subsidiary of HAECO acquired the entire issued share capital of TIMCO, the holding company of a group of companies based in the USA engaged in the provision of aircraft technical services including airframe, line and engine maintenance, cabin modification services and interior products manufacturing.

This acquisition will expand the HAECO group's operations, broaden its sources of revenue and provide it with an opportunity to develop its business in one of the largest aviation markets in the world.

23. BUSINESS COMBINATION (continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$M
Purchase consideration:	
Cash paid	2,876

	Provisional fair value HK$M
Property, plant and equipment	375
Intangible assets	812
Stocks and work in progress	436
Cash and cash equivalents	142
Trade and other receivables	395
Trade and other payables	(456)
Taxation payable	(10)
Borrowings	(228)
Deferred tax liabilities	(10)
Net identifiable assets acquired	1,456
Goodwill	1,420
	2,876

	HK$M
Purchase consideration settled in cash	2,876
Repayment of borrowings	208
Cash and cash equivalents acquired	(142)
Net cash outflow on acquisition	2,942

The goodwill is attributable to TIMCO's highly skilled workforce, management expertise and the synergies expected to be derived from improved services to a wider range of customers. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired trade and other receivables was HK$395 million and includes trade receivables with a fair value of HK$365 million. The contractual amount of the trade receivables due was HK$377 million, in respect of which a bad debt provision of HK$12 million has been made at the acquisition date.

Acquisition-related costs of HK$60 million and HK$4 million were recognised in the consolidated statement of profit or loss for the year ended 31st December 2013 and for the six months ended 30th June 2014 respectively.

The acquired business contributed revenue of HK$1,308 million and a net loss of HK$3 million to the HAECO group for the period from 6th February 2014 to 30th June 2014. If the acquisition had occurred on 1st January 2014, the HAECO group's revenue and net profit for the six months ended 30th June 2014 would have been, on a pro-forma basis, HK$5,694 million and HK$334 million respectively.

23. BUSINESS COMBINATION (continued)

Conditional acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd.

In June 2014, Swire Foods entered into conditional agreements to acquire Chongqing New Qinyuan Bakery Co. Ltd., a leading bakery chain in southwest China with over 400 stores in Chongqing, Guiyang and Chengdu. 65% of the equity will be acquired from a private equity fund and the acquisition of these shares is expected to close in the first half of 2015, following satisfaction of certain conditions (including the Ministry of Commerce's approval). The remaining equity will be acquired in 2017 if certain additional conditions are met.

24. CAPITAL COMMITMENTS

	30th June 2014 HK$M	31st December 2013 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**6,166**	9,190
Authorised by Directors but not contracted for	**5,294**	5,097
Investment properties		
Contracted for	**3,571**	2,069
Authorised by Directors but not contracted for	**14,988**	17,712
The Group's share of capital commitments of joint venture companies*		
Contracted for	**2,807**	3,142
Authorised by Directors but not contracted for	**3,558**	6,395
	6,365	9,537

* of which the Group is committed to funding HK$1,921 million (31st December 2013: HK$4,383 million).

25. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$2,068 million (31st December 2013: HK$1,131 million). Bank guarantees given in lieu of utility deposits totalled HK$145 million at the end of the period (31st December 2013: HK$144 million).

(b) Cathay Pacific Airways

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

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.

25. CONTINGENCIES (continued)

(b) Cathay Pacific Airways (continued)

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, Korea, the United Kingdom, the Netherlands and Norway 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 these actions, except as noted below.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal and state antitrust laws, and certain foreign competition laws. Those cases were consolidated into one case for all pre-trial purposes, In re Air Cargo Shipping Services Antitrust Litigation, MDL No. 1775, EDNY. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in February 2014, by paying the plaintiffs US$65 million (approximately HK$504 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

Cathay Pacific was a respondent (together with a number of other airlines) in an Australian civil antitrust class action in respect of its cargo operations. Cathay Pacific, together with other airlines, settled the Australian civil cargo antitrust class action in which it is a respondent. Under the terms of settlement, which was approved by the Federal Court of Australia in June 2014, Cathay Pacific has made a payment to settle this litigation without any admission of liability or wrongdoing whatsoever. Any settlement amounts payable by individual airlines under the terms of settlement are to remain confidential. The amount payable by Cathay Pacific is not material to its financial position. An amount sufficient to cover the amount payable by Cathay Pacific was provided in the accounts of Cathay Pacific before 2014.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers fixed certain elements of the price charged for passenger air transportation services in violation of United States antitrust laws. Those cases were consolidated into one case for all pre-trial purposes, In re Transpacific Passenger Air Transportation Antitrust Litigation, MDL No. 1913, N.D. Cal. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in July 2014 by paying the plaintiffs US$7.5 million (approximately HK$58.1 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims against all putative class members who choose not to opt out of the agreement.

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.

26. 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 2014 and will last for three years until 31st December 2016. For the period ended 30th June 2014, service fees payable amounted to HK$158 million (2013: HK$125 million). Expenses of HK$116 million (2013: HK$100 million) were reimbursed at cost; in addition, HK$151 million (2013: HK$142 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, 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 two years ending on 31st December 2015. For the period ended 30th June 2014, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$47 million (2013: HK$40 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.

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	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M	**2014 HK$M**	2013 HK$M
Revenue from	(a)								
Sales of beverage drinks		**1**	–	**7**	8	**–**	–	**–**	–
Aircraft and engine maintenance		**18**	18	**1,302**	1,341	**–**	–	**–**	–
Rendering of services		**1**	–	**2**	2	**4**	5	**–**	–
Purchases of beverage drinks	(a)	**35**	26	**936**	935	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	3	**3**	5	**–**	–	**–**	–
Purchases of services	(a)	**12**	9	**11**	9	**15**	26	**–**	–
Rental revenue	(b)	**3**	2	**4**	5	**8**	7	**39**	33
Interest income	(c)	**22**	16	**4**	–	**–**	–	**–**	–
Interest charges	(c)	**8**	3	**–**	–	**–**	–	**–**	–

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 and associated companies are disclosed in notes 17 and 18.

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 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. J.R. Slosar was appointed as a Non-Executive Director of The Hongkong and Shanghai Banking Corporation Limited with effect from 12th May 2014. He was also appointed as a Non-Executive Director of Air China Limited with effect from the conclusion of its annual general meeting held on 22nd May 2014.

2. J.W.J. Hughes-Hallett retired as an Independent Non-Executive Director of HSBC Holdings plc with effect from the conclusion of its annual general meeting held on 23rd May 2014.

2. C. Lee retired as an Independent Non-Executive Director of Television Broadcasts Limited with effect from the conclusion of its annual general meeting held on 15th May 2014.

DIRECTORS' INTERESTS

At 30th June 2014, 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	
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
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	Family	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	23,500	–	–	23,500	0.00040	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	2
J B Rae-Smith	2,450	–	3,500	5,950	0.00010	1
I S C Shiu	–	2,800	–	2,800	0.00005	
M C C Sze	4,200	–	–	4,200	0.00007	

	Capacity			
	Beneficial interest			
	Personal	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	Other	Total no. of shares	Percentage of issued capital (%)
Hong Kong Aircraft Engineering Company Limited				
Ordinary Shares				
T G Freshwater	10,000	–	10,000	0.0060
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 7,899,584 ordinary shares and 2,237,039 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 maintained under Section 336 of the SFO shows that at 30th June 2014, 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	313,484,220	34.62	2,051,533,782	68.49	1
Aberdeen Asset Management plc	108,398,077	11.97	360,638,226	12.04	2

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 313,484,220 'A' shares and 2,051,533,782 'B' shares of the Company at 30th June 2014, 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: 241,170,200 '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.

At 30th June 2014, the Swire group owned interests in shares of the Company representing 48.10% of the issued capital and 60.63% 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 2014

Interim Report sent to shareholders	27th August
'A' and 'B' shares trade ex-dividend	10th September
Share registers closed	12th September
Payment of 2014 first interim dividends	7th October
Annual results announcement	March 2015
Second interim dividends payable	May 2015
Annual General Meeting	May 2015

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STOCK CODES

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

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

AUDITORS

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REQUEST FOR FEEDBACK

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