INTERIM REPORT 2016

Swire Pacific Limited

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

SWIRE PACIFIC

CONTENTS

Cover photo: Computer rendering of Brickell City Centre.

OUR STRATEGY

We concentrate on businesses where we have expertise, and where our expertise can add value. Our aim is sustainable long-term growth in shareholder value.

- We deploy capital and people where we see opportunities to generate returns which exceed our cost of capital over the long term.
- We focus our investments on existing businesses where our scale, expertise or brand give us a competitive advantage and where our capital and people can generate long-term value.
- We consider investment in new businesses where our existing skills and capabilities can generate additional value.
- We divest from businesses which have reached their full potential and deploy the capital released to existing or new businesses.
- Our people, and our ability to deploy them across our businesses (which is facilitated by services agreements with our principal shareholder), are critical to our ability to generate long-term value. We recruit the best people and invest heavily in their training and development.
- We are conservative financial managers. This lets us execute long-term investment plans irrespective of short-term financial market volatility.
- We provide premium quality products and services, so as to differentiate ourselves from our competitors.
- We invest in sustainable development, not just because it is the right thing to do, but because it helps to achieve long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand.

In implementing the above strategy, the principal risks and uncertainties facing the Group are that the economies in which it operates (in particular Hong Kong and Mainland China) will not perform as well in the future as they have in the past and the uncertainties as to whether this will happen.

We are and intend to remain a conglomerate with diverse businesses capable of generating sustainable long-term growth in value.

Financial Highlights

	Note	Six months ended 30th June 2016 HK$M	Six months ended 30th June 2015 HK$M	Change %	Year ended 31st December 2015 HK$M
Revenue		**30,075**	31,633	**-5%**	60,885
Operating profit		**7,260**	10,302	**-30%**	16,461
Profit attributable to the Company's shareholders		**5,061**	7,977	**-37%**	13,429
Cash generated from operations		**5,601**	7,189	**-22%**	14,362
Net cash inflow before financing		**1,446**	2,050	**-29%**	6,824
Total equity (including non-controlling interests)		**266,760**	267,916	**-0.4%**	263,986
Net debt		**63,617**	60,960	**+4%**	59,584
		HK$	HK$		HK$
Earnings per share	(a)				
'A' share		**3.36**	5.30	**-37%**	8.93
'B' share		**0.67**	1.06		1.79
		HK¢	HK¢		HK¢
Dividends per share					
'A' share		**100.0**	112.0	**-11%**	390.0
'B' share		**20.0**	22.4		78.0
		HK$	HK$		HK$
Equity attributable to the Company's shareholders per share	(b)				
'A' share		**146.68**	148.01	**-1%**	145.22
'B' share		**29.34**	29.60		29.04

UNDERLYING PROFIT

	Note	Six months ended 30th June 2016 HK$M	Six months ended 30th June 2015 HK$M	Change %	Year ended 31st December 2015 HK$M
Underlying profit attributable to the Company's shareholders	(c)	**3,548**	4,833	**-27%**	9,892
		HK$	HK$		HK$
Underlying earnings per share	(a)				
'A' share		**2.36**	3.21	**-27%**	6.58
'B' share		**0.47**	0.64		1.32

Notes:

(a) Refer to note 11 to the interim financial statements for the weighted average number of shares.

(b) Refer to the glossary for the definition of equity attributable to the Company's shareholders per share.

(c) Refer to note 9 to the interim financial statements for further information relating to underlying profit.

Chairman's Statement

RESULTS SUMMARY

The results of the Group in the first half of 2016 were affected by difficult macroeconomic conditions. Economic growth in Mainland China and Hong Kong slowed. Our marine services business continued to be adversely affected by lack of demand from customers consequent upon low oil prices. Economic weakness was reflected in reduced demand for our airlines' passenger and cargo services.

Our consolidated profit attributable to shareholders for the first half of 2016 was HK$5,061 million, HK$2,916 million lower than for the first half of 2015. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$1,285 million or 27% to HK$3,548 million. The decrease in underlying profit reflects worse results from all of our operating divisions and the absence of profits from sales of units in OPUS HONG KONG recorded in the comparative period.

The Property Division contributed 80% of the Group's underlying profits in the first half of 2016. Underlying profits fell, mainly due to lower property trading profits. Underlying profit from property investment decreased slightly. This principally reflected a lower contribution from retail properties in Hong Kong and pre-opening expenses at Brickell City Centre in the USA. Rental income from office properties in Hong Kong and Mainland China and from retail properties in Mainland China grew slightly.

Profits at the Aviation Division fell. This principally reflected weak results from Cathay Pacific's airline operations. Passenger and cargo demand was weak. Fuel surcharges were suspended for part of the period. Revenues and yields declined. So did fuel costs, but the benefits were reduced by hedging. The contribution from subsidiary and associated companies increased, largely because of better results from Air China.

HAECO's operating results improved. This principally reflected better engine overhaul results in Hong Kong and Xiamen and better line services results in Hong Kong. HAECO recognised a significant one-off gain from the sale of HAESL's interest in SAESL. HAECO remains focused on the integration of the HAECO Americas business. The airframe services business has improved.

Swire Beverages' results were mixed. The business in the USA continues to grow, with existing and new territories doing well. Sales volumes and profits fell in Mainland China, Hong Kong and Taiwan.

The Marine Services Division reported a loss for the period. This reflected poor results from Swire Pacific Offshore ("SPO"). The offshore support services market remains weak. Utilisation and day rates were under pressure. Cost control measures, including the stacking and sale of older vessels, continue to be implemented. The business generated positive operating cash flows in the first half.

The Trading & Industrial Division's profits were marginally lower than in the first half of 2015. Significantly higher profits from Akzo Nobel Swire Paints offset increased losses from the cold storage operations.

DIVIDENDS

The Directors have declared first interim dividends of HK¢100.0 (2015: HK¢112.0) per 'A' share and HK¢20.0 (2015: HK¢22.4) per 'B' share. The first interim dividends, which total HK$1,504 million (2015: HK$1,685 million), will be paid on 6th October 2016 to shareholders registered at the close of business on the record date, being Friday, 9th September 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2016.

IMPLEMENTING OUR STRATEGY

The Group's aim is to generate sustainable long-term growth in shareholder value. We deploy capital where we see opportunities to generate long-term value.

The largest recipient of capital remains Swire Properties. This year, we will see the product of sizeable capital allocations to the division as two large-scale mixed-used developments begin to open. These are the Brickell City Centre project in Miami and HKRI Taikoo Hui in Shanghai. The other significant capital commitment is on the redevelopment of Taikoo Place, the first phase of which is expected to be completed in 2018 and the second in 2021.

The Aviation Division is a significant investment for the Group. We are supportive of the Cathay Pacific group's long term investment plans. Cathay Pacific took delivery of its first (of 48) Airbus A350 aircraft in May. Aircraft of this type are fuel efficient and have the right range, capacity and operating economics for our requirements.

The Beverages Division is expanding into new territories in the USA. The acquisition of distribution rights in Arizona and New Mexico was completed in July. In February, a letter of intent was signed to acquire distribution rights and production facilities in the Pacific Northwest. Completion of the acquisition of these distribution rights will further expand our franchise territory in the USA.

In the Marine Services Division, SPO disposed of some older vessels in the first half of 2016, so reducing the fleet size. This reflects our view that older vessels will struggle to obtain charters at reasonable rates in the current market. Some vessels due for delivery in 2016 have been deferred to 2017 and some vessels due for delivery in 2017 have been deferred to 2018.

In the Trading & Industrial Division, we purchased the 35% interest which we did not already own in the bakery business in Mainland China acquired in 2014. We are continuing to invest in the cold storage business in Mainland China. Occupancy at our new cold storage facilities is increasing.

PROSPECTS

In the Property Division, near full occupancy of our office properties in Hong Kong should underpin rents. Investment property results in Mainland China are expected to improve as retail sales grow modestly. Property trading profits are expected to continue to be recognised in the second half of 2016 on sales of residential units in Miami and Hong Kong.

The Cathay Pacific group is likely to be affected in the second half of 2016 by the same factors which adversely affected its results in the first half. Passenger yields will remain under pressure. Cargo demand will continue to be affected by overcapacity and economic fragility. The benefit from lower fuel prices will continue to be partially offset by fuel hedging.

The prospects of the HAECO group's different businesses are mixed. Demand for line services in Hong Kong is expected to be firm. Demand for airframe services is expected to improve in the USA but be weaker in Xiamen. The engine overhaul businesses are expected to continue to perform well in Xiamen but to perform less well in Hong Kong.

In the Beverages Division, sales volumes in Greater China are expected to remain weak in the second half of 2016. In the USA, the beverages market is expected to grow moderately. Additional profits will be earned from the acquisition of distribution rights in Arizona and New Mexico.

Trading conditions for SPO in the second half of 2016 are expected to be similar to those in the first half of the year. Demand from oil majors remains weak and vessels continue to operate in an oversupplied market.

The Trading & Industrial Division businesses are expected to face challenging conditions. The results of the division will continue to be affected by the cost of new business development.

This year Swire celebrates its 200th anniversary and the 150th anniversary of the opening of its first office in Mainland China. Current economic conditions are difficult. We believe that seeking sustainable growth in a broad range of businesses will continue to be successful in the long term.

John Slosar
Chairman
Hong Kong, 18th August 2016

PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises, serviced apartments and other luxury residential accommodation in prime locations. The completed portfolio in Hong Kong totals 13.4 million square feet of gross floor area with an additional 1.9 million square feet under development. In Mainland China, Swire Properties owns (normally with others as joint venture partners or holders of non-controlling interests) and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu which will total 8.9 million square feet on completion. Of this, 7.1 million square feet has already been completed. In the USA, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida that will comprise 2.5 million square feet after two phases of development have been completed.

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Taikoo Shing. 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 three hotels. The Opposite House at Taikoo Li Sanlitun in Beijing is wholly-owned by Swire Properties; 50% interests are owned in EAST at INDIGO in Beijing and in The Temple House at Sino-Ocean Taikoo Li Chengdu. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the USA, Swire Properties wholly-owns and manages, through Swire Hotels, EAST, Miami and has a 75% interest in the Mandarin Oriental in Miami.

Swire Properties' trading portfolio comprises a luxury residential project under development on Hong Kong Island (ALASSIO), the Rise development at Brickell City Centre in Miami and completed developments available for sale. The latter are the MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach development at Brickell City Centre in Miami. There are also land banks in Miami and Fort Lauderdale in Florida in the USA.

Swire Properties is listed on The Stock Exchange of Hong Kong Limited.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Revenue			
Gross rental income derived from			
Office	**3,028**	2,994	5,972
Retail	**2,148**	2,187	4,366
Residential	**191**	187	378
Other revenue*	**61**	65	141
Property investment	**5,428**	5,433	10,857
Property trading	**1,954**	3,403	4,463
Hotels	**504**	550	1,127
Total revenue	**7,886**	9,386	16,447
Operating profit/(loss) derived from			
Property investment	**3,983**	4,141	8,090
Valuation gains on investment properties	**2,315**	4,426	7,067
Property trading	**525**	1,025	1,328
Hotels	**(89)**	(23)	(334)
Total operating profit	**6,734**	9,569	16,151
Share of post-tax profits from joint venture and associated companies	**499**	753	1,241
Attributable profit	**5,338**	8,458	14,017
Swire Pacific share of attributable profit	**4,377**	6,936	11,494

* 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 the USA, and for other deferred tax provisions in relation to investment properties.

	Note	Six months ended 30th June 2016 HK$M	Six months ended 30th June 2015 HK$M	Year ended 31st December 2015 HK$M
Reported attributable profit		**5,338**	8,458	14,017
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(2,625)**	(5,170)	(8,137)
Deferred tax on investment properties	(b)	**660**	565	1,090
Realised profit on sale of investment properties	(c)	**–**	19	28
Depreciation of investment properties occupied by the Group	(d)	**13**	13	23
Non-controlling interests' share of revaluation movements less deferred tax		**107**	27	41
Underlying attributable profit		**3,493**	3,912	7,062
Swire Pacific share of underlying attributable profit		**2,864**	3,208	5,791

Notes:

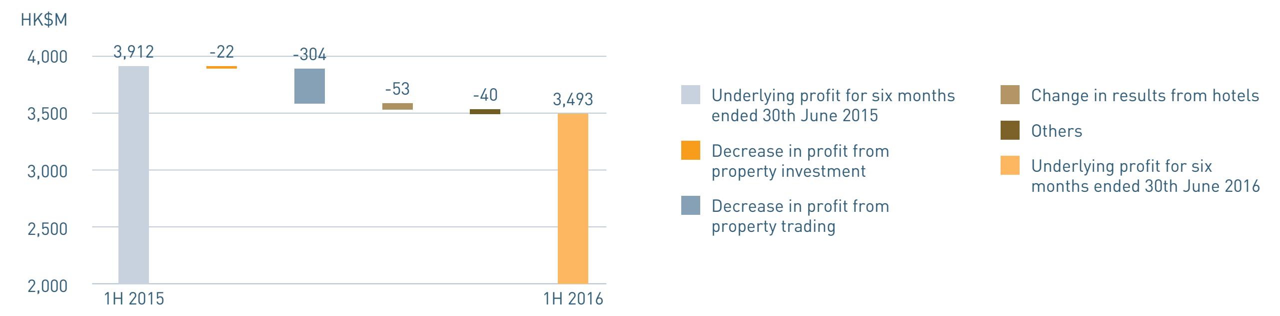
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture companies.

(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, 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 2016 was HK$4,377 million compared to HK$6,936 million in the first half of 2015. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$2,625 million and HK$5,170 million respectively. Attributable underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$344 million to HK$2,864 million. This decrease mainly reflects lower underlying profit from property trading.

Underlying profit from property investment decreased slightly. This principally reflects a lower contribution from retail properties in Hong Kong and pre-opening expenses at Brickell City Centre in the USA. Gross rental income was little changed at HK$5,367 million. Rental income from office properties in Hong Kong and Mainland China and from retail properties in Mainland China grew slightly.

There was an operating profit of HK$525 million from property trading in the first half of 2016, compared to an operating profit of HK$1,025 million in the first half of 2015. Profits in the first half of 2016 largely arose from the handover of 226 presold units at the Reach development in the USA and from the sales of units at the AREZZO development in Hong Kong.

The increase in operating losses of the hotel division (from HK$23 million in the first half of 2015 to HK$89 million in the first half of 2016) principally reflects pre-opening expenses at EAST, Miami in the USA.

KEY DEVELOPMENTS

In March 2016, Swire Properties opened the first of two office towers in Phase I of the Brickell City Centre development in Miami, USA.

In April 2016, Swire Properties started to pre-sell units in ALASSIO, a residential development in Mid-Levels West, Hong Kong. The development consists of a 50-storey tower of 197 residential units, and is expected to be completed in the second half of 2016 and available for handover in 2017. 184 of the 197 units had been presold at 16th August 2016.

In June 2016, EAST, Miami was opened at the Brickell City Centre development in Miami, USA. It has 352 rooms including 89 serviced apartments.

In July 2016, Swire Properties announced the HK$15 billion redevelopment of Taikoo Place. Two new Grade-A office buildings, each with an aggregate gross floor area of around one million square feet, are to be constructed. They are expected to be completed in 2018 and 2021 respectively.

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

Location	At 30th June 2016						At 31st December 2015
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,451*	12	–	63	–	5,526	5,526
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	41	–	1,106	1,106
– Hong Kong	9,680	2,436	743	547	–	13,406	13,406
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
Sino-Ocean Taikoo Li Chengdu	–	624	114	64	–	802	802
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,954	1,046	116	–	7,146	7,146
– USA	132	–	477	109	–	718	259
Total completed	**11,842**	**6,390**	**2,266**	**772**	**–**	**21,270**	20,811
Under and pending development							
– Hong Kong	1,766	–	–	–	96	1,862	1,862
– Mainland China	914	551	195	74	–	1,734	1,734
– USA	128	490	–	–	1,444	2,062	2,521
Total	**14,650**	**7,431**	**2,461**	**846**	**1,540**	**26,928**	26,928

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

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

INVESTMENT PROPERTIES

Hong Kong

Office

Gross rental income from the Hong Kong office portfolio in the first half of 2016 was HK$2,815 million, a slight increase from the first half of 2015. Rental reversions were generally positive. Occupancy remained high at Taikoo Place, Cityplaza and Pacific Place. At 30th June 2016, the Hong Kong office portfolio (excluding Techno Centres) was 99% let.

Demand for the Group's office space in Hong Kong was strong in all districts. However, gross rental income decreased at the Techno Centres, as tenants vacated prior to the Taikoo Place redevelopment, and at Cityplaza, as floors were handed over to the Hong Kong Government.

Retail

The Hong Kong retail market was weak, resulting in lower retail sales at Pacific Place and Citygate. Sales were slightly lower at Cityplaza due to changes to the tenant mix.

The Hong Kong retail portfolio's gross rental income for the first half of 2016 decreased slightly compared with the first half of 2015, to HK$1,312 million. The decrease principally reflects a change in tenant mix and lower turnover rent at The Mall at Pacific Place.

Occupancy rates at the wholly-owned malls were 100%.

Residential

Occupancy at the residential portfolio was 84% at 30th June 2016, reflecting stable demand for Pacific Place Apartments and increasing demand for the newly opened Taikoo Place Apartments.

Investment Properties under Development

The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. Superstructure work is proceeding. The development is expected to be completed in 2017.

The commercial site (Tung Chung Town Lot No. 11) next to Citygate Outlets is being developed into a commercial building with an aggregate retail and hotel gross floor area of approximately 477,000 square feet. Excavation, foundation and substructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 20% interest in the development.

The first phase of the Taikoo Place redevelopment (the redevelopment of Somerset House) is the construction of a 50-storey office building with an aggregate gross floor area of approximately 1,020,000 square feet, to be called One Taikoo Place. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place) is being planned, with completion expected in 2021.

The commercial site at 8-10 Wong Chuk Hang Road is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Outlook

Given the uncertain economic outlook, demand for office space is likely to be subdued in the second half of the year. However, high occupancy in our properties is likely to underpin rents.

The fall in retail sales in Hong Kong has made retailers more cautious. Swire Properties' retail properties in Hong Kong are fully let. We are changing the mix of retail tenants in order to accommodate changing consumer preferences and to attract new customers.

The residential leasing market is expected to be stable in the second half of 2016.

Mainland China

Retail

The Mainland China retail portfolio's gross rental income for the first half of 2016 was HK$836 million. In Renminbi terms, this represents an increase of 7% compared to the same period in 2015.

Subsidiaries

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2016, as the portfolio continues to gain popularity. Retail sales increased by 4%. The overall occupancy rate was 93% at 30th June 2016.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of 2016, reflecting in part improvements to the tenant mix. Retail sales grew by 4%. The mall was 99% let at 30th June 2016.

Joint Ventures

The mall at INDIGO in Beijing was 99% let at 30th June 2016. Retail sales increased by 13% in the first half of 2016, which supported rental growth. Continuing improvements to the tenant mix were made following the expiry of leases.

Gross rental income at Sino-Ocean Taikoo Li Chengdu increased in the first half of 2016. Retail sales increased by 113% as more shops were open than in the first half of 2015. At 30th June 2016, tenants had committed (including by way of letters of intent) to lease 91% of the space and 86% of the shops in the development were open.

Office

The Mainland China office portfolio's gross rental income for the first half of 2016 was HK$182 million. In Renminbi terms, this represents an increase of 6% compared to the same period in 2015.

Occupancy at TaiKoo Hui's office towers in Guangzhou was 100% at 30th June 2016.

Occupancy at ONE INDIGO in Beijing was 91% at 30th June 2016. Demand for office space in Beijing weakened during the first half of 2016.

Investment Properties under Development

HKRI Taikoo Hui in Shanghai will comprise a retail mall, two office buildings, two hotels and one serviced apartment tower. Structural work has been completed. Interior decoration and mechanical and electrical installation works for the office towers and the retail mall are in progress. The development is expected to open in phases from the second half of 2016.

Outlook

In the second half of 2016, retail sales are expected to grow modestly in Mainland China. Demand for high quality space in prime areas is expected to remain firm.

Demand for Grade-A office space in the Tianhe business district in Guangzhou is expected to be robust despite a substantial supply of new office space. In Beijing, office rents are expected to be weak in the second half, with reduced demand and increased supply.

USA

Phase I of the Brickell City Centre development consists of a shopping centre, two office buildings (Two Brickell City Centre and Three Brickell City Centre), a hotel and serviced apartments (EAST, Miami) managed by Swire Hotels and two residential towers (Reach and Rise). The residential towers are being developed for sale.

Three Brickell City Centre opened in March 2016. At 30th June 2016, its occupancy rate was 84%. EAST, Miami opened in June 2016. The shopping centre is expected to open by the end of 2016.

At 30th June 2016, Swire Properties owned 100% of the office, hotel and residential portions and 60.9% of the retail portion of Phase I. The remaining interest in the retail portion is held by Simon Property Group (25%) and Bal Harbour Shops (14.1%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the retail portion, to sell its interest to Swire Properties.

Phase II of the Brickell City Centre development is planned to be an 80-storey mixed-use development comprising retail, office, hotel and residential space in one tower, to be called One Brickell City Centre. Phase II will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of Phase II.

Outlook

Retail sales in Miami have declined since 2015. This has made retailers cautious about expansion.

The office market continues to recover from the adverse effects of the 2008 recession. There is little new supply.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2016 (93% of the total value by DTZ Cushman & Wakefield Limited and a further 3% by another independent valuer) on the basis of open market value. The amount of this valuation was HK$229,966 million, compared to HK$227,109 million at 31st December 2015 and HK$225,591 million at 30th June 2015.

The modest increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of office properties in Hong Kong, partially offset by a decrease in the valuation of the retail properties in Hong Kong.

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

HOTELS

Operating profits from the managed hotels in Hong Kong were lower than in the first half of 2015. Trading conditions were difficult because of a reduction in the number of visitors to Hong Kong.

In Mainland China, occupancy improved slightly at The Opposite House and EAST, Beijing in the first half of 2016 despite difficult trading conditions. The Temple House is building up its occupancy levels. Occupancy and average room rates at the Mandarin Oriental, Guangzhou were steady in the first half of 2016 despite an over-supply of hotel rooms in the city.

In the USA, EAST, Miami at the Brickell City Centre development opened in June 2016. The hotel has 352 rooms including 89 serviced apartments and is building up its occupancy levels. The results of the Mandarin Oriental hotel were slightly worse than in the first half of 2015, due to lower average room rates.

Outlook

Our hotels are expected to continue to face difficult conditions in the second half of 2016.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				**Commitments***
	Six months ended 30th June 2016 HK$M	Six months ending 31st December 2016 HK$M	2017 HK$M	2018 HK$M	2019 & beyond HK$M	**at 30th June 2016 HK$M**
Hong Kong	**979**	3,295	3,933	2,742	5,771	**15,741**
Mainland China	**285**	958	1,215	454	10	**2,637**
USA and others	**651**	853	401	164	131	**1,549**
Total	**1,915**	5,106	5,549	3,360	5,912	**19,927**

* 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$1,152 million of the capital commitments of joint venture companies.

PROPERTY TRADING

Hong Kong

The profit from the sale of six units at the AREZZO development and one unit at the WHITESANDS development was recognised in the first half of the year.

The WHITESANDS development consists of 28 detached houses in Cheung Sha, Lantau Island. The development was completed and sales began in September 2015. Two of the 28 houses had been sold at 16th August 2016. The development is wholly-owned by Swire Properties.

At 16th August 2016, 9 units remain to be sold at the AREZZO development (out of an original 127 units), and one unit remains to be sold at MOUNT PARKER RESIDENCES (out of an original 92 units).

Finishing works are in progress at the ALASSIO development, which is expected to be completed later this year and to be available for handover to purchasers in 2017. The development consists of a 50-storey tower of 197 residential units. Pre-sales of units began in April 2016. 184 of the 197 units had been presold at 16th August 2016. The development is wholly-owned by Swire Properties.

Mainland China

At Sino-Ocean Taikoo Li Chengdu, 89% of the office's total gross floor area (approximately 1.15 million square feet) and 350 car park spaces were presold in August 2013. In 2015, the profit from the sale of approximately 52% of the presold gross floor area was recognised. The sale of the remaining presold gross floor area and 350 car park spaces is being cancelled as part of the consideration has not been received according to schedule.

USA

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There are 780 units in two towers (Reach and Rise). The Reach units began to be handed over to purchasers in April 2016. Rise is expected to be completed and available for handover to purchasers in the second half of 2016.

349 of the 390 units at Reach and 174 of the 390 units at Rise had been sold at 16th August 2016. The profit from the handover of 226 units at Reach was recognised in the first half of 2016.

Outlook

In Hong Kong, property buyers are cautious in light of the slowing Hong Kong economy. In Miami, the strength of the US dollar against major South American currencies since the latter part of 2015 has adversely affected demand for condominiums by non-US buyers.

In the second half of 2016, property trading profits are expected to continue to be recognised on the sales of residential units in Miami and in Hong Kong.

Guy Bradley

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 Airways Limited ("Cathay Pacific") and HAECO are listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes 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
	2016 HK$M	2015 HK$M	2015 HK$M
HAECO group			
Revenue	**7,103**	5,734	12,095
Operating profit	**323**	263	415
Swire Pacific share of attributable profit	**833**	190	349
Cathay Pacific group			
Share of post-tax profits from associated companies	**159**	887	2,700
Swire Pacific share of attributable profit	**978**	1,063	3,017

Accounting for the Aviation Division
The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. The figures for the HAECO and Cathay Pacific groups presented above are before Swire Pacific's consolidation adjustments.

RESULTS SUMMARY

The Aviation Division reported an attributable profit of HK$978 million in the first half of 2016. This compared with a profit of HK$1,063 million in the same period in 2015.

CATHAY PACIFIC GROUP

The Cathay Pacific group's attributable profit on a 100% basis was HK$353 million in the first half of 2016 (2015 first-half: HK$1,972 million). The airlines' loss after tax was HK$783 million (2015 first-half: profit of HK$955 million), and the share of profits from subsidiaries and associates was HK$1,136 million (2015 first-half: HK$1,017 million). The operating environment in the first half of 2016 was affected by economic fragility and intense competition. There was sustained pressure on revenues, reflecting the suspension of fuel surcharges, currency depreciation in some markets, a higher proportion of passengers being those transiting through Hong Kong and weak premium class demand, particularly on long-haul routes.

Passenger Services

Passenger revenue for the period decreased by 8% to HK$33,413 million compared with the first half of 2015. 17.2 million passengers were carried in the first half of the year, an increase of 3%.

Passenger capacity on the Cathay Pacific and Dragonair network increased by 4% in the first half of 2016, reflecting the introduction of new routes to Düsseldorf and Hiroshima in the second half of 2015, and to Madrid in June 2016. Frequencies on certain existing routes were also increased.

The passenger load factor decreased by 1.4 percentage points. There was a significant reduction in premium corporate travel, particularly on long-haul routes.

The suspension of fuel surcharges (from February), strong competition, and adverse currency movements put downward pressure on yield, which decreased by 10% to HK54.3 cents.

Cargo Services

Cathay Pacific and Dragonair

The cargo revenue of Cathay Pacific and Dragonair for the first half of 2016 decreased by 17% to HK$9,415 million compared with the same period in 2015. Tonnage carried decreased marginally to 866,000 tonnes. The overall market was weak during the period, although tonnage stabilised in the second quarter.

The cargo capacity of Cathay Pacific and Dragonair increased by 1% in the first half of 2016 compared with the first half of 2015. Freighter capacity was managed in line with demand, including by carrying a higher percentage of cargo in the bellies of passenger aircraft.

The cargo load factor decreased by 1.9 percentage points to 62.2%. Demand on European routes continued to be weak and demand on transpacific routes weakened. India was one of the few routes where demand strengthened.

Cargo yield decreased by 18% to HK$1.59. This reflected strong competition, overcapacity and the suspension (from April) of cargo fuel surcharges.

Air Hong Kong

In the first half of 2016, Air Hong Kong's profit decreased by comparison with the same period in 2015.

Capacity (in terms of available tonne kilometres) increased by 1% to 386 million and the load factor decreased by 1.4 percentage points to 65.0%.

Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		
		2016	2015	**Change**
Available tonne kilometres ("ATK")*	*Million*	**14,929**	14,598	**2.3%**
Available seat kilometres ("ASK")*	*Million*	**72,647**	69,689	**4.2%**
Passenger revenue	*HK$M*	**33,413**	36,226	**-7.8%**
Revenue passengers carried	*'000*	**17,249**	16,800	**2.7%**
Passenger load factor*	*%*	**84.5**	85.9	**-1.4%pt**
Passenger yield*	*HK¢*	**54.3**	60.4	**-10.1%**
Cargo revenue – group	*HK$M*	**9,415**	11,376	**-17.2%**
Cargo revenue – Cathay Pacific and Dragonair	*HK$M*	**7,951**	9,865	**-19.4%**
Cargo and mail carried	*Tonnes '000*	**866**	868	**-0.2%**
Cargo and mail load factor*	*%*	**62.2**	64.1	**-1.9%pt**
Cargo and mail yield*	*HK$*	**1.59**	1.93	**-17.6%**
Cost per ATK*	*HK$*	**2.98**	3.24	**-8.0%**
Cost per ATK without fuel	*HK$*	**2.11**	2.12	**-0.5%**
Aircraft utilisation	*Hours per day*	**12.1**	12.2	**-0.8%**
On-time performance*	*%*	**71.4**	65.8	**5.6%pt**

* Refer to Glossary for definitions.

Operating Costs

Total fuel costs for Cathay Pacific and Dragonair (before the effect of fuel hedging) decreased by HK$4,023 million (or 32%) compared to the first half of 2015. A 33% decrease in average fuel prices was partially offset by a 2% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 29% of total operating costs in the first half of 2016 (compared with 34% in the first half of 2015).

Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. This partially offset the benefit of lower fuel costs. After taking account of hedging losses recognised in Cathay Pacific's profit and loss account, net fuel costs decreased by HK$3,360 million (or 20%) compared with the first half of 2015.

Non-fuel costs increased by 1% in the first half of 2016 compared with the same period in 2015. Productivity improvements kept the increase in non-fuel costs below the increase in capacity. There was a 0.5% decrease in non-fuel costs per ATK.

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.

Fleet Profile

At 30th June 2016, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 187.

Cathay Pacific took delivery of its first Airbus A350-900 aircraft in May. A second aircraft of this type was delivered in July and a third in August. A further nine aircraft of this type will be delivered during the remainder of 2016. A total of 22 aircraft of this type are expected to be in service by the end of 2018.

The Cathay Pacific group will start to take delivery of Airbus A350-1000 aircraft (which have longer range and more capacity than Airbus A350-900 aircraft) in 2018. A total of 26 aircraft of this type are expected to be in service by the end of 2020.

At 30th June 2016 there were 69 new aircraft on order for delivery up to 2024.

Two Airbus A340-300 aircraft were retired in the first half of 2016. One more aircraft of this type will be retired in the second half of this year and the remaining four aircraft of this type will be retired in 2017. The three remaining Boeing 747-400 passenger aircraft in the fleet will be retired by October 2016.

Fleet profile*

Aircraft type	Number at 30th June 2016: Owned	Leased: Finance	Leased: Operating	Total	Firm orders: '16	Firm orders: '17	Firm orders: '18 and beyond	Total	Expiry of operating leases: '16	'17	'18	'19	'20	'21 and beyond	Options
Aircraft operated by Cathay Pacific:															
A330-300	23	13	6	**42**							3	1	2		
A340-300	4	1		**5**											
A350-900			1	**1**	11[a]	10		**21**						1	
A350-1000							26	**26**							
747-400	3			**3**											
747-400F	4			**4**[b]											
747-400BCF			1	**1**							1				
747-400ERF		6		**6**											
747-8F	2	11		**13**	1[b]			**1**							
777-200	5			**5**											
777-200F															5[c]
777-300	12			**12**			5[d]	**5**							
777-300ER	19	11	23	**53**						2	2			19	
777-9X							21[b]	**21**							
Total	72	42	31	**145**	12	10	52	**74**		2	6	1	2	20	5
Aircraft operated by Dragonair:															
A320-200	5		10	**15**							2	1	1	6	
A321-200	2		6	**8**									1	5	
A330-300	10		9[e]	**19**					3	4		2			
Total	17		25	**42**					3	4	2	3	2	11	
Aircraft operated by Air Hong Kong:															
A300-600F	2	6	2	**10**							2				
747-400BCF			3[e]	**3**					1	2					
Total	2	6	5	**13**					1	2	2				
Grand total	**91**	**48**	**61**[e]	**200**	**12**	**10**	**52**	**74**[d]	**4**	**8**	**10**	**4**	**4**	**31**	**5**

* Includes parked aircraft. The table does not reflect aircraft movements after 30th June 2016.

(a) Including one aircraft on a 12-year operating lease which was delivered in July 2016 and another aircraft which was delivered in August 2016.

(b) 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. Three Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, one in July 2015 and the third in September 2015. The Boeing 747-8F freighter was delivered to Cathay Pacific in August 2016. Four of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, one in July 2015, one (which had been parked in January 2014) in July 2016 and the fourth in August 2016. The remaining two Boeing 747-400F freighters will be delivered to The Boeing Company by the end of 2016.

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

(d) At 30th June 2016, Cathay Pacific had 69 new aircraft and five used Boeing 777-300 aircraft due for delivery up to 2024.

(e) 56 of the 61 aircraft which are subject to operating leases are leased from third parties. The remaining five of such aircraft (three Boeing 747-400BCFs and two Airbus A330-300s) are leased within the group.

Air China

The Cathay Pacific group's share of the results of Air China (in which the Cathay Pacific group had a 20.13% interest at 30th June 2016) is based on its financial statements drawn up three months in arrear. Consequently the 2016 interim results include Air China's results for the six months ended 31st March 2016, adjusted for any significant events or transactions for the period from 1st April 2016 to 30th June 2016.

Air China's results improved significantly in the six months to 31st March 2016. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.

Air China Cargo

In the first half of 2016, Air China Cargo recorded a loss compared to a profit in the first half of 2015. Savings from lower fuel prices were more than offset by unrealised foreign exchange losses on loans denominated in United States dollars and lower yield in the highly competitive air cargo market.

Outlook

The Cathay Pacific group expects the operating environment in the second half of the year to continue to be impacted by the same adverse factors as in the first half. The overall business outlook therefore remains challenging. Passenger yield is expected to remain under pressure. Overcapacity and economic fragility will dampen cargo demand. Fuel prices have increased this year, but are still lower than in previous periods. The benefits from lower fuel prices will continue to be partially offset by losses on fuel hedging contracts. The fuel surcharge remains suspended. In this difficult environment, the Cathay Pacific group will manage capacity and strive to make further improvements in operational efficiency. The group will also continue to be vigilant on costs.

The strategic objective of the Cathay Pacific group is to provide sustainable growth in shareholder value over the long term. Investments will continue in the development of a modern and fuel-efficient fleet, in strengthening the network, and the group will strive to provide higher standards of customer service. The group will continue to develop its strategic relationship with Air China.

As Cathay Pacific celebrates its 70th anniversary, its commitment to Hong Kong and its people remains unwavering. The group will continue to make long-term strategic investments to develop and strengthen Hong Kong's position as Asia's premier aviation hub.

Ivan Chu

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas). Engine overhaul work is performed by HAECO's joint venture company Hong Kong Aero Engine Services Limited ("HAESL"), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited ("TEXL") and by HAECO Americas. The HAECO group has other 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 ("HAECO ITM"), an inventory technical management joint venture with Cathay Pacific in Hong Kong. HAESL's interest in its joint venture company Singapore Aero Engine Services Pte. Limited ("SAESL") was disposed of on 30th June 2016.

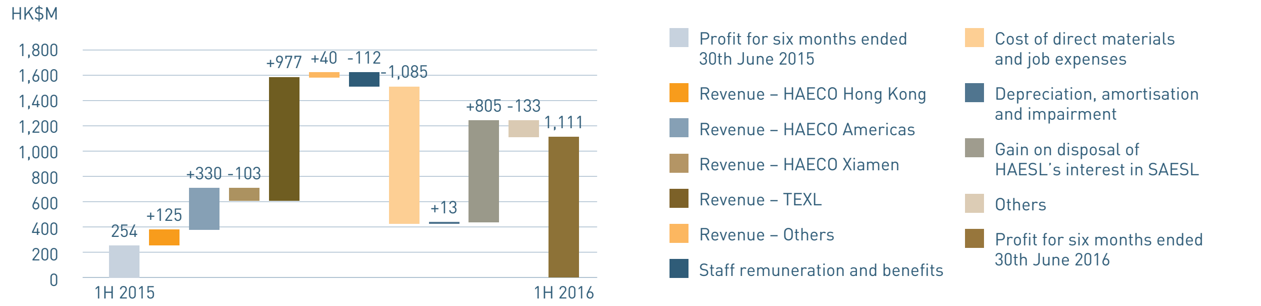
Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Revenue			
HAECO Hong Kong	**1,902**	1,777	3,628
HAECO Americas	**1,586**	1,256	2,554
HAECO Xiamen	**835**	938	1,712
TEXL	**2,515**	1,538	3,719
Others	**265**	225	482
	7,103	5,734	12,095
Net operating profit	**274**	224	339
Attributable profit			
HAECO Hong Kong	**82**	99	167
HAECO Americas	**(59)**	(59)	(158)
HAECO Xiamen	**47**	46	69
TEXL	**103**	52	149
Share of profit/(loss) of:			
HAESL and SAESL	**119**	104	194
Other subsidiary and joint venture companies	**14**	12	43
	306	254	464
Gain on disposal of HAESL's interest in SAESL	**805**	–	–
Attributable profit	**1,111**	254	464
Swire Pacific share of attributable profit	**833**	190	349

Accounting for the HAECO group

HAESL is and SAESL was a joint venture company of the HAECO group. The gain on disposal of HAESL's interest in SAESL is accounted for in the consolidated statement of profit or loss within the share of profits less losses of joint venture companies. It is presented separately above to provide more meaningful information to users of this report.

HAECO Group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2016	2015	**Change**
Airframe services manhours sold – HAECO Hong Kong	*Million*	**1.38**	1.40	**-1.4%**
Airframe services manhours sold – HAECO Americas	*Million*	**1.74**	1.55	**12.3%**
Airframe services manhours sold – HAECO Xiamen	*Million*	**1.65**	1.92	**-14.1%**
Line services movements handled – HAECO Hong Kong	*Average per day*	**306**	299	**2.3%**
Engines overhauled – TEXL		**48**	38	**26.3%**
Engines overhauled – HAESL		**60**	53	**13.2%**

RESULTS SUMMARY

The HAECO group's attributable profit on a 100% basis was HK$1,111 million in the first six months of 2016. This included a gain of HK$805 million on disposal of HAESL's interest in SAESL.

Excluding this gain, attributable profit was HK$306 million, a 20% increase compared with a profit of HK$254 million for the same period in 2015. This increase in profit mainly reflected more work at TEXL and HAESL and more line services work at HAECO Hong Kong.

A total of 4.77 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in the first half of 2016, 2% fewer than those sold in the same period in 2015. More manhours were sold by HAECO Americas. Fewer manhours were sold by HAECO Hong Kong and HAECO Xiamen.

HAECO Hong Kong

Excluding expenses arising in connection with the disposal of SAESL, HAECO Hong Kong recorded a 5% increase in profit to HK$104 million. This mainly reflected more line services activity.

1.38 million airframe services manhours were sold by HAECO Hong Kong in the first half of 2016, marginally fewer than in the first half of 2015. 82% of the work was for airlines based outside Hong Kong.

HAECO Hong Kong provided line services to an average of 306 aircraft per day at Hong Kong International Airport in the first half of 2016, an increase of 2% compared with the first half of 2015. More work was done per movement and line services manhours sold increased accordingly.

HAECO Americas

HAECO Americas recorded a loss of HK$59 million in the first half of 2016, the same as that in the same period last year. The airframe services performance was better, but fewer seats were sold.

1.74 million airframe services manhours were sold, 12% more than in the first half of 2015. More airframes were overhauled. Work was done on a significant aircraft modification programme which started in the second half of 2015. The beneficial effect on profits was partly offset by expenditure to improve efficiency and work flow.

In the cabin and seat business, more Panasonic kit work was done, but fewer seats were sold (approximately 1,800 compared with 2,800 in the first half of 2015). Demand for old seats declined and the new ones did not start to be sold until the second quarter.

HAECO Xiamen

HAECO Xiamen recorded a 2% increase in attributable profit in the first half of 2016, to HK$47 million due to a lower tax rate. Its pre-tax profit decreased because demand for airframe services in the first half of 2016 was weak. Less work was performed for a major North American customer. 1.65 million manhours were sold, 14% lower than the same period in 2015.

TEXL

TEXL completed 25 quick turn repairs and 23 performance restorations of GE90 aircraft engines, 10 more performance restorations than in the first half of 2015. With more engines overhauled and more component repair work, TEXL recorded a significantly higher profit in the first half of 2016 than in the first half of 2015.

HAESL and SAESL

The agreements entered into in November 2015 for the restructuring of shareholdings in HAESL and SAESL were completed on 30th June 2016. The gain to HAESL arising from selling its 20% shareholding in SAESL under the restructuring was US$229 million. 45% of the gain to HAESL, equivalent to approximately HK$805 million, has been included in the profit of the HAECO group for the first half of 2016. Under the restructuring, HAECO increased its shareholding in HAESL from 45% to 50%. HAESL is now 50% owned by HAECO and 50% by Rolls-Royce. HAESL no longer has any shareholding in SAESL.

Excluding the non-recurring profit described above, HAESL recorded a 32% increase in profit in the first half of 2016 compared to the first half of 2015. More engines (60 compared with 53 in the first half of 2015) were overhauled and more work was done per engine.

SAESL, in which HAESL had a 20% interest until 30th June 2016, recorded a 48% decrease in profit in the first half of 2016 compared to the first half of 2015. Fewer engines were overhauled and less work was done per engine.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 270 aircraft in the first half of 2016, an increase of 6% compared with the same period in 2015. Operating profit increased, but increased finance charges resulted in reduced attributable profits.

HAECO Landing Gear Services recorded a loss in the first half of 2016 which was comparable to that in the corresponding period last year. Its results were adversely affected by strong competition.

Outlook

The prospects for the HAECO group's different businesses in the second half of the year are mixed.

Demand for HAECO Hong Kong's airframe services is expected to be roughly stable. Demand for its line services is expected to be firm.

Demand for HAECO Americas' airframe services is expected to increase by comparison with the second half of 2015. But seasonal factors mean that less work will be done compared to the first half of 2016. The seat business will continue to be adversely affected by reduced demand for old seat models. Forward bookings for cabin integration work are weak. But there will be more Panasonic kit work.

Demand for HAECO Xiamen's airframe services is expected to be weak. Less work will be done for a major North American customer. This will be offset in part by more work for customers from outside North America and by narrow body passenger-to-freighter conversion work.

TEXL's engine output is expected to be stable.

HAESL's results in the second half of the year are expected to be adversely affected by reduced demand for its engine overhaul services. Results for the whole of 2016 are likely to be better than those of 2015.

The results of HAECO Landing Gear Services will continue to be adversely affected by strong competition.

The municipal government of Xiamen has announced that the proposed new airport at Xiang'an will commence operations in 2020. This is subject to the National Development and Reform Commission's approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group 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 mid-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 ("CCBMH"), which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 58 beverage brands and distributes them to a franchise population of over 460 million people.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Revenue	**8,212**	8,877	17,174
Operating profit	**435**	547	1,164
Share of post-tax profits from joint venture and associated companies	**75**	166	262
Attributable profit	**336**	456	976

Segment Financial Highlights

	Revenue			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M	**2016 HK$M**	2015 HK$M	2015 HK$M
Mainland China	**3,482**	4,218	7,617	**119**	245	391
Hong Kong	**1,011**	1,051	2,200	**77**	85	204
Taiwan	**608**	677	1,392	**6**	17	34
USA	**3,111**	2,931	5,965	**138**	123	273
Central costs	**–**	–	–	**(4)**	(14)	74
Beverages Division	**8,212**	8,877	17,174	**336**	456	976

Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue 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 CCBMH 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 revenue and operating profit from the joint venture interests in three franchises in Mainland China was HK$3,447 million and HK$91 million, respectively, in the first half of 2016 (2015 first-half: HK$4,495 million and HK$264 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK$1,810 million in the first half of 2016 (2015 first-half: HK$2,428 million).

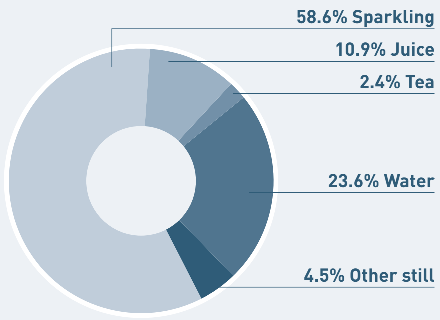
The sales volume for Mainland China shown in the table below represents sales in the seven franchises, including products supplied by CCBMH.

Central costs are arrived at after crediting gains on disposal of available-for-sale investments of HK$11 million in the first half of 2016 (2015 first-half: HK$1 million).

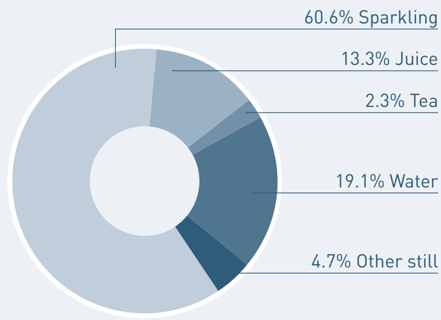
Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2016	**391.9**	**29.6**	**25.3**	**63.8**	**510.6**
Six months ended 30th June 2015	430.7	31.1	27.1	62.1	551.0

Breakdown of Total Volume by Category (%)



Six months ended 30th June 2016



Six months ended 30th June 2015

RESULTS SUMMARY

Swire Beverages made an attributable profit of HK$336 million in the first half of 2016, a decrease of 26% compared with the same period in 2015.

The decrease in attributable profit principally reflected lower profits in Mainland China. Overall sales volume declined by 7% to 511 million unit cases. Volume declined in Mainland China, Hong Kong and Taiwan but grew in the USA.

Mainland China

Attributable profit from Mainland China for the first half of 2016 (including that contributed by non-controlling interests in subsidiaries acquired from Citic Corporation Limited in the second half of 2015), was HK$119 million, a 51% decrease from the first half of 2015.

Total sales volume decreased by 9% compared with the same period in 2015. This reflected the slowdown in the Mainland China economy and stronger competition from new types of beverages. Sparkling and juice sales volumes declined by 13% and 25% respectively. Water volume grew by 17%.

Gross margins per unit case declined by 1%. This was due to an unfavourable sales mix and lower prices, partly offset by lower raw material costs (in particular resin and sweetener). Lower prices reflected increased competition.

Hong Kong

Attributable profit from Hong Kong for the first half of 2016 was HK$77 million, a 9% decrease from the first half of 2015.

Total sales volume decreased by 5%. Sparkling sales volume decreased by 9%. Still sales volume decreased by 1%. The decrease in volume reflected the relatively weak economic conditions in Hong Kong.

Gross margins per unit case improved by 3% due to lower raw material costs.

Taiwan

Attributable profit from Taiwan for the first half of 2016 was HK$6 million compared with HK$17 million in the first half of 2015.

Total sales volume decreased by 7% compared with 2015. Sparkling and still sales volumes declined by 6% and 8% respectively. Retail sales and sales to catering outlets were weak.

USA

Attributable profit from the USA for the first half of 2016 was HK$138 million, a 12% increase from the first half of 2015.

Total sales volume increased by 3% compared with the same period in 2015. Sparkling sales volume grew by 1%. Still sales volume grew by 7%. Sales of energy and water drinks increased by 26% and 8% respectively.

Revenue per unit case increased by 3% due to price increases. Cost of goods per unit case increased by 3%. Gross margins benefited from higher selling prices and higher sales volume. These benefits were partially offset by higher operating costs in Colorado and legal and professional fees incurred in connection with the acquisition of distribution rights and assets in Arizona and New Mexico.

In February, a letter of intent was signed with TCCC to acquire additional territory rights in the states of Washington, Oregon and Idaho. The letter also contemplated the acquisition of production facilities near Seattle and Portland and distribution facilities.

In April, a definitive agreement was signed with TCCC to acquire additional territory rights in Albuquerque, New Mexico.

In July, the acquisition from TCCC of distribution rights and assets in Arizona and New Mexico was completed.

Outlook

Sales volumes in Mainland China are expected to remain under pressure in the second half of 2016. However, sparkling sales should improve as a result of marketing associated with the Olympic Games. Sales of water are expected to continue to grow strongly. Raw material costs are expected to be favourable in the second half of 2016.

The beverages market in Hong Kong is expected to be relatively weak. Sales will be supported by increased marketing and promotional expenditure.

The retail market for beverages in Taiwan is expected to remain difficult. Sales will be supported by increased marketing expenditure. Improved products and packaging will be introduced. There will be greater emphasis on sales to catering outlets.

In the USA, the beverages market is expected to grow moderately in the second half of 2016. Sales of energy drinks and water are expected to continue to grow. Additional profits will be earned from the acquisition of distribution rights in Arizona and New Mexico with effect from August.

Patrick Healy

MARINE SERVICES DIVISION

The Marine Services Division, through SPO, operates offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO has a wind farm installation business, a subsea inspection, maintenance and repair ("IMR") business and a logistics business working in the oil and gas industry. 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
	2016 HK$M	2015 HK$M	2015 HK$M
Swire Pacific Offshore group			
Revenue	**2,281**	3,032	5,990
Operating (loss)/profit derived from:			
Vessel activities and services	**(43)**	189	432
Impairment charges	**–**	(140)	(1,278)
Total operating (loss)/profit	**(43)**	49	(846)
Attributable loss	**(260)**	(169)	(1,285)
HUD group			
Share of post-tax profits from joint venture companies	**13**	13	30
Attributable loss	**(247)**	(156)	(1,255)

Fleet Size

	At 30th June		At 31st December
	2016	2015	2015
Fleet size (number of vessels)			
Swire Pacific Offshore group	**84**	92	92
HUD group – Hongkong Salvage & Towage	**19**	19	19
Total	**103**	111	111

RESULTS SUMMARY

The attributable loss of the Marine Services Division in the first half of 2016 was HK$247 million, compared to a loss of HK$156 million for the same period in 2015.

Swire Pacific Offshore group

SPO reported an attributable loss of HK$260 million for the first half of 2016, compared to a loss of HK$169 million in the first half of 2015. This reflects reduced spending on exploration and production activity by oil majors. An oversupply of vessels kept utilisation and day rates under pressure.

SPO generated net cash from operating activities of HK$554 million in the first half of 2016 (2015 first half: HK$787 million).

Charter Hire

Reflecting pressure on utilisation and day rates, charter hire revenue decreased by 27% to HK$1,936 million in the first half of 2016. Fleet utilisation during the first half of 2016 was 62.4%, 13.2 percentage points lower than in the first half of 2015. Average charter hire rates decreased by 13% to USD24,400 per day.

Utilisation of SPO's core fleet of anchor handling tug supply vessels ("AHTSs") and platform supply vessels ("PSVs") decreased by 14.5 percentage points to 62.3%. Average charter hire rates for the core fleet were USD17,900 per day, a decrease of 14%. Six AHTSs were in cold stack at 30th June 2016.

Utilisation of SPO's fleet of construction and specialist vessels ("CSVs") decreased by 1.9 percentage points to 63.2%. The CSVs' average charter hire rates decreased by 21% to USD82,200 per day. The high charter hire rate achieved by a wind farm installation vessel in a decommissioning contract in the first half of 2015 did not reoccur.

One of the wind farm installation vessels was on charter for most of the first half of 2016. The other such vessel recently completed some upgrade work and is now on charter in the North Sea. A seismic survey vessel and an accommodation barge were in cold stack at 30th June 2016.

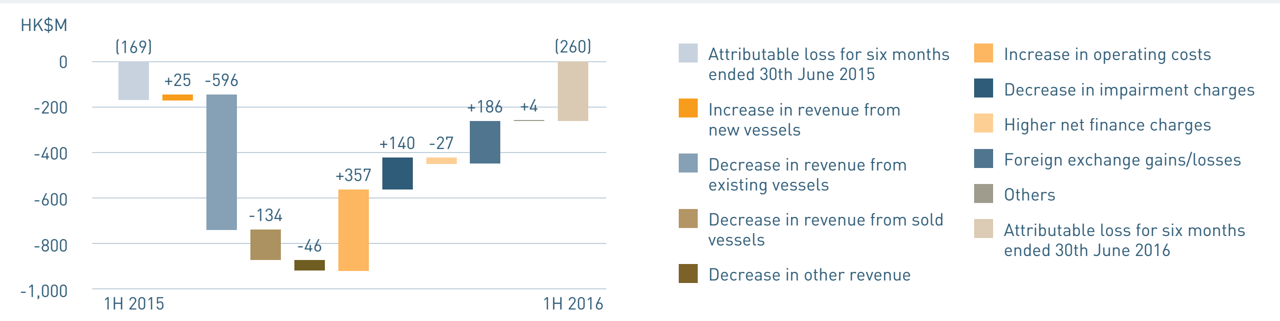
Non-charter Hire

Non-charter hire income decreased by 12% to HK$345 million in the first half of 2016. This principally reflects lower revenue from Altus Oil & Gas Services.

Operating Costs

Total operating costs decreased by 13% in the first half of 2016. The reduction principally reflects disposals and stacking of vessels. Eight vessels were in cold stack at 30th June 2016 (the same number as at 31st December 2015).

SPO – Movement in Attributable Loss



Fleet

The fleet size at 30th June 2016 was 84 compared to 92 at 30th June 2015 and 31st December 2015.

During the first half of the year, SPO disposed of eight older AHTSs, four of them large AHTSs. SPO expects to continue to dispose of older vessels.

Total capital expenditure on new vessels and other fixed assets during the first half of 2016 was HK$304 million, compared to HK$997 million in the first half of 2015.

At 30th June 2016, SPO had total capital expenditure commitments of HK$2,148 million (31st December 2015: HK$2,670 million, 30th June 2015: HK$2,852 million). The delivery of a high-speed catamaran crew boat is expected before the end of 2016. SPO deferred delivery of three PSVs to 2017 and a further three PSVs to 2018 (from 2016 and 2017, respectively).

Brazilian contracts

In 2014, SPO cancelled contracts with a Brazilian shipyard for the construction of four large PSVs due to the shipyard's failure to deliver the vessels in accordance with the contractually agreed schedule. The matter is the subject of arbitration proceedings in Brazil. SPO is seeking to recover from its insurers part of the losses arising from these contracts.

Outlook

Trading conditions in the second half of 2016 are expected to be similar to those in the first half of the year. Oil majors have reduced their capital expenditure projections and vessels continue to be delivered into an oversupplied market.

SPO expects that any recovery in market conditions will be gradual given the excess supply of vessels. However, as a provider of safe, reliable and high quality services to clients, SPO is well positioned to take advantage of any upturn when it comes.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure			**Commitments**
	Six months ended 30th June 2016 HK$M	Six months ending 31st December 2016 HK$M	2017 HK$M	2018 HK$M	**at 30th June 2016 HK$M**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**145**	263	940	666	**1,869**
Construction and Specialist Vessels	**75**	53	71	2	**126**
Other fixed assets	**84**	58	91	4	**153**
Total	**304**	374	1,102	672	**2,148**

SPO – Fleet Size

		Additions	**Disposals**	**Half-year**	Vessels expected to be received in:		
Vessel class	2015		**30th June 2016**		2016	2017	2018
Anchor Handling Tug Supply Vessels	40	**–**	**4**	**36**	–	–	–
Large Anchor Handling Tug Supply Vessels	23	**–**	**4**	**19**	–	–	–
Platform Supply Vessels	12	**–**	**–**	**12**	–	3	3
Large Platform Supply Vessels	8	**–**	**–**	**8**	–	–	–
Construction and Specialist Vessels	9	**–**	**–**	**9**	1	–	–
	92	**–**	**8**	**84**	1	3	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 2016 was HK$13 million, similar to the same period in 2015.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$23 million in the first half of 2016, compared to a loss of HK$30 million in the first half of 2015. The reduction in the loss reflected more project work on land. The ship repair business remained weak.

The profit of Hong Kong Salvage & Towage (before tax and interest and on a 100% basis) in the first half of 2016 was HK$57 million, compared to HK$67 million in the first half of 2015. Tug moves in the period were 7% lower than in the first half of 2015, reflecting the weak shipping market and lower container terminal throughput.

Hong Kong Salvage & Towage has 19 vessels, including six container vessels.

Outlook

The ship repair business is expected to remain weak in the second half of 2016. We aim to do more project work on land.

The tug business in Hong Kong is expected to remain under pressure.

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 footwear, apparel and related accessories in Hong Kong, Macau and Mainland China
  - (ii) Swire Brands group – investments in Columbia China and Rebecca Minkoff
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan, Hong Kong, Mainland China and Malaysia
- Swire Foods group:
  - (i) Chongqing New Qinyuan Bakery Co. Ltd ("Qinyuan Bakery") – a leading bakery chain in southwest China
  - (ii) Swire Foods (including Taikoo Sugar) – distribution of food products in Mainland China and packaging and selling of sugar in Hong Kong and Mainland China
  - (iii) Campbell Swire – distribution of soup and broth products in Mainland China
- Swire Pacific Cold Storage group – operation of cold stores in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China and Hong Kong
- Swire Environmental Services group:
  - (i) Swire Waste Management – provision of waste management services in Hong Kong
  - (ii) Swire Sustainability Fund – investment in early-stage sustainable technology companies

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Revenue			
Swire Retail group	**1,670**	1,649	3,208
Taikoo Motors group	**2,255**	2,270	4,498
Swire Foods group	**712**	741	1,589
Swire Pacific Cold Storage group	**37**	13	34
	4,674	4,673	9,329
Operating profits/(losses)			
Swire Retail group	**39**	31	53
Taikoo Motors group	**5**	58	38
Swire Foods group	**37**	52	105
Swire Pacific Cold Storage group	**(46)**	(38)	(94)
Other subsidiary companies and central costs	**(23)**	(13)	(34)
	12	90	68
Attributable profits/(losses)			
Swire Retail group	**59**	48	93
Taikoo Motors group	**4**	37	3
Swire Foods group	**46**	23	41
Swire Pacific Cold Storage group	**(57)**	(40)	(102)
Akzo Nobel Swire Paints	**115**	85	197
Swire Environmental Services group	**(30)**	(17)	(44)
Other subsidiary companies and central costs	**(20)**	(13)	(33)
Attributable profit	**117**	123	155

RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2016 decreased by 5% from the same period in 2015 to HK$117 million.

Swire Retail group

The attributable profit of the Swire Retail group increased by 23% in the first half of 2016 to HK$59 million. The increase principally reflected higher attributable profits from the Columbia China associated company, reduced losses from Mainland China and better cost control.

In Hong Kong and Macau, revenue was 1% higher than in the same period in 2015. Gross margins were lower, principally because of discounting. Operating costs, in particular advertising costs, decreased. The group managed 186 retail outlets in Hong Kong and Macau at 30th June 2016, two less than at the end of 2015.

The number of retail outlets operated in Mainland China decreased by five (to 20) in the first half of the year. The number of shops operated in Mainland China has been decreasing as a result of the closure of loss-making stores.

The attributable profit of the Columbia China associated company in the first half of 2016 was HK$21 million, 23% higher than in the same period in 2015. Cold weather early in the year helped to increase sales.

Taikoo Motors group

Taikoo Motors recorded an attributable profit in the first half of 2016 of HK$4 million, compared with a profit of HK$37 million in the same period in 2015. The results of the comparable period included non-recurring income relating to the termination of Volkswagen and Škoda importerships in Taiwan.

8,060 cars, commercial vehicles and motorcycles were sold in the first half of 2016, 7% less than in the same period in 2015. The decrease principally reflected fewer motorcycle sales in Taiwan. 88% of vehicles were sold in Taiwan.

Gross margins declined as a result of an unfavourable sales mix. Operating costs, in particular staff costs and promotional expenditure, decreased.

Swire Foods group

Swire Foods acquired the 35% non-controlling interest in Qinyuan Bakery during the first half of the year for HK$640 million. Qinyuan Bakery was accounted for as a 100% owned subsidiary from 1st January 2016.

Swire Foods reported an attributable profit of HK$46 million for the first half of 2016, compared with an attributable profit of HK$23 million in the same period in 2015.

The attributable profit of Qinyuan Bakery in the first half of 2016 was HK$39 million, compared with an attributable profit of HK$17 million in the same period in 2015. Revenue decreased by 7% compared with the first half of 2015. This principally reflected the depreciation of Renminbi. Gross margins were similar to those in the prior period. Higher operating costs (consequent upon the integration of the business into the Swire Foods group) reduced operating profits. Higher attributable profits reflected the fact that the business was treated as 100% owned during the first half of 2016, as opposed to 65% owned in the first half of 2015, and the release of tax provisions. A new factory in Chongqing started operations in May.

Volumes of sugar sold in Hong Kong decreased by 11% and in Mainland China increased by 5%.

The volume of soup and broth products sold by Campbell Swire increased by 10% in the first half of 2016.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss for the first half of 2016 of HK$57 million, compared with a loss of HK$40 million in the same period in 2015. The loss principally reflected operating losses at the recently completed cold stores in Ningbo and Nanjing, and the cost of developing new cold stores in Chengdu and Xiamen. The Guangdong facility recorded a small profit.

The businesses in Shanghai, Hebei, Ningbo and Nanjing are growing. Occupancy rates at these facilities at 30th June 2016 were 60%, 69%, 25% and 17% respectively. The Ningbo and Nanjing facilities were opened in July 2015 and January 2016 respectively.

The Xiamen and Chengdu facilities are expected to be completed in 2017.

The capital commitments of the Swire Pacific Cold Storage group at 30th June 2016 were HK$1,318 million.

Akzo Nobel Swire Paints

The attributable profit from Akzo Nobel Swire Paints for the first half of 2016 was HK$115 million, compared with an attributable profit of HK$85 million in the same period in 2015.

Sales volume in Mainland China was 165 million litres, an increase of 14% over the same period in 2015. Gross margins increased as a result of lower average material costs. Operating costs decreased because of lower advertising costs.

A fourth plant (in Chengdu) started operating in April.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK$30 million in the first half of 2016, compared with a loss of HK$17 million in 2015. The higher loss principally reflected start-up costs at Green Biologics' renewable fuel plant.

The Swire Sustainability Fund's other investments are accounted for at cost.

Outlook

The retail market in Hong Kong is expected to remain highly competitive. More discounting and higher staff costs are expected to put pressure on profit margins at Swire Resources.

Taikoo Motors does not expect its results to improve in the second half of 2016. It will focus on dealerships and workshops. It expects to close some loss-making businesses in Mainland China.

The Qinyuan Bakery business is expected to benefit from opening new stores and upgrading existing stores and products. Taikoo Sugar expects moderate sales growth in the second half of 2016. A 34% owned sugar refinery in Guangdong is expected to start operating later this year.

Occupancy rates at Swire Pacific Cold Storage are expected to increase.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network in Mainland China.

In July, Swire Waste Management was awarded a 10 year contract to operate the North West New Territories Refuse Transfer Station. The contract will begin in the second half of 2016.

In general, it is expected that the Trading & Industrial Division businesses will face challenging conditions in the second half of 2016. The results of the division will continue to be affected by the cost of new business development.

J B Rae-Smith

Financial Review

Additional information is provided below to reconcile reported and underlying profit 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 the USA, and for other deferred tax provisions in relation to investment properties.

Financial Information Reviewed by Auditors

		Six months ended 30th June		Year ended 31st December
	Note	**2016 HK$M**	2015 HK$M	2015 HK$M
Underlying profit				
Profit attributable to the Company's shareholders per financial statements		**5,061**	7,977	13,429
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(2,625)**	(5,156)	(8,123)
Deferred tax on investment properties	(b)	**660**	565	1,090
Realised profit on sale of investment properties	(c)	**–**	589	2,180
Depreciation of investment properties occupied by the Group	(d)	**13**	13	23
Non-controlling interests' share of adjustments		**439**	845	1,293
Underlying profit attributable to the Company's shareholders		**3,548**	4,833	9,892

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 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 companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and the USA, 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.

Adjusted underlying profit is provided below to show the effect of other significant non-recurring items.

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Adjusted underlying profit			
Underlying profit attributable to the Company's shareholders	**3,548**	4,833	9,892
Other significant non-recurring items:			
Profit on disposal of HAESL's interest in SAESL	**(604)**	–	–
(Profit)/loss on sale of property, plant and equipment and other investments	**(31)**	43	(74)
Profit on sale of investment properties	**(42)**	(537)	(2,023)
Net impairment of property, plant and equipment, leasehold land and intangible assets	**(3)**	154	1,348
Adjusted underlying profit	**2,868**	4,493	9,143

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	**5,601**	7,189	14,362
Dividends received	**2,031**	1,102	1,807
Tax paid	**(575)**	(693)	(1,909)
Net interest paid	**(1,144)**	(1,128)	(2,297)
Cash used in investing activities	**(4,467)**	(4,420)	(5,139)
	1,446	2,050	6,824
Cash (paid to)/received from shareholders and net funding by external debt			
Dividends paid	**(4,832)**	(4,973)	(6,924)
Purchase of shares in existing subsidiary companies	**(640)**	–	(1,541)
Increase in borrowings	**1,921**	1,799	14
Repurchase of the Company's shares	**–**	–	(35)
Capital contribution from non-controlling interests	**79**	629	767
	(3,472)	(2,545)	(7,719)
Decrease in cash and cash equivalents	**(2,026)**	(495)	(895)

Cash used in investing activities during the first half of 2016 included cash used for capital expenditure on property projects and plant and equipment and for investments in joint venture and associated companies.

Changes in Financing

Financial Information Reviewed by Auditors

Analysis of Changes in Financing During the Period

	Six months ended 30th June 2016 HK$M	Year ended 31st December 2015 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**68,617**	68,788
Loans drawn and refinancing	**8,309**	12,993
Repayment of loans and bonds	**(6,388)**	(12,979)
Currency adjustment	**(47)**	(291)
Other non-cash movements	**51**	106
At 30th June / 31st December	**70,542**	68,617

Changes in Financing (continued)

During the first half of 2016, the Group raised financing amounting to HK$8,331 million. This principally comprised issues of medium-term notes aggregating HK$4,279 million, and term and revolving loan facilities aggregating HK$4,052 million.

The Group repaid early term loan facilities aggregating HK$1,002 million during the first half of 2016. Medium-term notes and term and revolving loan facilities aggregating HK$6,161 million matured during the first half of 2016.

Sources of Finance

At 30th June 2016, committed loan facilities and debt securities amounted to HK$91,681 million, of which HK$21,475 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$8,656 million. Sources of funds at 30th June 2016 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	Total Undrawn HK$M
Committed facilities					
Loans and bonds					
Fixed/floating rate bonds	43,449	43,449	–	–	–
Bank loans, overdrafts and other loans	45,904	24,429	1,333	20,142	21,475
Perpetual capital securities	2,328	2,328	–	–	–
Total committed facilities	91,681	70,206	1,333	20,142	21,475
Uncommitted facilities					
Bank loans, overdrafts and other loans	9,434	778	8,656	–	8,656
Total	101,115	70,984	9,989	20,142	30,131

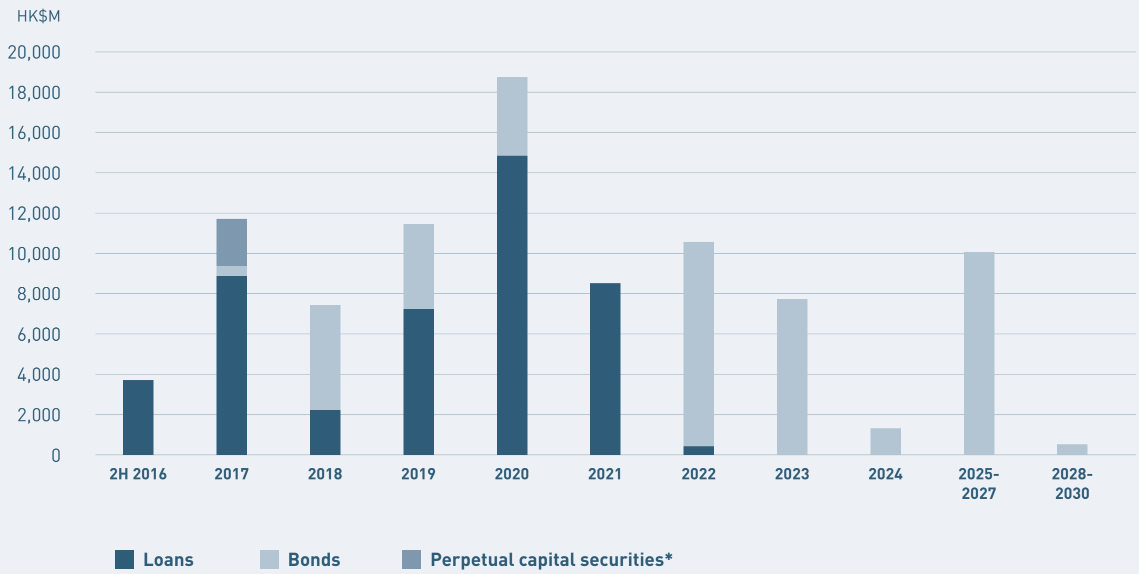
Note: The figures above are stated before unamortised loan fees of HK$442 million.

The Group had bank balances and short-term deposits of HK$6,877 million at 30th June 2016 compared to HK$8,985 million at 31st December 2015.

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 2016



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

Financial Information Reviewed by Auditors

Gross Borrowings Maturity Profile

	30th June 2016		31st December 2015	
	HK$M		HK$M	
Within 1 year	**12,856**	**18%**	7,510	11%
1 – 2 years	**5,928**	**8%**	11,437	17%
2 – 5 years	**21,543**	**31%**	23,372	34%
After 5 years	**30,215**	**43%**	26,298	38%
Total	**70,542**	**100%**	68,617	100%

Currency Profile

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

	30th June 2016		31st December 2015	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**46,106**	**65%**	43,829	64%
Renminbi	**4,174**	**6%**	4,507	7%
United States dollar	**19,888**	**28%**	20,019	29%
Others	**374**	**1%**	262	–
Total	**70,542**	**100%**	68,617	100%

Finance Charges

At 30th June 2016, 69% of the Group's gross borrowings were on a fixed rate basis and 31% were on a floating rate basis (31st December 2015: 72% and 28% respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Interest charged:			
Bank loans and overdrafts	**267**	341	642
Other loans, bonds and perpetual capital securities	**1,072**	962	1,988
Fair value gains on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(52)**	(50)	(93)
– Interest rate swaps not qualifying as hedges	**–**	–	(30)
Amortised loan fees – loans at amortised cost	**59**	49	106
	1,346	1,302	2,613
Fair value loss on put options in respect of non-controlling interests in subsidiary companies	**109**	28	18
Other financing costs	**67**	65	136
Capitalised on:			
– Investment properties	**(138)**	(90)	(199)
– Properties for sale	**(83)**	(74)	(150)
– Hotels and other properties	**(5)**	(7)	(16)
– Vessels	**(6)**	(21)	(29)
	1,290	1,203	2,373
Less interest income:			
Short-term deposits and bank balances	**32**	84	107
Other loans	**55**	43	120
	87	127	227
Net finance charges	**1,203**	1,076	2,146

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,346 million (30th June 2015: HK$1,302 million; year ended 31st December 2015: HK$2,613 million).

Gearing Ratios and Interest Cover

	30th June 2016	30th June 2015	31st December 2015
Gearing ratio*			
Per accounts	**23.8%**	22.8%	22.6%
Interest cover – times*			
Per accounts	**6.0**	9.6	7.7
Underlying	**4.1**	6.0	5.4
Cash interest cover – times*			
Per accounts	**5.1**	8.1	6.5
Underlying	**3.5**	5.1	4.6

* Refer to Glossary on page 78 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 2016 and 31st December 2015:

	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 2016 HK$M	31st December 2015 HK$M	**30th June 2016 HK$M**	31st December 2015 HK$M	**30th June 2016 HK$M**	31st December 2015 HK$M
Property Division	**14,434**	13,653	**6,174**	5,836	**1,464**	3,271
Aviation Division						
Cathay Pacific group	**41,938**	42,458	**18,872**	19,106	**–**	–
HAECO group	**(62)**	2,098	**5**	342	**–**	–
Others	**6**	6	**3**	3	**–**	–
Beverages Division	**964**	1,282	**326**	453	**–**	–
Marine Services Division	**685**	833	**343**	416	**500**	500
Trading & Industrial Division	**(2,831)**	(3,527)	**(952)**	(1,188)	**–**	–
	55,134	56,803	**24,771**	24,968	**1,964**	3,771

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 33.1%.

Report on Review of Condensed Interim Financial Statements

To the Board of Directors of Swire Pacific Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim financial statements set out on pages 41 to 73, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2016 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 financial statements 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 condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 18th August 2016

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2016

	Note	(Unaudited) Six months ended 30th June 2016 HK$M	(Unaudited) Six months ended 30th June 2015 HK$M	(Audited) Year ended 31st December 2015 HK$M
Revenue	4	**30,075**	31,633	60,885
Cost of sales		**(19,270)**	(19,588)	(38,000)
Gross profit		**10,805**	12,045	22,885
Distribution costs		**(3,301)**	(3,381)	(6,848)
Administrative expenses		**(2,588)**	(2,629)	(6,124)
Other operating expenses		**(155)**	(153)	(339)
Other net gains/(losses)	5	**184**	8	(166)
Change in fair value of investment properties		**2,315**	4,412	7,053
Operating profit		**7,260**	10,302	16,461
Finance charges		**(1,290)**	(1,203)	(2,373)
Finance income		**87**	127	227
Net finance charges	7	**(1,203)**	(1,076)	(2,146)
Share of profits less losses of joint venture companies		**1,556**	1,041	1,795
Share of profits less losses of associated companies		**254**	1,001	2,887
Profit before taxation		**7,867**	11,268	18,997
Taxation	8	**(1,368)**	(1,453)	(2,574)
Profit for the period		**6,499**	9,815	16,423
Profit attributable to:				
The Company's shareholders		**5,061**	7,977	13,429
Non-controlling interests		**1,438**	1,838	2,994
		6,499	9,815	16,423
Underlying profit attributable to the Company's shareholders	9	**3,548**	4,833	9,892
Dividends				
First Interim – declared/paid		**1,504**	1,685	1,685
Second Interim – paid		**–**	–	4,182
	10	**1,504**	1,685	5,867
		HK$	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11			
'A' share		**3.36**	5.30	8.93
'B' share		**0.67**	1.06	1.79

The notes on pages 46 to 73 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2016

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Profit for the period	**6,499**	9,815	16,423
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	**119**	23	30
deferred tax	**(2)**	(3)	(3)
Defined benefit plans			
remeasurement (losses)/gains recognised during the period	**(2)**	5	(411)
deferred tax	**(1)**	(1)	69
Share of other comprehensive income of joint venture and associated companies	**(6)**	(9)	(130)
	108	15	(445)
Items that can be reclassified subsequently to profit or loss			
Cash flow hedges			
gains/(losses) recognised during the period	**505**	(277)	(430)
transferred to net finance charges	**(52)**	(50)	(93)
transferred to operating profit	**(18)**	12	52
deferred tax	**(58)**	32	60
Net fair value changes on available-for-sale assets			
losses recognised during the period	**(45)**	(42)	(74)
transferred to profit or loss on disposal	**(10)**	(1)	(99)
Share of other comprehensive income of joint venture and associated companies	**1,297**	991	(3,978)
Net translation differences on foreign operations			
(losses)/gains recognised during the period	**(574)**	14	(1,589)
reclassified to profit or loss on disposal	**–**	–	142
	1,045	679	(6,009)
Other comprehensive income for the period, net of tax	**1,153**	694	(6,454)
Total comprehensive income for the period	**7,652**	10,509	9,969
Total comprehensive income attributable to:			
The Company's shareholders	**6,324**	8,682	7,445
Non-controlling interests	**1,328**	1,827	2,524
	7,652	10,509	9,969

The notes on pages 46 to 73 form part of these financial statements.

Consolidated Statement of Financial Position

at 30th June 2016

	Note	(Unaudited) 30th June 2016 HK$M	(Audited) 31st December 2015 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**42,962**	42,935
Investment properties	13	**230,097**	227,300
Leasehold land and land use rights	12	**1,132**	1,146
Intangible assets	14	**7,354**	7,377
Properties held for development		**1,278**	942
Joint venture companies	15	**25,439**	24,988
Associated companies	16	**25,537**	24,321
Available-for-sale assets		**465**	508
Other receivables	19	**54**	466
Derivative financial instruments	18	**491**	230
Deferred tax assets	21	**886**	847
Retirement benefit assets		**73**	76
		335,768	331,136
Current assets			
Properties for sale		**6,976**	7,615
Stocks and work in progress		**4,490**	4,599
Trade and other receivables	19	**11,467**	9,962
Derivative financial instruments	18	**53**	68
Bank balances and short-term deposits		**6,877**	8,985
		29,863	31,229
Current liabilities			
Trade and other payables	20	**16,621**	18,810
Taxation payable		**909**	662
Derivative financial instruments	18	**10**	23
Short-term loans		**778**	669
Perpetual capital securities		**2,328**	–
Long-term loans and bonds due within one year		**9,750**	6,841
		30,396	27,005
Net current (liabilities)/assets		**(533)**	4,224
Total assets less current liabilities		**335,235**	335,360
Non-current liabilities			
Perpetual capital securities		**–**	2,325
Long-term loans and bonds		**57,686**	58,782
Derivative financial instruments	18	**47**	201
Other payables	20	**1,337**	1,198
Deferred tax liabilities	21	**8,167**	7,605
Deferred income		**76**	78
Retirement benefit liabilities		**1,162**	1,185
		68,475	71,374
NET ASSETS		**266,760**	263,986
EQUITY			
Share capital	22	**1,294**	1,294
Reserves	23	**219,345**	217,155
Equity attributable to the Company's shareholders		**220,639**	218,449
Non-controlling interests	24	**46,121**	45,537
TOTAL EQUITY		**266,760**	263,986

The notes on pages 46 to 73 form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2016

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Operating activities			
Cash generated from operations	**5,601**	7,189	14,362
Interest paid	**(1,228)**	(1,256)	(2,526)
Interest received	**84**	128	229
Tax paid	**(575)**	(693)	(1,909)
	3,882	5,368	10,156
Dividends received from joint venture and associated companies and available-for-sale assets	**2,031**	1,102	1,807
Net cash generated from operating activities	**5,913**	6,470	11,963
Investing activities			
Purchase of property, plant and equipment	**(1,585)**	(2,261)	(4,245)
Additions of investment properties	**(1,939)**	(1,560)	(3,624)
Purchase of intangible assets	**(28)**	(18)	(54)
Proceeds from disposals of property, plant and equipment	**154**	57	275
Proceeds from disposals of investment properties	**40**	91	2,543
Proceeds from disposals of subsidiary companies	**–**	–	373
Proceeds from disposals of available-for-sale assets	**19**	1	209
Purchase of shares in new subsidiary companies	**–**	(116)	(116)
Purchase of shares in joint venture companies	**(456)**	(34)	(114)
Purchase of shares in associated companies	**(23)**	–	(39)
Purchase of available-for-sale assets	**(22)**	(4)	(4)
Loans to joint venture companies	**(789)**	(733)	(909)
Repayment of loans by joint venture companies	**175**	70	471
Net loans (to)/from associated companies	**(7)**	76	113
Decrease in deposits maturing after more than three months	**32**	19	52
Initial leasing costs incurred	**(38)**	(8)	(70)
Net cash used in investing activities	**(4,467)**	(4,420)	(5,139)
Net cash inflow before financing	**1,446**	2,050	6,824
Financing activities			
Loans drawn and refinancing	**8,309**	6,477	12,993
Repayment of loans and bonds	**(6,388)**	(4,678)	(12,979)
	1,921	1,799	14
Capital contributions from non-controlling interests	**79**	629	767
Repurchase of the Company's shares	**–**	–	(35)
Purchase of shares in existing subsidiary companies	**(640)**	–	(1,541)
Dividends paid to the Company's shareholders	**(4,182)**	(4,213)	(5,898)
Dividends paid to non-controlling interests	**(650)**	(760)	(1,026)
Net cash used in financing activities	**(3,472)**	(2,545)	(7,719)
Decrease in cash and cash equivalents	**(2,026)**	(495)	(895)
Cash and cash equivalents at 1st January	**8,936**	10,013	10,013
Currency adjustment	**(49)**	5	(182)
Cash and cash equivalents at end of the period	**6,861**	9,523	8,936
Represented by:			
Bank balances and short-term deposits maturing within three months	**6,861**	9,523	8,936

The notes on pages 46 to 73 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2016

	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 2016	1,294	220,138	(2,983)	218,449	45,537	263,986
Profit for the period	–	5,061	–	5,061	1,438	6,499
Other comprehensive income	–	(9)	1,272	1,263	(110)	1,153
Total comprehensive income for the period	–	5,052	1,272	6,324	1,328	7,652
Dividends paid	–	(4,182)	–	(4,182)	(676)	(4,858)
Capital contribution from non-controlling interests	–	–	–	–	79	79
Acquisition of non-controlling interest	–	147	–	147	(147)	–
Recognition of contingent consideration	–	(99)	–	(99)	–	(99)
At 30th June 2016 (unaudited)	**1,294**	**221,056**	**(1,711)**	**220,639**	**46,121**	**266,760**

	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 2015	1,294	214,880	2,601	218,775	43,355	262,130
Profit for the period	–	7,977	–	7,977	1,838	9,815
Other comprehensive income	–	(5)	710	705	(11)	694
Total comprehensive income for the period	–	7,972	710	8,682	1,827	10,509
Dividends paid	–	(4,213)	–	(4,213)	(609)	(4,822)
Change in composition of the Group	–	–	–	–	11	11
Capital contribution from non-controlling interests	–	–	–	–	629	629
Recognition of contingent consideration	–	(541)	–	(541)	–	(541)
At 30th June 2015 (unaudited)	1,294	218,098	3,311	222,703	45,213	267,916

The notes on pages 46 to 73 form part of these financial statements.

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 2016	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) 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/(loss) for the period HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Property											
Property investment	5,381	47	3,983	(652)	51	188	–	(534)	3,036	2,485	2,496
Change in fair value of investment properties	–	–	2,315	–	–	249	–	(599)	1,965	1,524	–
Property trading	1,954	–	525	(5)	1	(1)	–	(27)	493	404	404
Hotels	504	–	(89)	(16)	–	(10)	73	(3)	(45)	(36)	(36)
	7,839	**47**	**6,734**	**(673)**	**52**	**426**	**73**	**(1,163)**	**5,449**	**4,377**	**2,864**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	159	–	159	159	159
HAECO group	7,103	–	323	(53)	4	146	–	(46)	374	229	229
Sale of HAESL's interest in SAESL	–	–	–	–	–	805	–	–	805	604	604
Others	–	–	(26)	–	–	1	(3)	–	(28)	(14)	(14)
	7,103	**–**	**297**	**(53)**	**4**	**952**	**156**	**(46)**	**1,310**	**978**	**978**
Beverages											
Mainland China	3,482	–	142	(39)	7	44	31	(49)	136	119	119
Hong Kong	1,010	1	92	–	–	–	–	(8)	84	77	77
Taiwan	608	–	11	(3)	–	–	–	(2)	6	6	6
USA	3,111	–	194	–	–	–	–	(56)	138	138	138
Central costs	–	–	(4)	–	–	–	–	–	(4)	(4)	(4)
	8,211	**1**	**435**	**(42)**	**7**	**44**	**31**	**(115)**	**360**	**336**	**336**
Marine Services											
Swire Pacific Offshore group	2,280	1	(43)	(175)	7	–	–	(38)	(249)	(260)	(260)
HUD group	–	–	–	–	–	13	–	–	13	13	13
	2,280	**1**	**(43)**	**(175)**	**7**	**13**	**–**	**(38)**	**(236)**	**(247)**	**(247)**
Trading & Industrial											
Swire Retail group	1,670	–	39	(1)	8	4	21	(12)	59	59	59
Taikoo Motors group	2,255	–	5	(2)	1	–	–	–	4	4	4
Swire Foods group	677	35	37	(2)	3	(3)	–	10	45	46	46
Swire Pacific Cold Storage group	37	–	(46)	(9)	–	–	–	(2)	(57)	(57)	(57)
Akzo Nobel Swire Paints	–	–	–	–	–	120	–	(5)	115	115	115
Swire Environmental Services group	–	–	(3)	–	–	–	(27)	–	(30)	(30)	(30)
Other activities	–	–	(20)	–	–	–	–	–	(20)	(20)	(20)
	4,639	**35**	**12**	**(14)**	**12**	**121**	**(6)**	**(9)**	**116**	**117**	**117**
Head Office											
Net income/(expenses)	**3**	**12**	**(175)**	**(838)**	**510**	**–**	**–**	**3**	**(500)**	**(500)**	**(500)**
Inter-segment elimination	**–**	**(96)**	**–**	**505**	**(505)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**30,075**	**–**	**7,260**	**(1,290)**	**87**	**1,556**	**254**	**(1,368)**	**6,499**	**5,061**	**3,548**

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 2015	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) 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/(loss) for the period HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Property											
Property investment	5,389	44	4,141	(654)	44	109	–	(541)	3,099	2,528	2,546
Change in fair value of investment properties	–	–	4,426	–	–	587	–	(408)	4,605	3,754	–
Property trading	3,403	–	1,025	(1)	2	(2)	–	(178)	846	646	654
Hotels	550	–	(23)	(22)	–	(8)	67	(6)	8	8	8
	9,342	**44**	**9,569**	**(677)**	**46**	**686**	**67**	**(1,133)**	**8,558**	**6,936**	**3,208**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	887	–	887	887	887
HAECO group	5,734	–	263	(51)	12	130	–	(58)	296	190	190
Others	–	–	(26)	–	–	3	(4)	–	(27)	(14)	(14)
	5,734	**–**	**237**	**(51)**	**12**	**133**	**883**	**(58)**	**1,156**	**1,063**	**1,063**
Beverages											
Mainland China	4,218	–	260	(29)	18	114	52	(73)	342	245	245
Hong Kong	1,050	1	102	–	–	–	–	(9)	93	85	85
Taiwan	677	–	24	(3)	–	–	–	(4)	17	17	17
USA	2,931	–	175	–	–	–	–	(52)	123	123	123
Central costs	–	–	(14)	–	–	–	–	–	(14)	(14)	(14)
	8,876	**1**	**547**	**(32)**	**18**	**114**	**52**	**(138)**	**561**	**456**	**456**
Marine Services											
Swire Pacific Offshore group	3,031	1	49	(164)	24	–	(1)	(70)	(162)	(169)	(169)
HUD group	–	–	–	–	–	13	–	–	13	13	13
	3,031	**1**	**49**	**(164)**	**24**	**13**	**(1)**	**(70)**	**(149)**	**(156)**	**(156)**
Trading & Industrial											
Swire Retail group	1,649	–	31	(1)	11	4	17	(14)	48	48	48
Taikoo Motors group	2,270	–	58	(1)	1	–	–	(21)	37	37	37
Swire Foods group	700	41	52	–	2	(2)	–	(18)	34	23	23
Swire Pacific Cold Storage group	13	–	(38)	(5)	–	4	–	(1)	(40)	(40)	(40)
Akzo Nobel Swire Paints	–	–	–	–	–	89	–	(4)	85	85	85
Swire Environmental Services group	–	–	–	–	–	–	(17)	–	(17)	(17)	(17)
Other activities	–	–	(13)	–	–	–	–	–	(13)	(13)	(13)
	4,632	**41**	**90**	**(7)**	**14**	**95**	**–**	**(58)**	**134**	**123**	**123**
Head Office											
Net income/(expenses)	18	13	(176)	(827)	568	–	–	4	(431)	(431)	139
Change in fair value of investment properties	–	–	(14)	–	–	–	–	–	(14)	(14)	–
	18	**13**	**(190)**	**(827)**	**568**	**–**	**–**	**4**	**(445)**	**(445)**	**139**
Inter-segment elimination	**–**	**(100)**	**–**	**555**	**(555)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**31,633**	**–**	**10,302**	**(1,203)**	**127**	**1,041**	**1,001**	**(1,453)**	**9,815**	**7,977**	**4,833**

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 2015	External revenue HK$M	Inter-segment revenue HK$M	Operating profit/(loss) 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/(loss) for the year HK$M	Profit/(loss) attributable to the Company's shareholders HK$M	Underlying profit/(loss) attributable to the Company's shareholders HK$M
Property											
Property investment	10,761	96	8,090	(1,242)	92	274	–	(965)	6,249	5,104	5,131
Change in fair value of investment properties	–	–	7,067	–	–	828	–	(848)	7,047	5,745	–
Property trading	4,463	–	1,328	(6)	3	57	–	(231)	1,151	893	908
Hotels	1,127	–	(334)	(43)	1	(59)	141	(12)	(306)	(248)	(248)
	16,351	**96**	**16,151**	**(1,291)**	**96**	**1,100**	**141**	**(2,056)**	**14,141**	**11,494**	**5,791**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	2,700	–	2,700	2,700	2,700
HAECO group	12,095	–	415	(96)	20	246	–	(33)	552	349	349
Others	–	–	(52)	–	–	4	(11)	–	(59)	(32)	(32)
	12,095	**–**	**363**	**(96)**	**20**	**250**	**2,689**	**(33)**	**3,193**	**3,017**	**3,017**
Beverages											
Mainland China	7,617	–	405	(65)	28	203	59	(116)	514	391	391
Hong Kong	2,198	2	246	–	–	–	–	(20)	226	204	204
Taiwan	1,392	–	48	(6)	–	–	–	(8)	34	34	34
USA	5,965	–	392	(1)	–	–	–	(118)	273	273	273
Central costs	–	–	73	–	–	–	–	–	73	74	74
	17,172	**2**	**1,164**	**(72)**	**28**	**203**	**59**	**(262)**	**1,120**	**976**	**976**
Marine Services											
Swire Pacific Offshore group	5,988	2	(846)	(335)	34	–	(1)	(131)	(1,279)	(1,285)	(1,285)
HUD group	–	–	–	–	–	30	–	–	30	30	30
	5,988	**2**	**(846)**	**(335)**	**34**	**30**	**(1)**	**(131)**	**(1,249)**	**(1,255)**	**(1,255)**
Trading & Industrial											
Swire Retail group	3,208	–	53	(1)	20	5	42	(26)	93	93	93
Taikoo Motors group	4,498	–	38	(4)	1	–	–	(32)	3	3	3
Swire Foods group	1,505	84	105	–	4	(3)	–	(44)	62	41	41
Swire Pacific Cold Storage group	34	–	(94)	(11)	–	6	–	(3)	(102)	(102)	(102)
Akzo Nobel Swire Paints	–	–	–	–	–	204	–	(7)	197	197	197
Swire Environmental Services group	–	–	(1)	–	–	–	(43)	–	(44)	(44)	(44)
Other activities	–	–	(33)	–	–	–	–	–	(33)	(33)	(33)
	9,245	**84**	**68**	**(16)**	**25**	**212**	**(1)**	**(112)**	**176**	**155**	**155**
Head Office											
Net income/(expenses)	34	26	(425)	(1,684)	1,145	–	–	20	(944)	(944)	1,208
Change in fair value of investment properties	–	–	(14)	–	–	–	–	–	(14)	(14)	–
	34	**26**	**(439)**	**(1,684)**	**1,145**	**–**	**–**	**20**	**(958)**	**(958)**	**1,208**
Inter-segment elimination	**–**	**(210)**	**–**	**1,121**	**(1,121)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**60,885**	**–**	**16,461**	**(2,373)**	**227**	**1,795**	**2,887**	**(2,574)**	**16,423**	**13,429**	**9,892**

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 2016	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	235,516	17,477	–	2,567	255,560
Property trading and development	9,115	776	–	300	10,191
Hotels	6,453	1,250	503	127	8,333
	251,084	**19,503**	**503**	**2,994**	**274,084**
Aviation					
Cathay Pacific group	–	–	23,276	–	23,276
HAECO group	12,019	1,589	–	1,714	15,322
Others	4,545	2,815	–	–	7,360
	16,564	**4,404**	**23,276**	**1,714**	**45,958**
Beverages					
Swire Beverages	**9,916**	**561**	**1,368**	**578**	**12,423**
Marine Services					
Swire Pacific Offshore group	23,046	–	7	507	23,560
HUD group	–	(5)	–	–	(5)
	23,046	**(5)**	**7**	**507**	**23,555**
Trading & Industrial					
Swire Retail group	792	35	162	117	1,106
Taikoo Motors group	1,936	–	–	222	2,158
Swire Foods group	1,403	43	–	344	1,790
Swire Pacific Cold Storage group	1,616	254	–	109	1,979
Akzo Nobel Swire Paints	–	625	–	–	625
Swire Environmental Services group	121	19	221	–	361
Other activities	76	–	–	1	77
	5,944	**976**	**383**	**793**	**8,096**
Head Office	**1,176**	**–**	**–**	**339**	**1,515**
	307,730	**25,439**	**25,537**	**6,925**	**365,631**

1. SEGMENT INFORMATION (continued)

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

At 31st December 2015	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	232,503	17,307	–	3,901	253,711
Property trading and development	9,093	815	–	401	10,309
Hotels	6,333	1,270	534	84	8,221
	247,929	**19,392**	**534**	**4,386**	**272,241**
Aviation					
Cathay Pacific group	–	–	22,048	–	22,048
HAECO group	11,958	1,262	–	1,427	14,647
Others	4,571	2,816	–	–	7,387
	16,529	**4,078**	**22,048**	**1,427**	**44,082**
Beverages					
Swire Beverages	**9,037**	**725**	**1,366**	**940**	**12,068**
Marine Services					
Swire Pacific Offshore group	23,503	–	6	497	24,006
HUD group	–	(78)	–	–	(78)
	23,503	**(78)**	**6**	**497**	**23,928**
Trading & Industrial					
Swire Retail group	932	31	140	169	1,272
Taikoo Motors group	1,949	–	–	279	2,228
Swire Foods group	1,205	48	–	428	1,681
Swire Pacific Cold Storage group	1,472	254	–	68	1,794
Akzo Nobel Swire Paints	–	519	–	–	519
Swire Environmental Services group	121	19	227	–	367
Other activities	222	–	–	1	223
	5,901	**871**	**367**	**945**	**8,084**
Head Office	**1,124**	**–**	**–**	**838**	**1,962**
	304,023	**24,988**	**24,321**	**9,033**	**362,365**

1. SEGMENT INFORMATION (continued)

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

At 30th June 2016	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	5,954	7,807	4,854	27,021	45,636	39,083
Property trading and development	1,898	258	2,776	2,709	7,641	631
Hotels	161	–	13	835	1,009	1,336
	8,013	**8,065**	**7,643**	**30,565**	**54,286**	**41,050**
Aviation						
HAECO group	**2,962**	**333**	**–**	**3,904**	**7,199**	**4,314**
Beverages						
Swire Beverages	**4,844**	**532**	**1,867**	**70**	**7,313**	**731**
Marine Services						
Swire Pacific Offshore group	**1,016**	**21**	**9,494**	**103**	**10,634**	**25**
Trading & Industrial						
Swire Retail group	727	50	(157)	–	620	–
Taikoo Motors group	540	(12)	14	–	542	–
Swire Foods group	352	9	–	–	361	1
Swire Pacific Cold Storage group	229	3	651	–	883	–
Other activities	25	17	13	–	55	–
	1,873	**67**	**521**	**–**	**2,461**	**1**
Head Office	**545**	**58**	**(19,525)**	**35,900**	**16,978**	**–**
	19,253	**9,076**	**–**	**70,542**	**98,871**	**46,121**

1. SEGMENT INFORMATION (continued)

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

At 31st December 2015	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	6,886	7,078	10,546	22,048	46,558	38,432
Property trading and development	2,217	239	1,996	2,659	7,111	810
Hotels	209	–	–	867	1,076	1,303
	9,312	**7,317**	**12,542**	**25,574**	**54,745**	**40,545**
Aviation						
HAECO group	**3,069**	**275**	**–**	**4,117**	**7,461**	**4,064**
Beverages						
Swire Beverages	**4,792**	**503**	**1,776**	**–**	**7,071**	**750**
Marine Services						
Swire Pacific Offshore group	**1,109**	**29**	**9,822**	**77**	**11,037**	**18**
Trading & Industrial						
Swire Retail group	823	45	(272)	–	596	–
Taikoo Motors group	615	(2)	137	–	750	–
Swire Foods group	911	31	–	–	942	160
Swire Pacific Cold Storage group	228	3	535	–	766	–
Other activities	30	10	12	–	52	–
	2,607	**87**	**412**	**–**	**3,106**	**160**
Head Office	**606**	**56**	**(24,552)**	**38,849**	**14,959**	**–**
	21,495	**8,267**	**–**	**68,617**	**98,379**	**45,537**

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 users of the Interim Report.

There are no differences from the last annual financial statements 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 financial statements 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 financial information relating to the year ended 31st December 2015 that is included in the Interim Report 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2015 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2015 annual financial statements except for those noted in 2(b) below.

(b) The following amendments were required to be adopted by the Group effective from 1st January 2016:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 1 (Amendment)	Disclosure Initiative
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these amendments has had no significant impact on the Group's financial statements.

(c) The preparation of the interim financial statements 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 financial statements are detailed in the 2015 annual financial statements.

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 financial statements 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 2015 annual financial statements. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. REVENUE

Revenue represents sales by the Company and its subsidiary companies to external customers and comprises:

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Gross rental income from investment properties	**5,321**	5,339	10,654
Property trading	**1,954**	3,403	4,463
Hotels	**504**	550	1,127
Aircraft and engine maintenance services	**6,307**	5,160	10,815
Sales of goods	**13,302**	13,836	27,083
Charter hire	**1,936**	2,641	5,161
Rendering of other services	**751**	704	1,582
	30,075	31,633	60,885

5. OTHER NET GAINS/(LOSSES)

Other net gains/(losses) include the following:

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
Profit/(loss) on sale of investment properties	**51**	(35)	(135)
Loss on disposal of four hotels in the UK	**–**	–	(229)
Loss on sale of property, plant and equipment	**(29)**	(2)	–
Profit on the sale of available-for-sale assets	**9**	1	105
Net foreign exchange gains/(losses)	**63**	(100)	(182)
Fair value gains/(losses) on cross-currency swaps transferred from cash flow hedge reserve	**20**	(6)	(7)
Fair value losses on forward foreign exchange contracts transferred from cash flow hedge reserve	**–**	–	(32)
Fair value gains on forward foreign exchange contracts not qualifying as hedges	**2**	6	8
Dividend income on available-for-sale assets	**–**	–	11
Other income	**68**	144	295
Total	**184**	8	(166)

6. EXPENSES BY NATURE

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
	Note	**2016 HK$M**	2015 HK$M	2015 HK$M
Direct operating expenses of investment properties that				
Generated rental income		**808**	813	1,762
Did not generate rental income		**128**	91	210
Cost of stocks sold		**11,816**	12,274	22,969
Write-down of stocks and work in progress		**17**	52	102
Impairment (reversals)/losses recognised on				
Property, plant and equipment	12	**(3)**	159	1,302
Intangible assets		**–**	54	104
Trade receivables		**5**	2	28
Depreciation of property, plant and equipment	12	**1,446**	1,397	2,833
Amortisation of				
Leasehold land and land use rights	12	**18**	17	34
Intangible assets	14	**71**	69	138
Initial leasing costs on investment properties		**34**	37	67
Others		**3**	–	87
Staff costs		**6,036**	5,837	11,578
Operating lease rentals				
Properties		**530**	476	1,029
Vessels		**68**	73	142
Plant and equipment		**20**	16	41
Others		**4,317**	4,384	8,885
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**25,314**	25,751	51,311

7. NET FINANCE CHARGES

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 38 for details of the Group's net finance charges.

8. TAXATION

		Six months ended 30th June		Year ended 31st December
	Note	**2016 HK$M**	2015 HK$M	2015 HK$M
Current taxation				
Hong Kong profits tax		**475**	684	1,190
Overseas taxation		**346**	415	741
Under/(over)-provisions in prior years		**1**	4	(14)
		822	1,103	1,917
Deferred taxation	21			
Change in fair value of investment properties		**495**	289	592
Origination and reversal of temporary differences		**51**	61	65
		546	350	657
		1,368	1,453	2,574

Hong Kong profits tax is calculated at 16.5% (2015: 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 2016 of HK$168 million (30th June 2015: HK$299 million; year ended 31st December 2015: HK$445 million) and HK$128 million (30th June 2015: HK$229 million; year ended 31st December 2015: HK$489 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. UNDERLYING PROFIT ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 34 for details of the Group's underlying profit attributable to the Company's shareholders.

10. DIVIDENDS

	Six months ended 30th June		Year ended 31st December
	2016 HK$M	2015 HK$M	2015 HK$M
First interim dividend declared on 18th August 2016 of HK¢100.0 per 'A' share and HK¢20.0 per 'B' share (2015 first interim dividend paid: HK¢112.0 and HK¢22.4)	**1,504**	1,685	1,685
Second interim dividend paid on 6th May 2016 of HK¢278.0 per 'A' share and HK¢55.6 per 'B' share	**–**	–	4,182
	1,504	1,685	5,867

The Directors have declared first interim dividends of HK¢100.0 (2015: HK¢112.0) per 'A' share and HK¢20.0 (2015: HK¢22.4) per 'B' share for the year ending 31st December 2016. The first interim dividends, which total HK$1,504 million (2015: HK$1,685 million), will be paid on 6th October 2016 to shareholders registered at the close of business on the record date, being Friday, 9th September 2016. Shares of the Company will be traded ex-dividend as from Wednesday, 7th September 2016.

The register of members will be closed on Friday, 9th September 2016, 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, 8th September 2016.

11. 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 2016 of HK$5,061 million (30th June 2015: HK$7,977 million; 31st December 2015: HK$13,429 million) by the weighted average number of 905,206,000 'A' shares and 2,995,220,000 'B' shares in issue during the period (30th June 2015: 905,578,500 'A' shares and 2,995,220,000 'B' shares; 31st December 2015: 905,397,863 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

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

	Note	Property, plant and equipment HK$M	Leasehold land and land use rights HK$M	Total HK$M
Cost				
At 1st January 2016		63,280	1,409	64,689
Translation differences		(191)	(16)	(207)
Additions		1,533	15	1,548
Disposals		(1,447)	(3)	(1,450)
Revaluation surplus		119	–	119
Net transfers from investment properties	13	121	–	121
Other net transfers		(18)	4	(14)
At 30th June 2016		**63,397**	**1,409**	**64,806**
Accumulated depreciation/amortisation and impairment				
At 1st January 2016		20,345	263	20,608
Translation differences		(79)	(4)	(83)
Charge for the period	6	1,446	18	1,464
Disposals		(1,259)	–	(1,259)
Net transfers to investment properties	13	(15)	–	(15)
Reversal of impairment losses	6	(3)	–	(3)
At 30th June 2016		**20,435**	**277**	**20,712**
Net book value				
At 30th June 2016		**42,962**	**1,132**	**44,094**
At 1st January 2016		42,935	1,146	44,081

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 2016.

13. INVESTMENT PROPERTIES

	Note	HK$M
At 1st January 2016		227,109
Translation differences		(522)
Additions		1,435
Transfer to properties held for development		(303)
Net transfers to property, plant and equipment	12	(136)
Other transfers		68
Net fair value gains		2,315
At 30th June 2016		229,966
Add: Initial leasing costs		131
At 30th June 2016 (including initial leasing costs)		**230,097**
At 1st January 2016 (including initial leasing costs)		227,300

14. INTANGIBLE ASSETS

	Note	Goodwill HK$M	Computer software HK$M	Service, franchise and operating rights HK$M	Customer relationships HK$M	Others HK$M	Total HK$M
Cost							
At 1st January 2016		6,028	500	764	767	153	8,212
Translation differences		(4)	(3)	1	1	–	(5)
Additions		–	27	–	–	24	51
At 30th June 2016		**6,024**	**524**	**765**	**768**	**177**	**8,258**
Accumulated amortisation and impairment							
At 1st January 2016		223	341	157	96	18	835
Translation differences		(1)	(1)	–	–	–	(2)
Amortisation for the period	6	–	26	16	26	3	71
At 30th June 2016		**222**	**366**	**173**	**122**	**21**	**904**
Net book value							
At 30th June 2016		**5,802**	**158**	**592**	**646**	**156**	**7,354**
At 1st January 2016		5,805	159	607	671	135	7,377

15. JOINT VENTURE COMPANIES

	30th June 2016 HK$M	31st December 2015 HK$M
Share of net assets, unlisted	**11,260**	11,183
Goodwill	**471**	106
	11,731	11,289
Loans due from joint venture companies less provisions		
Interest-free	**12,355**	12,377
Interest-bearing at 1.71% to 7.50% (2015: 1.71% to 7.50%)	**1,353**	1,322
	25,439	24,988

Disposal of Hong Kong Aero Engine Services Limited's ("HAESL") interest in Singapore Aero Engine Services Pte. Limited ("SAESL")

On 30th June 2016, HAESL completed the disposal of its 20% shareholding in SAESL for a cash consideration of HK$2,106 million. The gain to HAESL arising from the disposal was HK$1,789 million. The gain included in the share of profits less losses of joint venture companies shown in the consolidated statement of profit or loss is HK$805 million, of which HK$604 million is attributable to the Group after deducting the portion attributable to the non-controlling interests in the HAECO group.

Acquisition of an additional 5% shareholding in HAESL

On 30th June 2016, the HAECO group completed the acquisition of an additional 5% shareholding in HAESL for a cash consideration of HK$452 million.

Details of net assets acquired and goodwill are as follows:

	HK$M
Purchase consideration	452
Share of fair value of net assets acquired	(87)
Goodwill	365

16. ASSOCIATED COMPANIES

	30th June 2016 HK$M	31st December 2015 HK$M
Share of net assets		
Listed in Hong Kong	**22,519**	21,291
Unlisted	**2,158**	2,171
	24,677	23,462
Goodwill	**855**	855
	25,532	24,317
Interest-bearing loans due from associated companies	**5**	4
	25,537	24,321

The market value of the shares in the listed associated company, Cathay Pacific, at 30th June 2016 was HK$20,039 million (31st December 2015: HK$23,757 million).

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Note	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 2016					
Available-for-sale assets					
– Listed investments		**197**	**–**	**–**	**197**
– Unlisted investments		**–**	**–**	**268**	**268**
Derivatives used for hedging	18	**–**	**544**	**–**	**544**
Total		**197**	**544**	**268**	**1,009**
At 31st December 2015					
Available-for-sale assets					
– Listed investments		262	–	–	262
– Unlisted investments		–	–	246	246
Derivatives used for hedging	18	–	298	–	298
Total		262	298	246	806
Liabilities as per consolidated statement of financial position					
At 30th June 2016					
Derivatives used for hedging	18	**–**	**57**	**–**	**57**
Put option in respect of a non-controlling interest in Brickell City Centre	20	**–**	**–**	**658**	**658**
Put options in respect of non-controlling interests in subsidiary companies	20	**–**	**–**	**75**	**75**
Contingent consideration	20	**–**	**–**	**392**	**392**
Total		**–**	**57**	**1,125**	**1,182**
At 31st December 2015					
Derivatives used for hedging	18	–	224	–	224
Put option in respect of a non-controlling interest in Brickell City Centre	20	–	–	509	509
Put options in respect of non-controlling interests in subsidiary companies	20	–	–	74	74
Contingent consideration	20	–	–	932	932
Total		–	224	1,515	1,739

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 the levels in the fair value hierarchy.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The following table presents the changes in level 3 financial instruments for the period ended 30th June 2016:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2016	583	246	932
Additions	41	22	99
Change in fair value recognised in profit or loss during the period	109	–	7
Payment of consideration	–	–	(646)
At 30th June 2016	**733**	**268**	**392**
Total losses for the period included in profit or loss in respect of financial instruments held at 30th June 2016	(109)	–	(7)
Change in unrealised losses for the period included in profit or loss in respect of financial instruments held at 30th June 2016	(109)	–	(7)

There has been no change in valuation techniques for level 2 and level 3 fair value hierarchy assets and liabilities.

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

The fair value estimate of the put option in respect of the non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow valuation 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 in respect of non-controlling interests in subsidiary companies (other than the subsidiary company holding the non-controlling interest in the retail portion of Brickell City Centre), unlisted investments and contingent consideration classified as level 3 are 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, unlisted investments and contingent consideration.

Contingent consideration of HK$640 million was settled by the Group for the acquisition of the 35% non-controlling interest in Chongqing New Qinyuan Bakery Co. Ltd. during the period.

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.

17. 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 30th June 2016 and 31st December 2015 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2016		At 31st December 2015	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Perpetual capital securities	**2,328**	**2,328**	2,325	2,575
Long-term loans and bonds due after one year	**57,686**	**61,399**	58,782	60,843

18. 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 2016		31st December 2015	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	**515**	**18**	287	180
Interest rate swaps – cash flow hedges	**1**	**28**	3	21
Forward foreign exchange contracts –				
Cash flow hedges	**26**	**10**	6	16
Not qualifying as hedges	**1**	**–**	–	–
Commodity swaps				
Cash flow hedges	**–**	**–**	2	–
Not qualifying as hedges	**1**	**1**	–	7
Total	**544**	**57**	298	224
Analysed as:				
Current	**53**	**10**	68	23
Non-current	**491**	**47**	230	201
	544	**57**	298	224

19. TRADE AND OTHER RECEIVABLES

	30th June 2016 HK$M	31st December 2015 HK$M
Trade debtors	**4,045**	3,529
Amounts due from immediate holding company	**1**	2
Amounts due from joint venture companies	**182**	160
Amounts due from associated companies	**699**	610
Interest-bearing advances to joint venture companies	**370**	–
Interest-bearing advance to an associated company	**116**	117
Prepayments and accrued income	**2,578**	2,578
Other receivables	**3,530**	3,432
	11,521	10,428
Amounts due after one year included under non-current assets	**(54)**	(466)
	11,467	9,962

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

	30th June 2016 HK$M	31st December 2015 HK$M
Under three months	**3,852**	3,318
Between three and six months	**93**	115
Over six months	**100**	96
	4,045	3,529

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.

20. TRADE AND OTHER PAYABLES

	30th June 2016 HK$M	31st December 2015 HK$M
Trade creditors	**3,676**	3,645
Amounts due to immediate holding company	**186**	168
Amounts due to joint venture companies	**75**	207
Amounts due to associated companies	**110**	101
Interest-bearing advances from joint venture companies	**323**	574
Interest-bearing advance from an associated company	**289**	296
Advances from non-controlling interests	**159**	159
Rental deposits from tenants	**2,410**	2,389
Put option in respect of non-controlling interest in Brickell City Centre	**658**	509
Put options in respect of non-controlling interests in subsidiary companies	**75**	74
Contingent consideration	**392**	932
Accrued capital expenditure	**750**	1,454
Other accruals	**4,585**	5,229
Other payables	**4,270**	4,271
	17,958	20,008
Amounts due after one year included under non-current liabilities	**(1,337)**	(1,198)
	16,621	18,810

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

	30th June 2016 HK$M	31st December 2015 HK$M
Under three months	**3,478**	3,470
Between three and six months	**144**	123
Over six months	**54**	52
	3,676	3,645

21. DEFERRED TAXATION

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

	Note	HK$M
At 1st January 2016		6,758
Translation differences		(84)
Charged to statement of profit or loss	8	546
Credited to other comprehensive income		61
At 30th June 2016		**7,281**
Represented by:		
Deferred tax assets		(886)
Deferred tax liabilities		8,167
		7,281

22. SHARE CAPITAL

	Company		
	'A' shares	'B' shares	Total HK$M
Issued and fully paid:			
At 30th June 2016 and 31st December 2015	905,206,000	2,995,220,000	1,294

During the period, the Company did not purchase, sell or redeem any of its shares.

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

23. RESERVES

	Revenue 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 2016	220,138	1,994	443	(7,298)	1,878	217,155
Profit for the period	5,061	–	–	–	–	5,061
Other comprehensive income						
Defined benefit plans						
– remeasurement losses recognised during the period	(2)	–	–	–	–	(2)
– deferred tax	(1)	–	–	–	–	(1)
Cash flow hedges						
– gains recognised during the period	–	–	–	461	–	461
– transferred to net finance charges	–	–	–	(52)	–	(52)
– transferred to operating profit	–	–	–	(18)	–	(18)
– deferred tax	–	–	–	(50)	–	(50)
Net fair value changes on available-for-sale assets						
– losses recognised during the period	–	–	(45)	–	–	(45)
– transferred to profit or loss on disposal	–	–	(10)	–	–	(10)
Revaluation of property previously occupied by the Group						
– gains recognised during the period	–	98	–	–	–	98
– deferred tax	–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies	(6)	–	37	1,737	(436)	1,332
Net translation differences on foreign operations	–	–	–	–	(448)	(448)
Total comprehensive income for the period	**5,052**	**96**	**(18)**	**2,078**	**(884)**	**6,324**
Acquisition of non-controlling interest	147	–	–	–	–	147
Recognition of contingent consideration	(99)	–	–	–	–	(99)
2015 second interim dividend	(4,182)	–	–	–	–	(4,182)
At 30th June 2016	**221,056**	**2,090**	**425**	**(5,220)**	**994**	**219,345**

* The revenue reserve includes HK$1,504 million representing the declared first interim dividend (31st December 2015: HK$4,182 million representing the second interim dividend for 2015).

24. NON-CONTROLLING INTERESTS

The movement of non-controlling interests during the period is as follows:

	HK$M
At 1st January 2016	45,537
Share of profits less losses for the period	1,438
Share of cash flow hedges	
– gains recognised during the period	44
– deferred tax	(8)
Share of revaluation gains of property previously occupied by the Group	21
Share of other comprehensive income of joint venture and associated companies	(41)
Share of translation differences on foreign operations	(126)
Share of total comprehensive income for the period	**1,328**
Dividends paid and payable	(676)
Acquisition of non-controlling interest	(147)
Capital contribution from non-controlling interests	79
At 30th June 2016	**46,121**

25. CAPITAL COMMITMENTS

	30th June 2016 HK$M	31st December 2015 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**4,148**	4,379
Authorised by Directors but not contracted for	**3,413**	3,992
Investment properties		
Contracted for	**6,744**	3,186
Authorised by Directors but not contracted for	**9,852**	13,130
	24,157	24,687
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted for	**1,740**	613
Authorised by Directors but not contracted for	**2,267**	3,286
	4,007	3,899

* of which the Group is committed to funding HK$1,407 million (31st December 2015: HK$1,478 million).

26. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$1,964 million (31st December 2015: HK$3,771 million). Bank guarantees given in lieu of utility deposits totalled HK$181 million at the end of the period (31st December 2015: HK$177 million).

(b) Cathay Pacific Airways

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.

The proceedings and civil actions, except as otherwise stated below, 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.

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 Euros 57.12 million on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union. The appeal was heard by the General Court in Luxembourg in May 2015. The General Court delivered judgement in December 2015 annulling the European Commission's finding against Cathay Pacific. The fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission had until 26th February 2016 to appeal against the General Court's judgement. No appeal was lodged by that date. However, the European Commission may adopt a new decision.

Cathay Pacific is or was a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's alleged 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 alleged 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 was a defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged 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 antitrust laws. Those 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 was approved by the Court in October 2015, resolved claims brought by all putative class members who chose not to opt out of the agreement. Certain plaintiffs opted out of the agreement. The claims of opt-out plaintiff DPWN Holdings (USA) were resolved by the payment of US$15.4 million (approximately HK$119.4 million at the exchange rate current at date of payment) in December 2014. The claims of opt-out plaintiff Schenker, AG were resolved by the payment of US$8.2 million (approximately HK$63.6 million at the exchange rate current at date of payment) in January 2015. Cathay Pacific is not aware of any other opt-out plaintiff having asserted a claim, but none of the other opt-outs' claims would be material.

26. CONTINGENCIES (continued)

(b) Cathay Pacific Airways (continued)

Cathay Pacific was a defendant in various putative class action cases filed in the United States, in which the plaintiffs alleged 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 was approved by the Court in May 2015, resolves claims by all putative class members who chose not to opt out of the agreement. Only one passenger opted out. Cathay Pacific is not aware of any claim being filed by that passenger, but any claim on behalf of that passenger would not be material.

Cathay Pacific is a defendant in three putative class action cases filed in Canada, 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 the Canadian Competition Act. Two of the actions were stayed pending resolution of the third class action, which was certified in August 2015. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle all three actions in December 2015, by paying the plaintiffs CAD$6 million (approximately HK$34.9 million at the exchange rate current at date of payment). The settlement, which has been approved by the Courts in Ontario and British Columbia in July 2016 but is still subject to Court approval in Quebec, will resolve claims by all putative class members in all three actions.

27. 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 six months ended 30th June 2016, service fees payable amounted to HK$156 million (2015: HK$150 million). Expenses of HK$145 million (2015: HK$128 million) were reimbursed at cost; in addition, HK$185 million (2015: HK$169 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("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 Tenancy Framework Agreement was for an initial term of two years ending on 31st December 2015 and was renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the six months ended 30th June 2016, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$52 million (2015: HK$49 million).

27. RELATED PARTY TRANSACTIONS (continued)

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 financial statements.

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M	**2016 HK$M**	2015 HK$M
Revenue from	(a)								
Sales of beverage drinks		**–**	–	**19**	8	**–**	–	**–**	–
Aircraft and engine maintenance		**27**	25	**1,367**	1,269	**–**	–	**–**	–
Rendering of services		**–**	1	**2**	2	**10**	13	**–**	–
Purchases of beverage drinks	(a)	**33**	42	**721**	1,030	**–**	–	**–**	–
Purchases of other goods	(a)	**4**	3	**8**	7	**–**	–	**–**	–
Purchases of services	(a)	**12**	9	**18**	5	**12**	13	**–**	–
Rental revenue	(b)	**1**	3	**5**	5	**8**	7	**44**	42
Interest income	(c)	**40**	36	**10**	4	**–**	–	**–**	–
Interest charges	(c)	**4**	7	**3**	1	**–**	–	**–**	–

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 15 and 16. Advances to and from joint venture and associated companies are disclosed in notes 19 and 20.

28. EVENT AFTER THE REPORTING PERIOD

In July 2016, Swire Coca-Cola, USA completed the acquisition from The Coca-Cola Company of the distribution rights to certain territories and certain distribution assets in Arizona and New Mexico for an aggregate initial cash consideration of US$188 million (approximately HK$1,458 million), subject to closing adjustments. As part of the transaction, Swire Coca-Cola, USA is required to make quarterly sub-bottler payments, the net present value of which is estimated to be US$166 million (approximately HK$1,285 million). The accounting for the transaction was incomplete at the date of the publication of the interim report. The acquisition of distribution rights and assets in Arizona was the subject of an announcement made to The Stock Exchange of Hong Kong Limited on 24th September 2015.

Supplementary Information

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. T G Freshwater ceased to be a Non-Executive Director of Aquarius Platinum Limited with effect from 12th April 2016.
2. P A Johansen retired as a Non-Executive Director of the Company at the conclusion of the 2016 annual general meeting held on 12th May 2016.

DIRECTORS' INTERESTS

At 30th June 2016, 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 voting shares (comprised in the class) (%)	Note
Swire Pacific Limited						
'A' shares						
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	20,000	–	–	20,000	0.0022	
'B' shares						
C Lee	950,000	–	21,605,000	22,555,000	0.7530	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 share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,205,023	–	19,222,920	22,427,943	22.43	3
S C Swire	1,351,805	–	19,222,920	20,574,725	20.57	3
8% Cum. Preference Shares of £1						
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
S C Swire	291,240	–	5,655,441	5,946,681	19.82	3

	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
T G Freshwater	28,700	–	–	28,700	0.00049	
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 voting shares (%)
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 voting shares (%)
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 and S C Swire are trustees 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 do not have any beneficial interest in those shares.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2016 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
Long position					
John Swire & Sons Limited	412,078,720	45.52	2,051,533,782	68.49	1
Aberdeen Asset Management plc	72,381,986	8.00	389,008,700	12.99	2

Notes:

1. John Swire & Sons Limited ("Swire") was deemed to be interested in a total of 412,078,720 'A' shares and 2,051,533,782 'B' shares of the Company at 30th June 2016, 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: 322,123,700 '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 27,716,500 '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 2016, the Swire group was interested in 54.67% of the equity of the Company and controlled 63.16% of the voting rights attached to shares in the Company.

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 Total of loans, bonds, overdrafts and perpetual capital securities net of bank deposits, bank balances and certain available-for-sale investments.

Underlying profit Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and the USA, and for other 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

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

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

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

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

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

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 2016

Interim Report sent to shareholders	5th September
'A' and 'B' shares trade ex-dividend	7th September
Share registers closed	9th September
Payment of 2016 first interim dividends	6th October
Annual results announcement	March 2017
Second interim dividends payable	May 2017
Annual General Meeting	May 2017

REGISTERED OFFICE

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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

PricewaterhouseCoopers

INVESTOR RELATIONS

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REQUEST FOR FEEDBACK

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