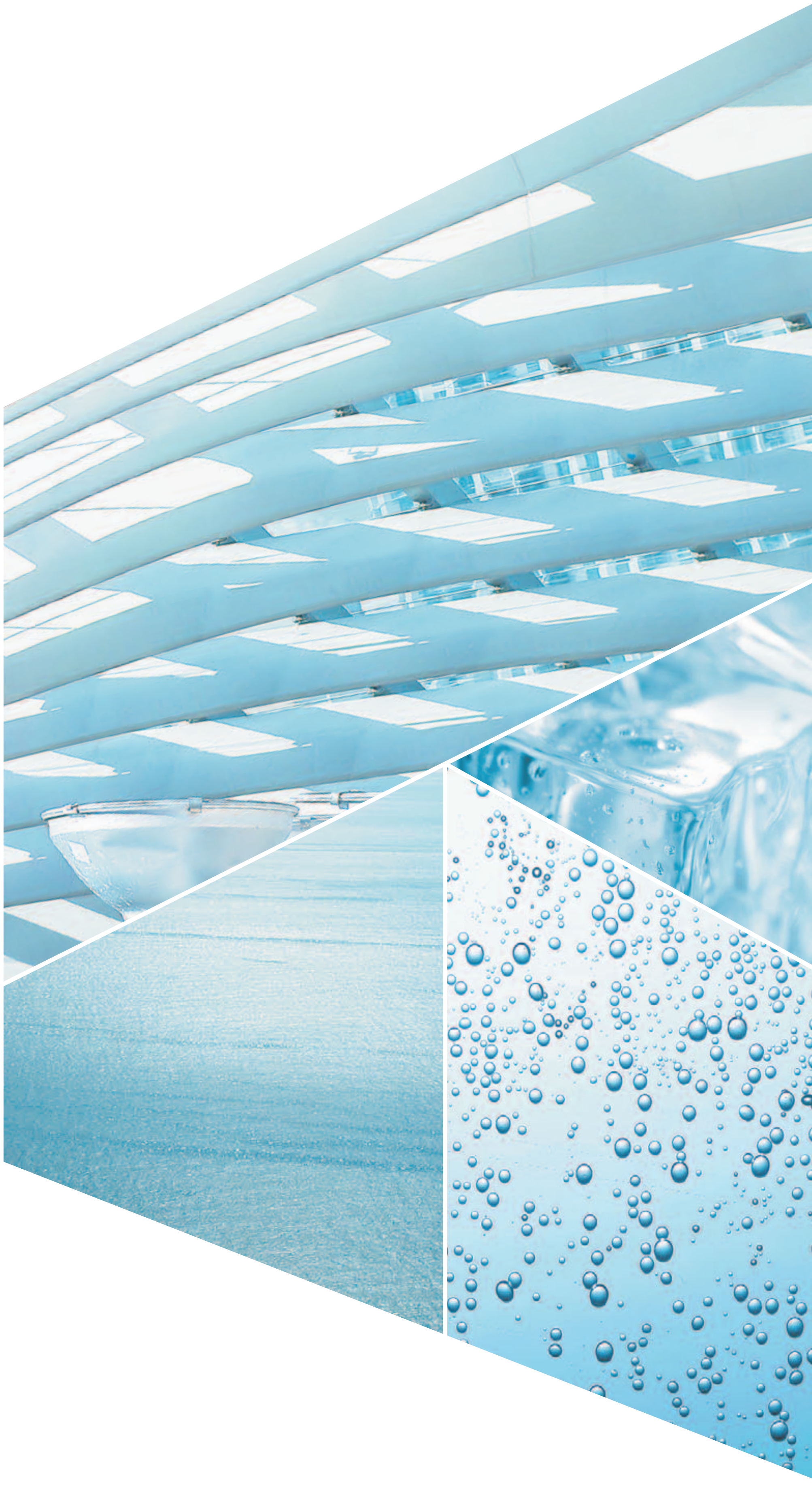
SWIRE PACIFIC

Swire Pacific Limited

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

Interim Report 2017



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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 invest in existing and new businesses, focussing on those where we have a competitive advantage and where our capital and people can generate long-term 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 2017 HK$M	Six months ended 30th June 2016 HK$M	Change %	Year ended 31st December 2016 HK$M
Revenue		**40,211**	30,075	**+34%**	62,389
Operating profit		**17,625**	7,260	**+143%**	15,384
Profit attributable to the Company's shareholders		**12,138**	5,061	**+140%**	9,644
Cash generated from operations		**9,459**	5,601	**+69%**	14,864
Net cash (outflow)/inflow before financing		**(2,228)**	1,446	**-254%**	2,831
Total equity (including non-controlling interests)		**286,535**	266,760	**+7%**	272,168
Net debt		**69,099**	63,617	**+9%**	64,046
		HK$	HK$		HK$
Earnings per share	(a)				
'A' share		**8.07**	3.36	**+140%**	6.41
'B' share		**1.61**	0.67		1.28
Dividends per share					
'A' share		**1.00**	1.00	**–**	2.10
'B' share		**0.20**	0.20		0.42
Equity attributable to the Company's shareholders per share					
'A' share		**157.12**	146.68	**+7%**	149.50
'B' share		**31.42**	29.34		29.90

UNDERLYING PROFIT

	Note	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Change %	Year ended 31st December 2016 HK$M
Underlying profit attributable to the Company's shareholders	(b)	**3,880**	3,548	**+9%**	3,063
		HK$	HK$		HK$
Underlying earnings per share	(a)				
'A' share		**2.58**	2.36	**+9%**	2.04
'B' share		**0.52**	0.47		0.41

Notes:

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

(b) A reconciliation between the reported and underlying profit attributable to the Company's shareholders is provided on page 35, together with a statement showing underlying profit attributable to shareholders adjusted to show the effect of other significant items.

Chairman's Statement

RESULTS SUMMARY

Our consolidated profit attributable to shareholders for the first half of 2017 was HK$12,138 million, HK$7,077 million higher than for the first half of 2016. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK$332 million or 9% to HK$3,880 million. Adjusted underlying profit attributable to shareholders decreased by HK$721 million or 25% to HK$2,164 million. The decrease reflects weaker results from the Aviation, Marine Services and Trading & Industrial Divisions. Profits were higher in the Property and Beverages Divisions.

Underlying profits from the Property Division increased, reflecting higher property trading and investment property profits. Profits from property trading arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong. In Hong Kong, gross rental income from office and retail properties was stable and that from residential properties increased. In Mainland China, gross rental income rose, reflecting positive rental reversions and higher retail sales.

The Aviation Division reported an attributable loss of HK$678 million in the first half of 2017, compared with an attributable profit of HK$978 million in the first half of 2016. Fundamental structural changes within the airline industry continue to affect the operating environment for the Cathay Pacific group's airlines and created difficult operating conditions in the first half of 2017. Intense competition with other airlines was the most significant adverse factor. Other significant adverse factors were higher fuel prices (including the effect of Cathay Pacific's hedging), the adverse effect of the strength of the Hong Kong dollar on revenues denominated in other currencies, and higher aircraft maintenance costs. Passenger revenue remained under pressure. Cargo revenue improved significantly. Fuel hedging losses were reduced. The contribution from subsidiary and associated companies was satisfactory.

Cathay Pacific's results included gains of HK$586 million on the disposal of its interest in Travelsky Technology Limited and of HK$244 million on a deemed partial disposal of its interest in Air China and were after charges in respect of a fine (relating to behaviour before 2007) by the European Commission equivalent to HK$498 million and redundancy costs of HK$224 million.

Disregarding a gain of HK$587 million on disposal of an interest in Singapore Aero Engine Services Limited ("SAESL") in the first half of 2016, profits of HAECO increased in the first half of 2017. Results were better in Hong Kong and Xiamen and worse in the USA.

In April, on completion of the majority of a realignment of the Coca-Cola bottling system in Mainland China, Swire Beverages made gains (totalling HK$1,229 million) on the remeasurement to fair value of interests in three joint venture franchise businesses when they became subsidiary companies and on the disposal of its Shaanxi franchise business. Changes in Swire Beverages' franchise terms in the USA gave rise to a gain of HK$194 million. Disregarding these gains, the profits of Swire Beverages increased in the first half of 2017, principally reflecting higher profits in the USA and Taiwan. Disregarding a foreign exchange loss, profits in Mainland China were slightly higher. Profits were little changed in Hong Kong.

In the Marine Services Division, SPO reported an attributable loss of HK$692 million for the first half of 2017, compared to an attributable loss of HK$260 million in the first half of 2016. The offshore exploration market remained weak. The oversupply of offshore support vessels is evidenced by widespread stacking of vessels. Consequently, vessel utilisation and day rates have deteriorated. Operating costs were reduced, reflecting cost cutting and the disposal and stacking of vessels.

Attributable profit from the Trading & Industrial Division in the first half of 2017 decreased by 44% from the same period in 2016 to HK$65 million. The decrease principally reflects lower profits from the Swire Retail and Swire Foods groups and increased losses from Swire Pacific Cold Storage and Swire Environmental Services. The profits of Taikoo Motors improved and those of Akzo Nobel Swire Paints were little changed.

DIVIDENDS

The Directors have declared first interim dividends of HK$1.00 (2016: HK$1.00) per 'A' share and HK$0.20 (2016: HK$0.20) per 'B' share. The first interim dividends, which total HK$1,503 million (2016: HK$1,504 million), will be paid on 12th October 2017 to shareholders registered at the close of business on the record date, being Friday, 8th September 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 6th September 2017.

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 is Swire Properties. Returns are starting to be generated from two large recently opened mixed-used developments, the Brickell City Centre development in Miami and the HKRI Taikoo Hui development in Shanghai. The most significant capital commitment in the Property Division is on the redevelopment of Taikoo Place, the first phase of which is expected to be completed in 2018.

The Aviation Division represents a significant investment for the Group. We are supportive of the three-year transformation programme on which the Cathay Pacific group has embarked and of its long term investment plans. Cathay Pacific took delivery of six Airbus A350-900 aircraft in the first half of 2017, and will have taken delivery of 22 aircraft of this type by the end of the year. Aircraft of this type are fuel efficient and have the right range, capacity and operating economics for the airline's requirements.

The Beverages Division has been expanding its territories in the USA and Mainland China. In the USA, the acquisition of new franchise territories in Washington and Idaho was completed in February and the acquisition of a new territory in Oregon was completed in April. The majority of the realignment of the Coca-Cola bottling system in Mainland China was completed in April and the remainder was completed in July. Swire Beverages now has franchise territories in 11 provinces and the Shanghai Municipality in Mainland China, covering 49% of the population of Mainland China.

In the Marine Services Division, SPO disposed of five vessels in the first half of 2017, having disposed of 13 vessels in 2016. The disposals reflect SPO's view that older vessels will not be able to obtain charters at acceptable rates. Some vessels due for delivery in 2016 were deferred to 2017 and some vessels due for delivery in 2017 have been deferred to 2018. One vessel was delivered in the first half of 2017. SPO is expected to take delivery of two vessels in the second half of 2017 and a further three in 2018.

In the Trading & Industrial Division, we continue to invest in the bakery and foods business in Mainland China, with the opening of more retail outlets and the commissioning of a new sugar refinery.

PROSPECTS

In the Property Division, rental income from office properties in Hong Kong is expected to remain resilient despite increased supply in Kowloon East and other districts. Near full occupancy and positive rental reversions should underpin rents. Investment property results in Mainland China are expected to improve as retail sales grow satisfactorily in the cities where the Division has malls. Property trading profits are expected to be recognised in the second half of 2017 on sales of residential units in Hong Kong and Miami.

Cathay Pacific does not expect the operating environment in the second half of 2017 to improve materially. In particular, the passenger business will continue to be affected by strong competition from other airlines and the group's results are expected to be adversely affected by higher fuel prices and Cathay Pacific's fuel hedging positions. However, the outlook for the cargo business is good and robust demand and growth in cargo capacity, yield and load factor are expected in the second half of the year. The benefits of the transformation are expected to start to be seen in the second half of 2017 and the effects will accelerate in 2018.

Demand for HAECO's line services in Hong Kong is expected to be stable in the second half of 2017, but that for airframe services is expected to fall for normal seasonal reasons and because of deferral of work by some customers. Demand for airframe services at HAECO Americas and HAECO Xiamen is expected to decrease. TEXL's engine overhaul businesses is expected to be stable. HAESL's results are expected to be weaker.

In the Beverages Division, sales volume in Mainland China is expected to grow modestly in the second half of 2017. Cost increases will put pressure on profits. In the USA, the beverages market is expected to grow moderately. Sales are expected to grow modestly in Hong Kong. The retail market in Taiwan is expected to be weak.

In the Marine Services Division, the oversupply of offshore vessels will take time to correct. The market is not expected to recover in the short term. This will continue to affect SPO's results adversely. However, there are signs that the market is bottoming out.

The overall profits of the Trading & Industrial Division are expected to increase in the second half of 2017.

Despite difficult economic and market conditions for some of our businesses, we believe that seeking sustainable growth in a broad range of businesses will continue to be a successful strategy in the long term.

John Slosar
Chairman
Hong Kong, 17th August 2017

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 12.3 million square feet of gross floor area, with an additional 2.3 million square feet under development. In Mainland China, Swire Properties owns and operates major commercial mixed-use developments in Beijing, Shanghai, Guangzhou and Chengdu, in joint venture in certain cases, which will total 8.9 million square feet on completion. Of this, 8.6 million square feet has already been completed. In the USA, Swire Properties is the primary developer of a 1.1 million square feet mixed-use commercial development at Brickell City Centre in Miami, with an adjoining 1.4 million square feet development being planned.

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 owns a 75% interest in the Mandarin Oriental in Miami.

Swire Properties' trading portfolio comprises completed developments available for sale in Hong Kong, Mainland China and Miami, USA. The principal completed developments available for sale are the WHITESANDS development in Hong Kong, the remaining portion of the office property at Sino-Ocean Taikoo Li Chengdu (Pinnacle One) in Mainland China and the Reach and Rise residential developments at Brickell City Centre in Miami, USA. 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
	2017 HK$M	2016 HK$M	2016 HK$M
Revenue			
Gross rental income derived from			
Office	**3,042**	3,028	6,053
Retail	**2,274**	2,148	4,304
Residential	**239**	191	416
Other revenue*	**61**	61	129
Property investment	**5,616**	5,428	10,902
Property trading	**5,258**	1,954	4,760
Hotels	**651**	504	1,130
Total revenue	**11,525**	7,886	16,792
Operating profit/(loss) derived from			
Property investment	**4,190**	3,983	7,743
Valuation gains on investment properties	**9,884**	2,315	8,445
Property trading	**1,447**	525	1,332
Hotels	**(50)**	(89)	(182)
Total operating profit	**15,471**	6,734	17,338
Share of post-tax profits from joint venture and associated companies	**719**	499	1,419
Attributable profit	**14,698**	5,338	15,069
Swire Pacific share of attributable profit	**12,052**	4,377	12,357

* 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.

		Six months ended 30th June		Year ended 31st December
	Note	**2017 HK$M**	2016 HK$M	2016 HK$M
Reported attributable profit		**14,698**	5,338	15,069
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(10,409)**	(2,625)	(9,637)
Deferred tax on investment properties	(b)	**305**	660	1,459
Realised profit on sale of investment properties	(c)	**47**	–	3
Depreciation of investment properties occupied by the Group	(d)	**14**	13	28
Non-controlling interests' share of revaluation movements less deferred tax		**(28)**	107	121
Underlying attributable profit		**4,627**	3,493	7,043
Swire Pacific share of underlying attributable profit		**3,794**	2,864	5,776

Notes:

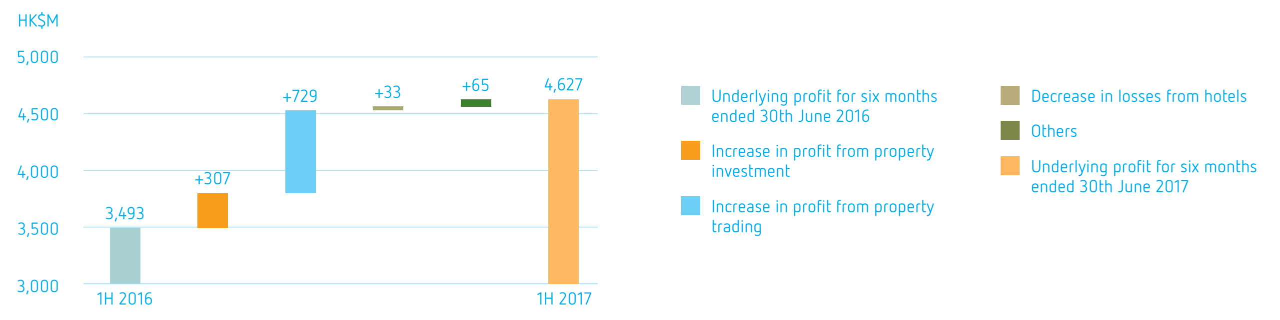
(a This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture companies.

(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 2017 was HK$12,052 million compared to HK$4,377 million in the first half of 2016. These figures include net property valuation gains, before deferred tax and non-controlling interests, of HK$10,409 million and HK$2,625 million respectively. Attributable underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK$930 million to HK$3,794 million. This increase mainly reflected higher trading profits from sales of luxury residential properties in Hong Kong.

Underlying profit from property investment increased by 10%. This principally reflects higher contributions from office and residential properties in Hong Kong, from properties in the USA and from retail properties in Mainland China, and lower net finance charges. Gross rental income amounted to HK$5,555 million in the first half of 2017, compared with HK$5,367 million in the first half of 2016. In Hong Kong, gross rental income from office and retail properties was stable and that from residential properties increased. In Mainland China, gross rental income increased, reflecting positive rental reversions and higher retail sales. In the USA, gross rental income increased following the opening of most of the Brickell City Centre development in 2016.

Underlying profit from property trading in the first half of 2017 arose mainly from the handover of pre-sold units at the ALASSIO development in Hong Kong.

Losses from hotels were lower than in the first half of 2016, reflecting better results from EAST, Miami since its opening. Occupancy was stable at our managed hotels in Hong Kong and Mainland China.

KEY DEVELOPMENT

In May 2017, Swire Properties and HKR International Limited opened the retail mall at their joint venture development in Shanghai, HKRI Taikoo Hui. The mall has an aggregate gross floor area of 1,102,535 square feet.

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

	At 30th June 2017						At 31st December 2016
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place*	4,558	12	–	63	–	4,633	4,632
Cityplaza	1,398	1,105	200	–	–	2,703	2,703
Others	410	608	47	88	–	1,153	1,153
– Hong Kong	8,552	2,436	743	594	–	12,325	12,324
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	–	623	114	64	–	801	802
HKRI Taikoo Hui	914	551	–	–	–	1,465	1,116
Others	–	91	–	–	–	91	91
– Mainland China	2,944	4,504	1,046	116	–	8,610	8,262
– USA	260	497	477	109	–	1,343	1,343
Total completed	**11,756**	**7,437**	**2,266**	**819**	**–**	**22,278**	21,929
Under and pending development							
– Hong Kong ^	2,211	70	25	–	–	2,306	2,306
– Mainland China	–	–	195	74	–	269	618
– USA	–	–	–	–	1,444	1,444	1,444
Total	**13,967**	**7,507**	**2,486**	**893**	**1,444**	**26,297**	26,297

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

* Excludes the two techno-centres (Warwick House and Cornwall House), which are being demolished as part of the Taikoo Place redevelopment.

^ Excludes an office building under development in Kowloon Bay (the subsidiary owning which was conditionally agreed to be sold in October 2016) and includes the new buildings which will comprise the Taikoo Place redevelopment (One Taikoo Place and Two Taikoo Place).

INVESTMENT PROPERTIES

Hong Kong

Office

Gross rental income from the Hong Kong office portfolio in the first half of 2017 was HK$2,820 million, HK$5 million higher than the same period in 2016. This is despite a loss in gross rental income at Warwick House and Cornwall House due to the Taikoo Place redevelopment, and lower rental income at Cityplaza as 10 floors in Cityplaza Three were disposed of at the end of 2016. Demand for the Group's office space in Hong Kong was strong. This was reflected in positive rental reversions. At 30th June 2017, the office portfolio was 99% let.

Retail

The Hong Kong retail market started to improve in the first half of 2017. Retail sales at The Mall at Pacific Place and at Citygate Outlets grew modestly compared with those in the first half of 2016. Retail sales at Cityplaza were lower due to void periods occurring as a result of changes to the tenant mix.

Gross rental income from the Group's retail portfolio in Hong Kong was HK$1,314 million in the first half of 2017, in line with that in the first half of 2016. Rental income from The Mall at Pacific Place and from Cityplaza was stable. Occupancy levels at the Group's malls were effectively 100% during the period.

Residential

Gross rental income increased compared with that in the first half of 2016 due to improved occupancy at Pacific Place Apartments and Taikoo Place Apartments, and rental income earned from STAR STUDIOS after its opening in October 2016. Occupancy at the residential portfolio was approximately 82% at 30th June 2017.

Investment Properties under Development

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 475,000 square feet. Superstructure 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 48-storey (above 2-storey basement) Grade-A office building with an aggregate gross floor area of approximately 1,020,000 square feet, to be called One Taikoo Place. Superstructure works are in progress. 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) is the construction of an office building with an aggregate gross floor area of approximately 1,000,000 square feet, to be called Two Taikoo Place. Demolition of Warwick House has started. Demolition of Cornwall House will start later in the third quarter of 2017. Completion of the redevelopment is expected in 2021 or 2022.

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. Superstructure works are in progress. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

Outlook

In the central district of Hong Kong, high occupancy and limited supply will continue to exert upward pressure on office rents. High occupancy is expected to result in office rents in our Taikoo Place and Cityplaza developments being resilient despite increased supply in Kowloon East and other districts.

Retail sales started to improve in Hong Kong in the first half of 2017. This has benefited our malls. We will continue to adjust the tenant mix in order to attract more shoppers. Retail rental income in the second half of 2017 is expected to be affected by the continued adjustments to the tenant mix.

Rental demand for residential investment properties in Hong Kong is expected to be stable in the second half of 2017.

Other

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. In October 2016, Swire Properties conditionally agreed to sell its 100% interest in the company which owns this uncompleted investment property development. The property was transferred to other non-current assets at fair value in the financial statements at the same time. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

Mainland China

Retail

The Mainland China retail portfolio's gross rental income for the first half of 2017 was HK$906 million. In Renminbi terms, this represents an increase of 13% compared to the same period in 2016.

Subsidiaries

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2017. Retail sales increased by 7%. The overall occupancy rate was 95% at 30th June 2017. Demand for retail space in Taikoo Li Sanlitun remains solid as it reinforces its position as a fashionable retail destination in

Beijing. This is expected to continue to have a positive impact on occupancy and rents.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of 2017, reflecting in part improvements to the tenant mix and a customer loyalty programme. Retail sales grew by 30%. The mall was 99% let at 30th June 2017.

Joint Ventures

The mall at INDIGO in Beijing was 99% occupied at 30th June 2017. Improvements to the tenant mix were made. Retail sales increased by 69% in the first half of 2017. The mall is becoming a significant quality family shopping centre in north-east Beijing.

Gross rental income at Sino-Ocean Taikoo Li Chengdu increased in the first half of 2017. Retail sales increased by 47%. The development is gaining popularity as a downtown shopping destination in Chengdu. At 30th June 2017, the overall occupancy rate was 94%.

The mall at HKRI Taikoo Hui in Shanghai opened in May 2017. At 30th June 2017, tenants had committed (including by way of letters of intent) to lease 91% of the space and 40% of the shops were open. Occupancy will increase as more shops open.

Office

The Mainland China office portfolio's gross rental income for the first half of 2017 was HK$179 million. In Renminbi terms, this represents an increase of 3% compared to the same period in 2016.

TaiKoo Hui's office towers in Guangzhou were fully let at 30th June 2017.

Occupancy at ONE INDIGO in Beijing was 86% at 30th June 2017. Demand for office space in Beijing was weak during the first half of 2017.

The two office towers at HKRI Taikoo Hui in Shanghai opened in phases from the second half of 2016. The occupancy rate was 75% at 30th June 2017.

Outlook

Retail sales are expected to grow satisfactorily in the second half of 2017 in the Mainland China cities where the Group has shopping malls. Demand for retail space in our malls is expected to be solid.

Office rents in Guangzhou and Shanghai are expected to be stable in the second half of 2017, reflecting stable demand for Grade-A office space in Guangzhou and in the Jing'an District of Shanghai. Office rents in Beijing are expected to be weak in the second half of 2017, with reduced demand and increased supply.

Other

In January 2014, Swire Properties China Holdings Limited (a wholly-owned subsidiary of the Company) entered into a framework agreement with CITIC Real Estate Co., Ltd. (a subsidiary of CITIC Limited) and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian through a joint venture. The proposed joint venture and development were subject to certain conditions precedent, which have not been satisfied to date. Accordingly, the proposed joint venture and development will not proceed.

USA

Brickell City Centre 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 have been developed for sale. Three Brickell City Centre, EAST, Miami (including the serviced apartments) and the shopping centre opened in 2016. Two Brickell City Centre opened in February 2017.

At 30th June 2017, occupancy rates at Two Brickell City Centre, Three Brickell City Centre and the shopping centre were 75%, 100% and 88% (in each case including space which is the subject of letters of intent) respectively.

At 30th June 2017, Swire Properties owned 100% of the office, hotel and unsold residential elements, and 60.25% of the shopping centre, at the Brickell City Centre development. The remaining interest in the shopping centre was owned by

Simon Property Group (25%) and Bal Harbour Shops (14.75%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the shopping centre, to sell its interest to Swire Properties.

One Brickell City Centre is planned to be a mixed-use development comprising retail, office, hotel and residential space in an 80-storey tower. It 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 One Brickell City Centre.

Outlook

In Miami, there is limited new supply of Grade-A office space and office rents are expected to be stable.

In the USA, retail sales of apparel continue to be weak and have made fashion retailers cautious about expansion.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2017 on the basis of open market value (93% by value having been valued by DTZ Cushman & Wakefield Limited and 3% by value having been valued by another independent valuer). The amount of this valuation was HK$246,832 million, compared to HK$233,451 million at 31st December 2016 and HK$229,966 million at 30th June 2016.

The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong following rental increases and a reduction of 12.5 basis points in the capitalisation rate.

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 managed hotels in Hong Kong were lower than in the first half of 2016. Occupancy was stable but the food and beverage business was difficult at both managed hotels.

In Mainland China, occupancy increased at EAST, Beijing and The Temple House and was stable at The Opposite House. The performance of the Mandarin Oriental, Guangzhou was steady.

In the USA, EAST, Miami opened in June 2016 and is building up its occupancy levels. Revenue per available room is improving. The results of the Mandarin Oriental hotel were slightly worse than in the first half of 2016 due to lower revenue per available room.

Two hotels (one managed and called The Middle House, the other non-managed) and a serviced apartment tower (The Middle House Residences) at HKRI Taikoo Hui in Shanghai are expected to open by the end of 2017.

Outlook

Trading conditions for our existing hotels are expected to be stable in the second half of 2017. Our hotels in Shanghai are expected to open by the end of 2017.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				**Commitments***
	Six months ended 30th June 2017 HK$M	Six months ending 31st December 2017 HK$M	2018 HK$M	2019 HK$M	2020 & beyond HK$M	**At 30th June 2017 HK$M**
Hong Kong	**2,060**	2,978	3,558	1,700	5,889	**14,125**
Mainland China	**331**	658	960	36	–	**1,654**
USA and others	**725**	139	182	67	134	**522**
Total	**3,116**	3,775	4,700	1,803	6,023	**16,301**

* The capital commitments represent 100% of the capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies. The Group is committed to funding HK$530 million and HK$103 million of the capital commitments of joint venture companies in Hong Kong and Mainland China, respectively.

PROPERTY TRADING

Hong Kong

The profit from the sales of all units at the ALASSIO development and of five units at the WHITESANDS development was recognised in the first half of the year.

All 197 units at the ALASSIO development at 100 Caine Road were sold before 2017. Handover of units commenced in April 2017.

The WHITESANDS development consists of 28 detached houses with an aggregate gross floor area of 64,410 square feet. Nine houses had been sold at 15th August 2017.

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 carparking spaces were pre-sold in 2013. The profit from the sales of approximately 52% of the pre-sold gross floor area was recognised in 2015. Application has been made to the court to cancel the sale of the remaining pre-sold gross floor area and 350 carparking spaces as part of the consideration was not received on time. The result of the court proceedings is awaited.

USA

The residential portion of the Brickell City Centre development was developed for trading purposes. There are 780 units in two towers (Reach and Rise).

The Reach and Rise developments were completed and started to be handed over to purchasers in 2016. 360 units (out of 390 units) at Reach and 197 units (out of 390 units) at Rise had been sold at 15th August 2017. The profits from the sales of six units at Reach and 15 units at Rise were recognised in the first half of the year.

Outlook

In Hong Kong, notwithstanding government measures to cool the market and the expectation of a gradual increase in interest rates, demand for residential property remains resilient. In Miami, the strength of the US dollar against other major currencies has adversely affected demand, in particular from South America. As a result, condominium sales have slowed in Miami. In the second half of 2017, property trading profits are expected to be recognised on further sales of units at the WHITESANDS development in Hong Kong and at the Reach and Rise developments in Miami.

Guy Bradley

AVIATION DIVISION

The Aviation Division 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 Limited ("Cathay Dragon"), its 60% owned subsidiary AHK Air Hong Kong Limited ("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
	2017 HK$M	2016 HK$M	2016 HK$M
HAECO group			
Revenue	**7,405**	7,103	13,760
Operating profit	**466**	323	127
Swire Pacific share of attributable profit	**260**	833	731
Cathay Pacific group			
Share of post-tax (losses)/profits from associated companies	**(923)**	159	(259)
Swire Pacific share of attributable (loss)/profit	**(678)**	978	441

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 loss of HK$678 million in the first half of 2017. This compared with a profit of HK$978 million in the same period in 2016.

CATHAY PACIFIC GROUP

The Cathay Pacific group's attributable loss on a 100% basis was HK$2,051 million in the first half of 2017 (2016 first half: profit of HK$353 million). The airlines' loss after tax was HK$2,765 million (2016 first half: loss of HK$783 million), and the share of profits from subsidiaries and associates was HK$714 million (2016 first half: HK$1,136 million).

Fundamental structural changes within the airline industry continue to affect the operating environment for the Cathay Pacific group's airlines and created difficult operating conditions in the first half of 2017. The factors which affected performance were largely the same as those which affected performance in 2016. Intense competition with other airlines was the most significant. Other significant adverse factors were higher fuel prices (including the effect of Cathay Pacific's hedging), the adverse effect of the strength of the Hong Kong dollar on revenues denominated in other currencies, and higher aircraft maintenance costs. Passenger revenue remained under pressure. Cargo revenue improved significantly. Fuel hedging losses were reduced.

Several special factors affected the results in the first half of 2017. In March, the European Commission issued a decision finding that a number of international air cargo carriers (including Cathay Pacific) had agreed to cargo surcharge levels prior to 2007 and that such agreements infringed European competition law and imposed a fine of Euros 57.12 million (equivalent to approximately HK$498 million) on Cathay Pacific. Although an application has been made to the General Court of the European Union to annul the decision which led to the fine (relating to behaviour before 2007), the full amount of the fine has been recognised. In March, Air China announced the completion of the issue of 1.44 billion A shares. As a result Cathay Pacific's shareholding in Air China was diluted from 20.13% to 18.13% and a gain of HK$244 million was recognised on the deemed partial disposal. In April, Cathay Pacific disposed of its entire interest in Travelsky Technology Limited at a profit of HK$586 million. During the first half, Cathay Pacific commenced a three-year corporate transformation programme intended to address the fundamental challenges that it is facing in the current airline industry environment. In May, as part of this programme, Cathay Pacific announced a reorganisation of its head office. The amount of the associated redundancy costs (HK$224 million) has been recognised in staff expenses.

Cathay Pacific's three-year corporate transformation programme has the goal of achieving returns above the cost of capital and of reducing unit costs, excluding fuel. However, it is about more than just cost savings. The Cathay Pacific brand must be strengthened while Cathay Pacific's high standards, identity and excellence are maintained in a challenging environment. The objective is a long term sustainable recovery in revenues and financial performance, in which Cathay Pacific competes successfully in an industry that is undergoing fundamental structural changes. Through the transformation, Cathay Pacific is intended to emerge as a leaner, more agile and profitable airline that responds to changing market trends and customer preferences.

Passenger Services

Passenger revenue for the period decreased by 4% to HK$32,105 million compared with the first half of 2016. 17.2 million passengers were carried in the first half of the year, a decrease of 0.5%.

Passenger capacity on the Cathay Pacific and Cathay Dragon network increased by 1%, reflecting the introduction of a route to Tel Aviv and increased frequencies on other routes.

Cathay Pacific and Cathay Dragon – Key Operating Highlights

		Six months ended 30th June		
		2017	2016	Change
Available tonne kilometres ("ATK")*	*Million*	15,190	14,929	1.7%
Available seat kilometres ("ASK")*	*Million*	73,444	72,647	1.1%
Passenger revenue	*HK$M*	32,105	33,413	-3.9%
Revenue passengers carried	*'000*	17,163	17,249	-0.5%
Passenger load factor*	*%*	84.7	84.5	+0.2%pt
Passenger yield*	*HK¢*	51.5	54.3	-5.2%
Cargo revenue – group	*HK$M*	10,515	9,415	11.7%
Cargo revenue – Cathay Pacific and Cathay Dragon	*HK$M*	9,007	7,951	13.3%
Cargo and mail carried	*Tonnes '000*	966	866	11.5%
Cargo and mail load factor*	*%*	66.2	62.2	+4.0%pt
Cargo and mail yield*	*HK$*	1.66	1.59	4.4%
Cost per ATK*	*HK$*	3.14	2.98	5.4%
Cost per ATK without fuel	*HK$*	2.17	2.11	2.8%
Aircraft utilisation	*Hours per day*	12.3	12.1	1.7%
On-time performance*	*%*	73.1	71.4	+1.7%pt

* Refer to Glossary for definitions.

The passenger load factor increased by 0.2 of a percentage point, to 84.7%. Yield fell by 5% to HK51.5 cents, reflecting intense competition in all classes and the adverse effect of the strength of the Hong Kong dollar on revenues denominated in other currencies. More non-corporate customers travelled in premium classes, which benefited the premium class load factor.

Cargo Services

Cathay Pacific and Cathay Dragon

The cargo revenue of Cathay Pacific and Cathay Dragon for the first half of 2017 increased by 13% to HK$9,007 million compared with the same period in 2016. Tonnage carried increased by 12% to 966,000 tonnes.

The cargo capacity of Cathay Pacific and Cathay Dragon increased by 2% in the first half of 2017 compared with the first half of 2016.

The cargo load factor increased by 4.0 percentage points to 66.2%. Demand for shipments within Asia was stronger and shipments on European routes grew.

Yield increased by 4% to HK$1.66, reflecting robust demand, the resumption (from April) of fuel surcharges in Hong Kong and improving demand for Mainland China exports.

Air Hong Kong

In the first half of 2017, Air Hong Kong recorded a marginal increase in profit compared with the same period in 2016.

Capacity (in terms of available tonne kilometres) decreased by 2% to 378 million and load factor increased by half a percentage point to 65.5%.

Operating Costs

Total fuel costs for the Cathay Pacific group (before the effect of fuel hedging) increased by HK$2,931 million (or 33%) compared to the first half of 2016. There was a 32% increase in average fuel prices and a 2% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 30% of total operating costs in the first half of 2017 (compared with 29% in 2016).

Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. No new fuel hedges have been taken out since July 2015. In the first half of 2017, a loss of HK$3,237 million was recognised in Cathay Pacific's profit and loss account from fuel hedging activities. After taking account of these hedging losses, fuel costs increased by HK$1,678 million (or 13%) compared with the first half of 2016.

Non-fuel costs per ATK increased by 3% in the first half of 2017 compared with the same period in 2016. Excluding fuel and one-off items, the increase was 0.5%. Cost savings offset higher maintenance, depreciation and finance costs.

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 2017, the total number of aircraft in the Cathay Pacific and Cathay Dragon fleets was 190.

Cathay Pacific took delivery of six Airbus A350-900 aircraft during the first six months of 2017. There are now 16 Airbus A350-900 aircraft in the fleet. Cathay Pacific expects to take delivery of a further six aircraft of this type in the second half of 2017. The new aircraft have lower operating costs than existing aircraft and have been well received by customers. They have Cathay Pacific's latest cabins, seats and entertainment systems and have inflight connectivity for passengers' mobile devices.

The final four Airbus A340-300 aircraft in the Cathay Pacific fleet were retired in the first half of the year. One Boeing 747-400 converted freighter aircraft was retired in June. Two Boeing 747-8F freighters were wet-leased from Atlas Air Worldwide in the same month.

At 30th June 2017 there were 53 new aircraft on order for delivery up to 2024.

Fleet Profile*

	Number at 30th June 2017				Firm orders				Expiry of operating leases							
		Leased														
Aircraft type	Owned	Finance	Operating	**Total**	'17	'18	'19 and beyond	**Total**	'17	'18	'19	'20	'21	'22	'23 and beyond	Options
Aircraft operated by Cathay Pacific:																
A330-300	20	12	6	**38**						3	1	2				
A350-900	11	3	2	**16**	6[a]			**6**							2	
A350-1000						8	18	**26**								
747-400ERF		6		**6**												
747-8F	3	11		**14**												
777-200	5			**5**												
777-200F																3[b]
777-300	12			**12**		2	3	**5**[c]								
777-300ER	19	11	23	**53**						1	2		5	4	11	
777-9X							21	**21**								
Total	70	43	31	**144**	6	10	42	**58**		4	3	2	5	4	13	3
Aircraft operated by Cathay Dragon:																
A320-200	5		10	**15**						2	1	1	3	3		
A321-200	2		6	**8**								1	2	2	1	
A330-300	10		13[d]	**23**					1	2	3	2	2	3		
Total	17		29	**46**					1	4	4	4	7	8	1	
Aircraft operated by Air Hong Kong:																
A300-600F	7	1	2[e]	**10**						2						
747-400BCF			3[f]	**3**					1	2						
Total	7	1	5	**13**					1	4						
Grand total	**94**	**44**	**65**[d]	**203**	**6**	**10**	**42**	**58**	**2**	**12**	**7**	**6**	**12**	**12**	**14**	**3**

* The table does not reflect aircraft movements after 30th June 2017.

(a) One of these Airbus A350-900 aircraft was delivered in July 2017.

(b) Purchase options for aircraft to be delivered by 2019.

(c) Five Boeing 777-300 used aircraft will be delivered from 2018.

(d) 57 of the 65 aircraft which are subject to operating leases are leased from third parties. The remaining eight of such aircraft (two Boeing 747-400BCFs and six Airbus A330-300s) are leased within the Cathay Pacific group.

(e) Two freighters are on operating leases which expire in 2018.

(f) One of these freighters leased from Cathay Pacific was retired in July 2017.

Air China

The Cathay Pacific group's share of the results of Air China (in which the Cathay Pacific group had a 18.13% interest at 30th June 2017) is based on its financial statements drawn up three months in arrear. Consequently the 2017 interim results include Air China's results for the six months ended 31st March 2017, adjusted for any significant events or transactions for the period from 1st April 2017 to 30th June 2017.

Air China's results decreased in the six months to 31st March 2017. This reflected exchange losses and lower contributions from associates.

Air China Cargo

In the first half of 2017, Air China Cargo made a profit compared to a loss recorded in the first half of 2016. Higher fuel prices were more than offset by higher yields.

Outlook

Cathay Pacific does not expect the operating environment in the second half of 2017 to improve materially. In particular, the passenger business will continue to be affected by strong competition from other airlines and the group's results are expected to be adversely affected by higher fuel prices and Cathay Pacific's fuel hedging positions. However, the outlook for the cargo business is good and robust demand and growth in cargo capacity, yield and load factor are expected in the second half of the year. The benefits of the transformation are expected to be seen in the second half of 2017 and the effects will accelerate in 2018.

Cathay Pacific is addressing the airline industry challenges through its corporate transformation and by expanding its route network, increasing frequencies on its most popular routes and buying more fuel-efficient aircraft. This will help to increase productivity and to reduce costs while improving the quality of the service to customers. The new management team is acting decisively to make Cathay Pacific and Cathay Dragon better airlines and stronger businesses, delivering more to customers with improved productivity. There is confidence that Cathay Pacific is on the right track to achieve strong and sustainable long-term performance with a leaner, more competitive business, while enhancing the brand and the quality of services that its customers deserve and expect. The commitment to Hong Kong and its people remains unwavering and Cathay Pacific will continue to make strategic investments to develop and strengthen Hong Kong's position as Asia's largest international aviation hub.

Rupert Hogg

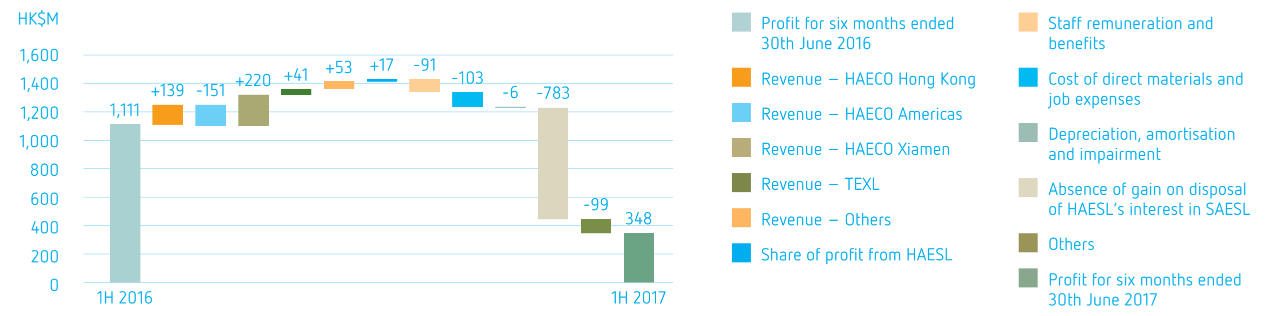
HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

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.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Revenue			
HAECO Hong Kong	**2,041**	1,902	3,879
HAECO Americas	**1,435**	1,586	2,836
HAECO Xiamen	**1,055**	835	1,640
TEXL	**2,556**	2,515	4,808
Others	**318**	265	597
	7,405	7,103	13,760
Net operating profit	**415**	274	38
Attributable Profit			
HAECO Hong Kong	**139**	104	194
HAECO Americas	**(208)**	(59)	(238)
HAECO Xiamen	**104**	47	94
TEXL	**112**	103	196
Share of profit of			
HAESL and SAESL	**136**	119	218
Other subsidiary and joint venture companies	**65**	14	52
Attributable profit (excluding gain on disposal of HAESL's interest in SAESL and impairment charges)	**348**	328	516
Gain on disposal of HAESL's interest in SAESL, net of associated expenses	**–**	783	783
Impairment charges attributable to:			
HAECO Americas	**–**	–	(285)
HAECO Landing Gear Services	**–**	–	(39)
Attributable profit	**348**	1,111	975
Swire Pacific share of attributable profit	**260**	833	731

HAECO Group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2017	2016	**Change**
Airframe services manhours sold – HAECO Hong Kong	*Million*	**1.50**	1.38	**8.7%**
Airframe services manhours sold – HAECO Americas	*Million*	**1.59**	1.74	**-8.6%**
Airframe services manhours sold – HAECO Xiamen	*Million*	**2.01**	1.65	**21.8%**
Line services movements handled – HAECO Hong Kong	*Average per day*	**317**	306	**3.6%**
Engines overhauled – TEXL		**40**	48	**-16.7%**
Engines overhauled – HAESL		**71**	60	**18.3%**

RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in the first half of 2017 on a 100% basis was HK$348 million compared with a profit of HK$1,111 million in the first half of 2016. The profit in the first half of 2016 included a gain (before associated expenses) of HK$805 million on disposal of HAESL's interest in SAESL. Disregarding this gain, attributable profit increased by 6% compared with the same period in 2016. This increase in profit mainly reflected better results at HAECO Hong Kong, more airframe services work at HAECO Xiamen and more engine work at HAESL, partly offset by a higher loss at HAECO Americas.

A total of 5.10 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in the first half of 2017, 7% more than those in the corresponding period in 2016. Manhours sold increased at HAECO Hong Kong and HAECO Xiamen but decreased at HAECO Americas.

HAECO Hong Kong

Excluding expenses arising in connection with the disposal of SAESL in the first half of 2016, HAECO Hong Kong recorded a 34% increase in profit in the first half of 2017 to HK$139 million. 1.50 million airframe services manhours were sold in the first half of 2017, 9% higher than in the first half of 2016. The increase reflected higher demand and deferral of some customers' work from 2016. Approximately 79% of the work was for airlines based outside Hong Kong.

HAECO Hong Kong handled approximately 57,300 aircraft movements (representing an average of 317 per day) in the first half of 2017, an increase of 4% compared with the first half of 2016. Line services manhours sold increased accordingly.

Component maintenance manhours sold, together with those sold by HAECO Component Overhaul (Xiamen), were 0.10 million in the first half of 2017, 0.01 million lower than those in the first half of 2016. The decrease reflected reduced scope of work.

HAECO Americas

HAECO Americas recorded a loss of HK$208 million in the first half of 2017, HK$149 million more than its loss of HK$59 million in the first half of 2016. This reflected lower demand for its airframe services, lower margins on seats sold and the completion of fewer interior reconfigurations. The results were also adversely affected by the non-recognition of deferred tax assets in respect of the first half 2017 tax losses and lower than expected contributions from certain programmes (with efforts to improve efficiency not yet having borne fruit). The non-recognition of deferred tax assets reflects the loss of significant work from a major customer from August 2017.

1.59 million airframe services manhours were sold, 9% fewer than the first half of 2016. This followed the completion of some significant aircraft and cabin modification programmes in 2016.

More seats were sold (approximately 3,700 compared with 1,800 in the first half of 2016), but lower margins and losses on some seat contracts affected results. Demand for old seats grew quite well. Our new seats are being introduced to the market. There was less demand for cabin integration work. Less Panasonic communication equipment installation kit work was done.

HAECO Xiamen

HAECO Xiamen recorded a 121% increase in attributable profit in the first half of 2017, to HK$104 million. This reflected higher demand for its airframe services and stringent cost control.

Demand for HAECO Xiamen's airframe services in the first half of 2017 was strong. 2.01 million manhours were sold, representing a 22% growth in volume and a 27% increase in revenue compared to the same period in 2016.

HAECO Xiamen handled an average of 52 aircraft movements per day in the first half of 2017, 8% more than in the first half of 2016. Revenue increased by 13% compared to the same period in 2016.

Revenue from private jet work, parts manufacturing, and technical training increased by 65%, 43%, and 7% respectively in the first half of 2017 compared to the first half of 2016.

TEXL

In the first half of 2017, TEXL did 26 engine performance restorations and 14 engine quick turn repairs (compared with 23 and 25 respectively in the first half of 2016). With more engine performance restoration work, attributable profit increased by 9% to HK$112 million in the first half of 2017 compared with the first half of 2016.

HAESL

Excluding the profit on disposal of its interest in SAESL in the first half 2016, HAESL recorded a 14% increase in profit (on a 100% basis) in the first half of 2017 compared to the first half of 2016. More engines (71 compared with 60 in the first half of 2016) were overhauled and more work was done per engine.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 268 aircraft in the first half of 2017, similar to the number in the corresponding period in 2016. Profit increased due to more repair business.

HAECO Landing Gear Services did more work in the first half of 2017. Its losses were reduced accordingly.

Outlook

The workload for HAECO Hong Kong's airframe maintenance services is expected to be less in the second half than in the first half of 2017 for normal seasonal reasons and because of the deferral of work by some customers. Demand for line services is expected to be stable.

Demand for HAECO Americas' airframe services is expected to decrease in the second half of 2017 compared with the first half due to the loss (with effect from August 2017) of significant USA work from a major customer and also for normal seasonal reasons. Airframe services results will also be adversely affected by the additional costs of training and recruiting staff in preparation for the opening of a fifth hangar at Greensboro in 2018. Growth in demand for seats in the second half of 2017 is expected to continue but margins are expected to be lower. Forward bookings for cabin integration work are weak. More Panasonic communication equipment installation kit work is expected in the second half of 2017 than in the first half.

Demand for HAECO Xiamen's airframe services is expected to be less in the second half of 2017, for normal seasonal reasons. Demand for line services is expected to be stable.

Demand for TEXL's engine overhaul services is expected to be stable in the second half of 2017.

HAESL's results in the second half of 2017 are expected to be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines.

Overall, the HAECO group's attributable profit (disregarding a profit on disposal of investments and impairment charges) for 2017 is expected to be below that of 2016.

The municipal government of Xiamen has announced a proposal to relocate the Gaoqi airport to a new airport in the Xiang'an district. This is subject to central government 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 11 provinces and the Shanghai Municipality in the eastern and southern parts of Mainland China and in Hong Kong, Taiwan and an extensive area of the western USA. It exercises this right through subsidiaries. It also has an associate interest in Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH"), which supplies still beverages to all Coca-Cola franchises in Mainland China.

At 30th June 2017, Swire Beverages manufactured 60 beverage brands and distributed them to a franchise population of over 660 million people.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Revenue	**14,697**	8,212	18,421
Operating profit derived from:			
Operating activities	**692**	435	1,003
Non-recurring items	**1,561**	–	–
Total operating profit	**2,253**	435	1,003
Share of post-tax profits from joint venture and associated companies	**49**	75	218
Attributable profit (excluding non-recurring items)	**362**	336	813
Gain on remeasurement of previously held interests in joint venture companies in Mainland China	**975**	–	–
Gain on disposal of a subsidiary company in Mainland China	**254**	–	–
Gain on changes of franchise terms in the USA	**194**	–	–
Attributable profit	**1,785**	336	813

The non-recurring gains included under attributable profit are after the deduction of tax and non-controlling interests.

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
	2017 HK$M	2016 HK$M	2016 HK$M	**2017 HK$M**	2016 HK$M	2016 HK$M
Mainland China						
Operating activities	**6,459**	3,482	6,873	**74**	119	288
Non-recurring items	**–**	–	–	**1,229**	–	–
	6,459	3,482	6,873	**1,303**	119	288
Hong Kong	**1,021**	1,011	2,212	**75**	77	205
Taiwan	**645**	608	1,323	**20**	6	33
USA						
Operating activities	**6,572**	3,111	8,013	**212**	138	306
Non-recurring item	**–**	–	–	**194**	–	–
	6,572	3,111	8,013	**406**	138	306
Central costs	**–**	–	–	**(19)**	(4)	(19)
Beverages Division	**14,697**	8,212	18,421	**1,785**	336	813

Accounting for the Beverages Division

Before 1st April 2017:

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) were accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit from these franchise businesses are included in the revenue and operating profit shown above. The division's joint venture interests in three other franchises in Mainland China (Guangdong, Zhejiang and Jiangsu) and its associate interest in CCBMH were accounted for using the equity method of accounting. Swire Pacific recognised 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.

On and after 1st April 2017:

After completion of the majority of the realignment of the Coca-Cola Bottling system in Mainland China on 1st April 2017, the division's joint venture interests in three franchise businesses in Mainland China (Guangdong, Zhejiang and Jiangsu) became subsidiary companies. These three franchise businesses were accordingly accounted for as subsidiaries in the financial statements of Swire Pacific from 1st April 2017. Revenue and operating profit from these three franchise businesses were included in the revenue and operating profit from 1st April 2017. The division's associate interest in CCBMH continued to be accounted for using the equity method of accounting.

The sales volume for Mainland China shown in the table on page 26 represents sales in seven franchise territories from 1st January 2017 to 31st March 2017 and sales in 12 franchises territories from 1st April 2017 to 30th June 2017, including products supplied by CCBMH.

RESULTS SUMMARY

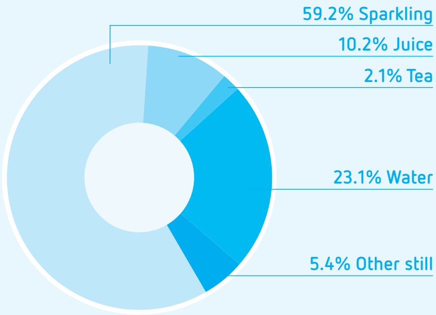
Swire Beverages made an attributable profit of HK$1,785 million in the first half of 2017. This included non-recurring gains of HK$1,229 million arising out of the realignment of the Coca-Cola bottling system in Mainland China. These gains arose on of the disposal of the Shaanxi franchise business and on the remeasurement to fair value of interests in three joint venture franchise businesses (in Guangdong, Zhejiang and Jiangsu) when they became subsidiary companies. There was also a non-recurring gain in the USA of HK$194 million, which arose on changes to the franchise terms.

Disregarding the non-recurring gains, Swire Beverages made an attributable profit of HK$362 million in the first half of 2017, an increase of 8% compared with the same period in 2016. The increase in attributable profit principally reflected higher profits in the USA and Taiwan. Overall sales volume increased by 26% to 644 million unit cases. Volume grew in Mainland China, reflecting the inclusion of sales in the provinces of Hubei, Guangxi, Yunnan, Jiangxi and Hainan and the cities of Zhanjiang and Maoming in Guangdong with effect from April 2017. Volume grew in the USA, reflecting the inclusion of sales in new franchise territories in the states of Arizona and New Mexico with effect from August 2016, Washington from March 2017 and Oregon from May 2017. Volume was unchanged in Hong Kong and declined in Taiwan.

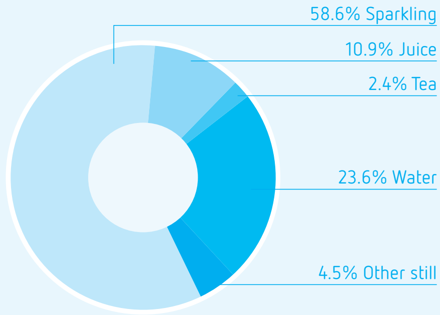
Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2017	**459.4**	**29.6**	**24.7**	**130.1**	**643.8**
Six months ended 30th June 2016	391.9	29.6	25.3	63.8	510.6

Breakdown of Total Volume by Category (%)



Six months ended 30th June 2017



Six months ended 30th June 2016

Mainland China

Attributable profit from Mainland China for the first half of 2017 was HK$1,303 million.

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. SBHL also agreed (conditionally on the realignment proceeding) to acquire from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited ("SBL") which was not already owned by SBHL.

The realignment was completed on 1st April 2017 except for the transfer to SBHL of interests in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and the acquisition of the 12.5% interest in SBL. SBHL took on franchise territories in the provinces of Hubei, Guangxi, Yunnan, Jiangxi and Hainan and the cities of Zhanjiang and Maoming in Guangdong, and increased its interests in franchise territories in Jiangsu, Zhejiang, and Guangdong. The Shaanxi territory was transferred to a subsidiary of China Foods.

The transfer of interests in the Coca-Cola bottling unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. and the acquisition of the 12.5% interest in SBL were completed on 1st July 2017.

The net amount paid by SBHL in respect of the realignment (including the acquisition of the 12.5% interest in SBL) was RMB5,479 million, subject to completion adjustments.

A gain of HK$254 million was recorded on the disposal of the Shaanxi franchise business.

A gain of HK$975 million was recorded on the remeasurement to fair value of interests in three joint venture franchise businesses (in Guangdong, Zhejiang and Jiangsu) when they became subsidiary companies.

The attributable profit from operating activities from Mainland China for the first half of 2017 was HK$74 million, a 38% decrease from the first half of 2016. Disregarding a foreign exchange loss, attributable profit increased by 4%.

Total sales volume and revenue (including from the three joint venture franchise businesses which became subsidiaries under the realignment) increased by 17% and 18% respectively, compared with the same period in 2016, principally as a result of the acquisition of new franchise territories in the second quarter of 2017. The sales volume and revenue in existing territories (excluding Shaanxi) increased by 3% and 6% respectively.

Sparkling and juice sales volume both grew by 17%. Water volume grew by 19%.

Revenue and gross margins per unit case increased by 1%. The beneficial effect of these factors and of higher sales volume was partially offset by higher operating costs and finance charges relating to the capital cost of the realignment.

Hong Kong

Attributable profit from Hong Kong for the first half of 2017 was HK$75 million, a 3% decrease from the first half of 2016.

Sales volume was unchanged. Sparkling sales volume decreased by 1%. Still sales volume increased by 1%. Sales of juice increased by 11%. Sales of tea decreased by 5%.

Revenue increased by 1% as a result of reduced discounting. However, the increase in revenue was more than offset by increases in raw material and operating costs.

Taiwan

Attributable profit from Taiwan for the first half of 2017 was HK$20 million, compared with HK$6 million in the first half of 2016. The increase reflected a favourable sales mix and cost savings.

Sales volume decreased by 2% compared with 2016. Sparkling and still beverage sales volumes decreased by 2% and 3% respectively.

Revenue in local currency was unchanged. Revenue and gross margins per unit case increased by 2% and 4% respectively, due to a favourable sales mix.

USA

Attributable profit from the USA for the first half of 2017 was HK$406 million. Disregarding the non-recurring gain on changes to the franchise terms, the attributable profit was HK$212 million, a 54% increase from the first half of 2016.

Sales volume and revenue (excluding the sales to other bottlers) increased by 104% and 106% respectively compared with the same period in 2016, principally as a result of the inclusion of sales and revenue in new franchise territories in the states of Arizona and New Mexico from August 2016, Washington from March 2017 and Oregon from May 2017.

Sparkling sales volume increased by 102%. Still sales volume increased by 108%, principally due to an increase in sales of water drinks of 127%.

Revenue and gross margins per unit case increased by 1%. Gross margins increased principally as a result of higher sales volume, but the beneficial effect of this was partially offset by higher operating costs in the newly acquired territories.

Outlook

Sales volume and revenue in the Swire Beverages franchise territories in Mainland China are expected to grow modestly in the second half of 2017, reflecting a better sales mix, the introduction of new products and packaging, strong marketing support and improved market execution. Additional operating profits will be earned from the new territories. However, increased raw material, staff and finance costs will put pressure on profits.

Modest growth in sales volume and revenue is expected in Hong Kong in the second half of 2017. Raw material costs are expected to increase. Production capacity constraints and labour shortages are adversely affecting operations during the summer.

The retail market in Taiwan is expected to be weak in the second half of 2017. The adverse effect of this is expected to be mitigated to an extent by improvements in the mix of packaging and in the management of sales channels. Closure of the Kaohsiung plant will save costs in the long term. However, one off costs associated with the closure will adversely affect results in the second half of 2017.

In the USA, the beverages market is expected to grow moderately in the second half of 2017. Sales of energy drinks and water are expected to continue to grow. Additional profits will be earned from the newly acquired businesses in Washington and Oregon.

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 and a subsea inspection, maintenance and repair ("IMR") business. The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards ("HUD") group.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Swire Pacific Offshore group			
Revenue	**1,474**	2,281	4,238
Operating loss derived from:			
Vessel activities and services	**(460)**	(43)	(165)
Impairment charges	**–**	–	(2,313)
Loss on disposal of a subsidiary	**–**	–	(118)
Total operating loss	**(460)**	(43)	(2,596)
Attributable loss	**(692)**	(260)	(3,033)
HUD group			
Share of post-tax profits from joint venture companies	**16**	13	20
Attributable loss	**(676)**	(247)	(3,013)

Fleet Size

	At 30th June		At 31st December
	2017	2016	2016
Number of vessels			
Swire Pacific Offshore group	**77**	84	81
HUD group – Hongkong Salvage & Towage	**19**	19	19
Total	**96**	103	100

RESULTS SUMMARY

The attributable loss of the Marine Services Division in the first half of 2017 was HK$676 million, compared to a loss of HK$247 million for the same period in 2016.

Swire Pacific Offshore group

SPO reported an attributable loss of HK$692 million for the first half of 2017, compared to a loss of HK$260 million in the first half of 2016. The offshore exploration market remained weak and the oversupply of offshore support vessels is evidenced by widespread stacking of vessels. Consequently, vessel utilisation and day rates have deteriorated.

SPO disposed of four vessels in the first half of 2017 at an aggregate loss of HK$19 million (first half of 2016: eight vessels disposed at an aggregate loss of HK$11 million).

SPO generated net cash from operating activities of HK$64 million in the first half of 2017 (first half of 2016: HK$554 million).

Charter Hire

Charter hire revenue decreased by 34% to HK$1,280 million in the first half of 2017. Fleet utilisation during the first half of 2017 was 58.9%, 3.5 percentage points lower than in the first half of 2016. Average charter hire rates decreased by 24% to US$18,500 per day.

Utilisation of SPO's core fleet of anchor handling tug supply vessels ("AHTSs") and platform supply vessels ("PSVs") decreased by 1.5 percentage points to 60.8%. Average charter hire rates for the core fleet were US$12,600 per day, a decrease of 30%. Four AHTSs and one PSV were in cold stack at 30th June 2017.

Utilisation of SPO's fleet of construction and specialist vessels ("CSVs") decreased by 15.9 percentage points to 47.3%. The CSVs' average charter hire rates decreased by 19% to US$66,400 per day.

Utilisation of SPO's subsea vessels improved to 94.9% in the first half of 2017 from 73.3% in the first half of 2016. This resulted in increased revenue from subsea vessels despite a decrease in average charter hire rates.

Following periods of being offhire, the wind farm installation vessels are both working in the North Sea. One accommodation barge and two seismic survey vessels were in cold stack at 30th June 2017.

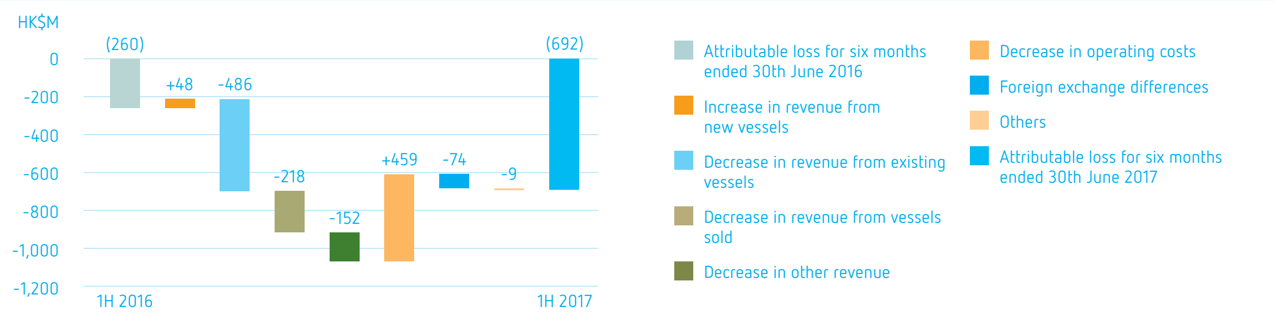
Non-charter Hire

Non-charter hire income decreased by 44% to HK$193 million in the first half of 2017, mainly due to the absence of logistics revenue following the disposal of Altus Oil & Gas Services in November 2016.

Operating Costs

Total operating costs decreased by 19% in the first half of 2017. The reduction principally reflected cost cutting measures and the disposal and stacking of older vessels. SPO held a total of eight vessels in cold stack at 30th June 2017. The vessels will be returned to service (when opportunities arise and deferred maintenance is completed) or sold.

SPO – Movement in Attributable Loss



Fleet

The fleet size at 30th June 2017 was 77, compared to 84 at 30th June 2016 and 81 at 31st December 2016.

SPO disposed of three older AHTSs and one older PSV in the first half of 2017. One IMR vessel chartered from an external party was redelivered to its owner in June 2017. SPO expects to continue to dispose of older vessels.

One PSV was delivered to SPO in the first half of 2017. SPO is expecting to take delivery of another two PSVs in the second half of 2017 and a further three PSVs in 2018.

Total capital expenditure on new vessels and other fixed assets during the first half of 2017 amounted to HK$381 million, compared to HK$304 million in the first half of 2016.

At 30th June 2017, SPO had total capital expenditure commitments of HK$1,872 million (31st December 2016: HK$2,278 million, 30th June 2016: HK$2,148 million).

Outlook

The oversupply of offshore vessels will take time to correct and the market is not expected to recover in the short term. This will continue to affect SPO's results adversely. However, there are signs that the market is bottoming out.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure			Commitments
	Six months ended 30th June 2017 HK$M	Six months ending 31st December 2017 HK$M	2018 HK$M	2019 HK$M	**at 30th June 2017 HK$M**
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	**319**	465	888	246	**1,599**
Construction and Specialist Vessels	**35**	72	49	87	**208**
Other fixed assets	**27**	13	7	45	**65**
Total	**381**	550	944	378	**1,872**

SPO – Fleet Size

Vessel class	31st December 2016	**Additions**	**Disposals**	**Half-year**	Vessels expected to be received in: 2017	2018
			30th June 2017			
Anchor Handling Tug Supply Vessels	34	**–**	**3**	**31**	–	–
Large Anchor Handling Tug Supply Vessels	19	**–**	**–**	**19**	–	–
Platform Supply Vessels	9	**1**	**1**	**9**	2	3
Large Platform Supply Vessels	8	**–**	**–**	**8**	–	–
Construction and Specialist Vessels	11	**–**	**1**	**10**	–	–
	81	**1**	**5**	**77**	2	3

Note: SPO's fleet as at 31st December 2016 included one CSV chartered from an external party. The CSV was redelivered to its owner during the first half of the year and is included as a disposal above.

Hongkong United Dockyards ("HUD") group

The attributable profit of the HUD group for the first half of 2017 was HK$16 million, compared to HK$13 million for the same period in 2016.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK$24 million in the first half of 2017, compared to a loss of HK$23 million in the first half of 2016. High labour and subcontracting costs due to labour shortages adversely affected margins.

The profit of Hong Kong Salvage & Towage (before tax and interest and on a 100% basis) in the first half of 2017 was HK$63 million, compared to HK$57 million for the same period in 2016. Tug movements in the period were 9% higher, reflecting higher container terminal throughput in the first half of 2017.

HKST has 19 vessels in its fleet, including six container vessels.

To meet the expected demand for tug movements arising from the development of a liquefied natural gas terminal in Mirs Bay, HKST will build two 6,500 BHP tugs in the second half of this year.

Outlook

Demand for marine engineering work remains low. However, the engineering division has been awarded a new non-marine contract by the Hong Kong government. The contract is for three years and commenced in July 2017.

For HKST, the improvement in tug movements in the first half of 2017 is expected to continue in the second half of the year. However, there will be downward pressure on commercial rates when contracts with customers are renewed.

Ronald Mathison – SPO
Derrick Chan – HUD

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 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 and packaging and selling of sugar in Hong Kong and Mainland China under the Taikoo Sugar brand
- Swire Pacific Cold Storage group – operation of cold stores in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China, Hong Kong and Macau
- 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
	2017 HK$M	2016 HK$M	2016 HK$M
Revenue			
Swire Retail group	**1,551**	1,670	3,216
Taikoo Motors group	**2,790**	2,255	4,514
Swire Foods group	**813**	712	1,540
Swire Pacific Cold Storage group	**44**	37	80
	5,198	4,674	9,350
Operating profits/(losses)			
Swire Retail group	**5**	39	27
Taikoo Motors group	**40**	5	18
Swire Foods group	**18**	37	61
Swire Pacific Cold Storage group	**(56)**	(46)	(102)
Swire Environmental Services group	**(1)**	(3)	(7)
Other subsidiary companies and central costs	**(16)**	(20)	(44)
	(10)	12	(47)
Attributable profits/(losses)			
Swire Retail group	**32**	59	83
Taikoo Motors group	**33**	4	15
Swire Foods group	**13**	46	59
Swire Pacific Cold Storage group	**(71)**	(57)	(126)
Swire Environmental Services group	**(39)**	(30)	(79)
Akzo Nobel Swire Paints	**113**	115	198
Other subsidiary companies and central costs	**(16)**	(20)	(36)
Attributable profit	**65**	117	114

RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2017 decreased by 44% from the same period in 2016 to HK$65 million. The decrease principally reflected lower profits from Swire Retail and Swire Foods and increased losses from Swire Pacific Cold Storage and Swire Environmental Services. The attributable profit of Taikoo Motors increased.

Swire Retail group

Attributable profit decreased by 46% in the first half of 2017 to HK$32 million. The decrease mainly reflected lower profits from the Hong Kong businesses, which benefited from cold weather in early 2016.

In Hong Kong and Macau, revenue was 6% lower than in the same period in 2016. Gross margins were lower, principally because of more discounting in response to competitive pressures. Operating costs, in particular occupancy and advertising costs, decreased. The group managed 182 retail outlets in Hong Kong and Macau at 30th June 2017, five less than at the end of 2016.

The number of retail outlets operated in Mainland China decreased by nine (to nine) 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 2017 was HK$24 million, 14% higher than in the same period in 2016. The increase principally reflected higher sales and lower staff, occupancy and advertising costs.

Taikoo Motors group

The attributable profit of Taikoo Motors increased significantly (from HK$4 million in the first half of 2016) to HK$33 million in the first half of 2017. The 2017 results included HK$18 million in non-recurring costs resulting from the closure of loss making businesses.

9,136 vehicles were sold in the first half of 2017, 13% more than in the first half of 2016. Revenue increased by 24%. The gross margin rate decreased slightly as a result of an unfavourable product mix. Operating costs, in particular occupancy costs, decreased.

Swire Foods group

The Swire Foods group reported an attributable profit of HK$13 million for the first half of 2017.

Qinyuan Bakery contributed an attributable profit of HK$12 million in the first half of 2017, compared with an attributable profit of HK$39 million in the first half of 2016. The 2016 figure included a HK$27 million non-recurring release of provisions for tax and for incentive payments to the previous owners of the business. Disregarding the non-recurring release of provisions, the attributable profit of Qinyuan Bakery was the same in the first half of 2017 as in the first half of 2016.

The revenue and gross profit of Qinyuan Bakery increased by 17% and 27% respectively in the first half of 2017. This reflected growth in the number of stores and in sales per store. Operating costs increased, reflecting higher compliance and rental costs. Qinyuan Bakery operated 600 stores in southwest China at 30th June 2017, a net increase of 50 stores since 31st December 2016.

Volumes of sugar sold by Taikoo Sugar rose by 13% in Hong Kong and fell by 1% in Mainland China. Selling prices increased to offset the effect of rising sugar costs.

Swire Pacific Cold Storage group

Swire Pacific Cold Storage recorded an attributable loss for the first half of 2017 of HK$71 million, compared with a loss of HK$57 million in the same period in 2016. The loss principally reflected operating losses at the cold stores in Ningbo and Nanjing, and the cost of developing new cold stores in Chengdu and Xiamen. The Guangdong cold store recorded a small profit.

The businesses in Shanghai, Hebei and Nanjing are weak. Those in Ningbo and Guangdong are gradually improving. Average occupancy rates at these five facilities for the first half of 2017 were 43%. The Xiamen and Chengdu facilities were opened in March and August 2017 respectively.

The capital commitments of the Swire Pacific Cold Storage group at 30th June 2017 were HK$640 million.

Swire Environmental Services group

Swire Environmental Services reported an attributable loss of HK$39 million in the first half of 2017, compared with a loss of HK$30 million in the first half of 2016. The higher loss principally reflected poor results at Green Biologics.

Akzo Nobel Swire Paints

Attributable profit from Akzo Nobel Swire Paints for the first half of 2017 was HK$113 million, compared to HK$115 million in the same period in 2016.

Sales volume in Mainland China was 224 million litres, an increase of 36% over the same period in 2016. The gross margin rate decreased as a result of higher average material costs and an unfavourable product mix. Operating costs, in particular staff costs, decreased.

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.

Sales of Volkswagen cars have recovered well after the emissions testing incidents. Sales of Mercedes passenger cars and Volvo trucks are strong. Sales of Harley-Davidson motorcycles and Vespa scooters are stable. Overall profits at Taikoo Motors are expected to be similar in the second half of 2017 to those in the first half. A Mercedes dealership will be opened in Malaysia in August.

Qinyuan Bakery will continue to expand its retail network in Chongqing, Chengdu and Guiyang. The format of its small stores is being upgraded. The supply chain is becoming more efficient. Its products are getting better. All this is expected to improve profitability in the second half of 2017.

A 34% owned sugar refinery plant in Guangdong will start commercial production in August.

The business at Swire Pacific Cold Storage is expected to remain difficult. The market is highly competitive. Pricing is under pressure.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network in Mainland China. The business is expected to grow modestly in the second half of 2017.

The overall profits of the Trading & Industrial Division are expected to increase in the second half of 2017.

Derrick Chan / Ivan Chu / Richard Sell

Financial Review

Financial Information Reviewed by Auditors

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.

	Note	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Underlying profit				
Profit attributable to the Company's shareholders		**12,138**	5,061	9,644
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(10,409)**	(2,625)	(9,637)
Deferred tax on investment properties	(b)	**305**	660	1,459
Realised profit on sale of investment properties	(c)	**47**	–	3
Depreciation of investment properties occupied by the Group	(d)	**14**	13	28
Non-controlling interests' share of adjustments		**1,785**	439	1,566
Underlying profit attributable to the Company's shareholders		**3,880**	3,548	3,063

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 items.

	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Adjusted underlying profit			
Underlying profit attributable to the Company's shareholders	**3,880**	3,548	3,063
Other significant capital profits/losses and impairments:			
Profit on disposal of HAESL's interest in SAESL, net of associated expenses	**–**	(587)	(587)
Gain on remeasurement of previously held interests in joint venture companies	**(975)**	–	–
Profit on sale of property, plant and equipment and other investments	**(293)**	(31)	(65)
(Profit)/losses on sale of investment properties	**(2)**	(42)	18
Profit on disposal of a subsidiary company	**(254)**	–	–
Gain on changes to franchise terms	**(194)**	–	–
Net impairment of property, plant and equipment, leasehold land and intangible assets	**2**	(3)	2,568
Adjusted underlying profit	**2,164**	2,885	4,997

Summary of Cash Flows

	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Net cash (used by)/from businesses and investments			
Cash generated from operations	**9,459**	5,601	14,864
Dividends received	**300**	2,031	2,673
Tax paid	**(721)**	(575)	(1,993)
Net interest paid	**(1,169)**	(1,144)	(2,354)
Cash used in investing activities	**(10,097)**	(4,467)	(10,359)
	(2,228)	1,446	2,831
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(2,369)**	(4,832)	(6,716)
Purchase of shares in existing subsidiary companies	**–**	(640)	(640)
Increase in borrowings	**4,362**	1,921	2,126
Repurchase of the Company's shares	**(68)**	–	–
Capital contribution from non-controlling interests	**–**	79	90
	1,925	(3,472)	(5,140)
Decrease in cash and cash equivalents	**(303)**	(2,026)	(2,309)

Cash used in investing activities during the first half of 2017 included cash used for capital expenditure on property projects and plant and equipment and for investments in subsidiary companies and new businesses.

Changes in Financing

Financial Information Reviewed by Auditors

Analysis of Changes in Financing During the Period

	Six months ended 30th June 2017 HK$M	Year ended 31st December 2016 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**70,570**	68,617
Loans drawn and refinancing	**13,904**	15,321
Repayment of loans and bonds	**(7,208)**	(13,195)
Repayment of perpetual capital securities	**(2,334)**	–
Currency adjustment	**408**	(276)
Other non-cash movements	**66**	103
At 30th June / 31st December	**75,406**	70,570

Perpetual Capital Securities

Financial Information Reviewed by Auditors

Perpetual capital securities, amounting to US$300 million and bearing interest at 8.84% per annum, were issued by a wholly-owned subsidiary of the Company ("the Issuer"), on 13th May 1997 and were listed on the Luxembourg Stock Exchange. The perpetual capital securities, which were unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company, were redeemed by the Issuer on 13th May 2017 and delisted from the Luxembourg Stock Exchange on 15th May 2017.

Sources of Finance

Financial Information Reviewed by Auditors

At 30th June 2017, committed loan facilities and debt securities amounted to HK$97,210 million, of which HK$22,186 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$11,140 million. Sources of funds at 30th June 2017 comprised:

	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	48,067	48,067	–	–	–
Bank loans, overdrafts and other loans	49,143	26,957	468	21,718	22,186
Total committed facilities	97,210	75,024	468	21,718	22,186
Uncommitted facilities					
Bank loans, overdrafts and other loans	11,971	831	10,910	230	11,140
Total	109,181	75,855	11,378	21,948	33,326

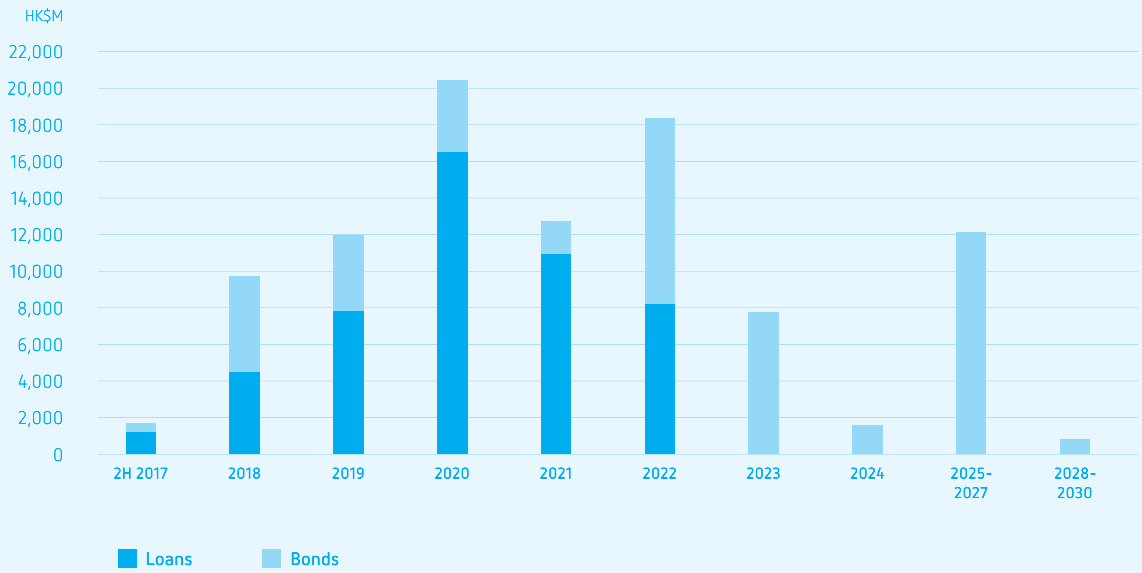
Note: The figures above are stated before unamortised loan fees of HK$449 million.

The Group had bank balances and short-term deposits of HK$6,307 million at 30th June 2017 compared to HK$6,477 million at 31st December 2016.

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 2017



Financial Information Reviewed by Auditors

Gross Borrowings Maturity Profile

	30th June 2017		31st December 2016	
	HK$M		HK$M	
Within 1 year	**6,631**	**9%**	8,279	12%
1 – 2 years	**6,765**	**9%**	8,917	13%
2 – 5 years	**38,741**	**51%**	22,899	32%
After 5 years	**23,269**	**31%**	30,475	43%
Total	**75,406**	**100%**	70,570	100%

Currency Profile

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

	30th June 2017		31st December 2016	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**50,936**	**68%**	46,184	66%
Renminbi	**3,019**	**4%**	3,296	5%
United States dollar	**21,043**	**28%**	20,779	29%
Others	**408**	**–**	311	–
Total	**75,406**	**100%**	70,570	100%

Finance Charges

Financial Information Reviewed by Auditors

At 30th June 2017, 71% of the Group's gross borrowings were on a fixed rate basis and 29% were on a floating rate basis (31st December 2016: 73% and 27% respectively). Interest charged and earned are as follows:

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Interest charged:			
Bank loans and overdrafts	**245**	267	503
Other loans, bonds and perpetual capital securities	**1,028**	1,072	2,109
Fair value gains on interest rate swaps transferred from cash flow hedge reserve	**(44)**	(52)	(92)
Amortised loan fees – loans at amortised cost	**61**	59	117
	1,290	1,346	2,637
Fair value loss on put options over non-controlling interests in subsidiary companies	**7**	109	116
Other financing costs	**75**	67	137
Capitalised on:			
Investment properties	**(102)**	(138)	(248)
Properties under development and for sale	**–**	(83)	(140)
Hotels and other properties	**(79)**	(5)	(31)
Vessels	**(6)**	(6)	(13)
	1,185	1,290	2,458
Less interest income:			
Short-term deposits and bank balances	**26**	32	66
Other loans	**46**	55	95
	72	87	161
Net finance charges	**1,113**	1,203	2,297

The total interest charged on borrowings held at amortised cost (after interest rate swaps) was HK$1,290 million (30th June 2016: HK$1,346 million; year ended 31st December 2016: HK$2,637 million).

Gearing Ratios and Interest Cover

	30th June 2017	30th June 2016	31st December 2016
Gearing ratio*			
Per accounts	**24.1%**	23.8%	23.5%
Interest cover – times*			
Per accounts	**15.8**	6.0	6.7
Underlying	**7.0**	4.1	3.0
Cash interest cover – times*			
Per accounts	**13.6**	5.1	5.6
Underlying	**6.0**	3.5	2.6

* Refer to Glossary on page 83 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 2017 and 31st December 2016:

	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 2017 HK$M	31st December 2016 HK$M	**30th June 2017 HK$M**	31st December 2016 HK$M	**30th June 2017 HK$M**	31st December 2016 HK$M
Property Division	**16,472**	15,887	**6,734**	6,568	**1,457**	1,459
Aviation Division						
Cathay Pacific group	**55,046**	49,879	**24,771**	22,445	**–**	–
HAECO group	**336**	473	**160**	207	**–**	–
Others	**4**	3	**2**	1	**–**	–
Beverages Division	**472**	388	**169**	116	**–**	–
Marine Services Division	**869**	795	**435**	398	**500**	500
Trading & Industrial Division	**(2,474)**	(3,090)	**(849)**	(1,102)	**6**	1
	70,725	64,335	**31,422**	28,633	**1,963**	1,960

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 35.1%.

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 42 to 78, which comprise the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2017 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 condensed 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial 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, 17th August 2017

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2017

	Note	(Unaudited) Six months ended 30th June 2017 HK$M	(Unaudited) Six months ended 30th June 2016 HK$M	(Audited) Year ended 31st December 2016 HK$M
Revenue	4	**40,211**	30,075	62,389
Cost of sales		**(26,032)**	(19,270)	(40,392)
Gross profit		**14,179**	10,805	21,997
Distribution costs		**(5,028)**	(3,301)	(7,082)
Administrative expenses		**(2,949)**	(2,591)	(5,402)
Other operating expenses		**(172)**	(155)	(293)
Other net gains/(losses)	5	**1,711**	187	(2,281)
Change in fair value of investment properties		**9,884**	2,315	8,445
Operating profit		**17,625**	7,260	15,384
Finance charges		**(1,185)**	(1,290)	(2,458)
Finance income		**72**	87	161
Net finance charges	7	**(1,113)**	(1,203)	(2,297)
Share of profits less losses of joint venture companies		**962**	1,556	2,731
Share of profits less losses of associated companies		**(821)**	254	(70)
Profit before taxation		**16,653**	7,867	15,748
Taxation	8	**(1,603)**	(1,368)	(2,816)
Profit for the period		**15,050**	6,499	12,932
Profit attributable to:				
The Company's shareholders		**12,138**	5,061	9,644
Non-controlling interests		**2,912**	1,438	3,288
		15,050	6,499	12,932
Underlying profit attributable to the Company's shareholders	9	**3,880**	3,548	3,063
		HK$	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11			
'A' share		**8.07**	3.36	6.41
'B' share		**1.61**	0.67	1.28

The notes on pages 47 to 78 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2017

	(Unaudited) Six months ended 30th June 2017 HK\$M	(Unaudited) Six months ended 30th June 2016 HK\$M	(Audited) Year ended 31st December 2016 HK\$M
Profit for the period	**15,050**	6,499	12,932
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	**120**	119	120
deferred tax	**(2)**	(2)	(3)
Defined benefit plans			
remeasurement (losses)/gains recognised during the period	**(1)**	(2)	68
deferred tax	**(1)**	(1)	14
Share of other comprehensive income of joint venture and associated companies	**18**	(6)	271
	134	108	470
Items that can be reclassified subsequently to profit or loss			
Cash flow hedges			
(losses)/gains recognised during the period	**(511)**	505	568
transferred to net finance charges	**(44)**	(52)	(92)
transferred to operating profit	**(56)**	(18)	(33)
deferred tax	**106**	(58)	(66)
Net fair value changes on available-for-sale assets			
gains/(losses) recognised during the period	**38**	(45)	(51)
transferred to profit or loss on disposal	**–**	(10)	(10)
Share of other comprehensive income of joint venture and associated companies	**214**	1,297	3,128
Net translation differences on foreign operations	**1,263**	(574)	(1,913)
	1,010	1,045	1,531
Other comprehensive income for the period, net of tax	**1,144**	1,153	2,001
Total comprehensive income for the period	**16,194**	7,652	14,933
Total comprehensive income attributable to:			
The Company's shareholders	**13,012**	6,324	12,068
Non-controlling interests	**3,182**	1,328	2,865
	16,194	7,652	14,933

The notes on pages 47 to 78 form part of these financial statements.

Consolidated Statement of Financial Position

at 30th June 2017

	Note	(Unaudited) 30th June 2017 HK$M	(Audited) 31st December 2016 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**45,499**	40,922
Investment properties	13	**247,077**	233,718
Leasehold land and land use rights	12	**1,354**	1,087
Intangible assets	14	**14,066**	9,195
Properties held for development		**1,335**	1,279
Joint venture companies	15	**26,633**	25,908
Associated companies	16	**26,558**	27,546
Available-for-sale assets		**455**	457
Other receivables	19	**52**	49
Derivative financial instruments	18	**130**	528
Deferred tax assets	23	**1,028**	697
Retirement benefit assets		**76**	80
Other non-current assets	22	**6,052**	5,479
		370,315	346,945
Current assets			
Properties under development and for sale		**2,482**	5,669
Stocks and work in progress		**5,745**	4,790
Trade and other receivables	19	**13,855**	9,597
Derivative financial instruments	18	**47**	20
Bank balances and short-term deposits		**6,307**	6,477
		28,436	26,553
Current liabilities			
Trade and other payables	20	**20,895**	17,448
Taxation payable		**1,255**	388
Derivative financial instruments	18	**2**	32
Short-term loans		**831**	595
Perpetual capital securities	21	**–**	2,327
Long-term loans and bonds due within one year		**5,800**	5,357
		28,783	26,147
Net current (liabilities)/assets		**(347)**	406
Total assets less current liabilities		**369,968**	347,351
Non-current liabilities			
Long-term loans and bonds		**68,775**	62,291
Derivative financial instruments	18	**154**	34
Other payables	20	**4,017**	3,427
Deferred tax liabilities	23	**9,286**	8,291
Retirement benefit liabilities		**1,201**	1,140
		83,433	75,183
NET ASSETS		**286,535**	272,168
EQUITY			
Share capital	24	**1,294**	1,294
Reserves	25	**234,862**	223,585
Equity attributable to the Company's shareholders		**236,156**	224,879
Non-controlling interests	26	**50,379**	47,289
TOTAL EQUITY		**286,535**	272,168

The notes on pages 47 to 78 form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2017

	Note	(Unaudited) Six months ended 30th June 2017 HK$M	2016 HK$M	(Audited) Year ended 31st December 2016 HK$M
Operating activities				
Cash generated from operations		**9,459**	5,601	14,864
Interest paid		**(1,242)**	(1,228)	(2,514)
Interest received		**73**	84	160
Tax paid		**(721)**	(575)	(1,993)
		7,569	3,882	10,517
Dividends received from joint venture and associated companies and available-for-sale assets		**300**	2,031	2,673
Net cash generated from operating activities		**7,869**	5,913	13,190
Investing activities				
Purchase of property, plant and equipment		**(1,863)**	(1,585)	(3,551)
Additions of investment properties		**(2,693)**	(1,939)	(5,883)
Additions of other non-current assets		**(494)**	–	(254)
Purchase of intangible assets		**(32)**	(28)	(65)
Proceeds from disposals of property, plant and equipment		**128**	154	1,364
Proceeds from disposals of investment properties		**11**	40	735
Proceeds from disposals of subsidiary companies, net of cash disposed of		**631**	–	(16)
Proceeds from disposals of available-for-sale assets		**61**	19	35
Purchase of shares in new subsidiary companies	27(c)	**(4,107)**	–	–
Purchase of shares in joint venture companies		**(3)**	(456)	(543)
Purchase of shares in associated companies		**–**	(23)	(23)
Purchase of new businesses	27(a) and (b)	**(1,467)**	–	(1,455)
Purchase of available-for-sale assets		**(20)**	(22)	(41)
Loans to joint venture companies		**(421)**	(789)	(648)
Repayment of loans by joint venture companies		**107**	175	174
Net loans from/(to) associated companies		**104**	(7)	(73)
(Increase)/decrease in deposits maturing after more than three months		**(30)**	32	19
Initial leasing costs incurred		**(9)**	(38)	(134)
Net cash used in investing activities		**(10,097)**	(4,467)	(10,359)
Net cash (outflow)/inflow before financing		**(2,228)**	1,446	2,831
Financing activities				
Loans drawn and refinancing		**13,904**	8,309	15,321
Repayment of loans and bonds		**(9,542)**	(6,388)	(13,195)
		4,362	1,921	2,126
Capital contributions from non-controlling interests		**–**	79	90
Repurchase of the Company's shares		**(68)**	–	–
Purchase of shares in existing subsidiary companies		**–**	(640)	(640)
Dividends paid to the Company's shareholders		**(1,655)**	(4,182)	(5,686)
Dividends paid to non-controlling interests		**(714)**	(650)	(1,030)
Net cash generated from/(used in) financing activities		**1,925**	(3,472)	(5,140)
Decrease in cash and cash equivalents		**(303)**	(2,026)	(2,309)
Cash and cash equivalents at 1st January		**6,450**	8,936	8,936
Currency adjustment		**98**	(49)	(177)
Cash and cash equivalents at end of the period		**6,245**	6,861	6,450
Represented by:				
Bank balances and short-term deposits maturing within three months		**6,245**	6,861	6,450

The notes on pages 47 to 78 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2017

	Note	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 2017		1,294	224,464	(879)	224,879	47,289	272,168
Profit for the period		–	12,138	–	12,138	2,912	15,050
Other comprehensive income		–	16	858	874	270	1,144
Total comprehensive income for the period		–	12,154	858	13,012	3,182	16,194
Dividends paid		–	(1,655)	–	(1,655)	(693)	(2,348)
Capital contribution from non-controlling interests		–	–	–	–	241	241
Repurchase of the Company's shares	24	–	(80)	–	(80)	–	(80)
Change in composition of the Group	27(c)	–	–	–	–	360	360
At 30th June 2017 (unaudited)		**1,294**	**234,883**	**(21)**	**236,156**	**50,379**	**286,535**

	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

The notes on pages 47 to 78 form part of these financial statements.

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 2017	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	5,557	59	4,190	(477)	38	228	–	(572)	3,407	2,785	2,800
Change in fair value of investment properties	–	–	9,884	–	–	435	–	(215)	10,104	8,308	–
Property trading	5,258	–	1,447	(19)	1	(3)	–	(246)	1,180	968	1,003
Hotels	651	–	(50)	(19)	–	(11)	70	(2)	(12)	(9)	(9)
	11,466	**59**	**15,471**	**(515)**	**39**	**649**	**70**	**(1,035)**	**14,679**	**12,052**	**3,794**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	(923)	–	(923)	(923)	(923)
HAECO group	7,405	–	466	(56)	5	181	–	(121)	475	260	260
Others	–	–	(27)	–	–	3	(5)	–	(29)	(15)	(15)
	7,405	**–**	**439**	**(56)**	**5**	**184**	**(928)**	**(121)**	**(477)**	**(678)**	**(678)**
Beverages											
Mainland China	6,459	–	1,608	(78)	8	(3)	52	(209)	1,378	1,303	1,303
Hong Kong	1,020	1	90	–	–	–	–	(8)	82	75	75
Taiwan	645	–	28	(3)	–	–	–	(5)	20	20	20
USA	6,572	–	546	(22)	1	–	–	(119)	406	406	406
Central costs	–	–	(19)	–	–	–	–	–	(19)	(19)	(19)
	14,696	**1**	**2,253**	**(103)**	**9**	**(3)**	**52**	**(341)**	**1,867**	**1,785**	**1,785**
Marine Services											
Swire Pacific Offshore group	1,473	1	(460)	(149)	2	–	1	(84)	(690)	(692)	(692)
HUD group	–	–	–	–	–	16	–	–	16	16	16
	1,473	**1**	**(460)**	**(149)**	**2**	**16**	**1**	**(84)**	**(674)**	**(676)**	**(676)**
Trading & Industrial											
Swire Retail group	1,551	–	5	(1)	6	3	24	(5)	32	32	32
Taikoo Motors group	2,790	–	40	–	1	–	–	(8)	33	33	33
Swire Foods group	783	30	18	–	2	(2)	–	(5)	13	13	13
Swire Pacific Cold Storage group	44	–	(56)	(10)	–	(4)	–	(1)	(71)	(71)	(71)
Akzo Nobel Swire Paints	–	–	–	–	–	119	–	(6)	113	113	113
Swire Environmental Services group	–	–	(1)	–	2	–	(40)	–	(39)	(39)	(39)
Other activities	–	–	(16)	–	–	–	–	–	(16)	(16)	(16)
	5,168	**30**	**(10)**	**(11)**	**11**	**116**	**(16)**	**(25)**	**65**	**65**	**65**
Head Office											
Net income/(expenses)	**3**	**13**	**(68)**	**(779)**	**434**	**–**	**–**	**3**	**(410)**	**(410)**	**(410)**
Inter-segment elimination	**–**	**(104)**	**–**	**428**	**(428)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**40,211**	**–**	**17,625**	**(1,185)**	**72**	**962**	**(821)**	**(1,603)**	**15,050**	**12,138**	**3,880**

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 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)

Year ended 31st December 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 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	10,802	100	7,743	(1,158)	94	339	–	(1,086)	5,932	4,864	4,889
Change in fair value of investment properties	–	–	8,445	–	–	982	–	(1,249)	8,178	6,606	–
Property trading	4,760	–	1,332	(22)	3	(6)	–	(70)	1,237	983	983
Hotels	1,129	1	(182)	(36)	–	(35)	139	(5)	(119)	(96)	(96)
	16,691	**101**	**17,338**	**(1,216)**	**97**	**1,280**	**139**	**(2,410)**	**15,228**	**12,357**	**5,776**
Aviation											
Cathay Pacific group	–	–	–	–	–	–	(259)	–	(259)	(259)	(259)
HAECO group	13,760	–	127	(98)	9	267	–	(17)	288	127	127
Sale of HAESL's interest in SAESL	–	–	–	–	–	805	–	–	805	604	604
Others	–	–	(54)	–	–	5	(10)	–	(59)	(31)	(31)
	13,760	**–**	**73**	**(98)**	**9**	**1,077**	**(269)**	**(17)**	**775**	**441**	**441**
Beverages											
Mainland China	6,873	–	291	(78)	16	141	77	(117)	330	288	288
Hong Kong	2,211	1	247	–	–	–	–	(20)	227	205	205
Taiwan	1,323	–	47	(6)	–	–	–	(8)	33	33	33
USA	8,013	–	434	(9)	–	–	–	(119)	306	306	306
Central costs	–	–	(16)	–	–	–	–	(3)	(19)	(19)	(19)
	18,420	**1**	**1,003**	**(93)**	**16**	**141**	**77**	**(267)**	**877**	**813**	**813**
Marine Services											
Swire Pacific Offshore group	4,237	1	(2,596)	(326)	3	–	1	(95)	(3,013)	(3,033)	(3,033)
HUD group	–	–	–	–	–	20	–	–	20	20	20
	4,237	**1**	**(2,596)**	**(326)**	**3**	**20**	**1**	**(95)**	**(2,993)**	**(3,013)**	**(3,013)**
Trading & Industrial											
Swire Retail group	3,216	–	27	(2)	17	3	56	(18)	83	83	83
Taikoo Motors group	4,514	–	18	(2)	2	–	–	(3)	15	15	15
Swire Foods group	1,466	74	61	(1)	3	(7)	–	2	58	59	59
Swire Pacific Cold Storage group	80	–	(102)	(20)	–	(1)	–	(3)	(126)	(126)	(126)
Akzo Nobel Swire Paints	–	–	(8)	–	–	216	–	(10)	198	198	198
Swire Environmental Services group	–	–	(7)	–	–	2	(74)	–	(79)	(79)	(79)
Other activities	–	–	(36)	–	–	–	–	–	(36)	(36)	(36)
	9,276	**74**	**(47)**	**(25)**	**22**	**213**	**(18)**	**(32)**	**113**	**114**	**114**
Head Office											
Net income/(expenses)	**5**	**31**	**(387)**	**(1,635)**	**949**	**–**	**–**	**5**	**(1,068)**	**(1,068)**	**(1,068)**
Inter-segment elimination	**–**	**(208)**	**–**	**935**	**(935)**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**62,389**	**–**	**15,384**	**(2,458)**	**161**	**2,731**	**(70)**	**(2,816)**	**12,932**	**9,644**	**3,063**

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 2017	Segment assets HK$M	Joint venture companies HK$M	Associated companies HK$M	Bank deposits HK$M	Total assets HK$M
Property					
Property investment	259,278	19,411	–	1,332	280,021
Property trading and development	4,235	510	–	115	4,860
Hotels	6,351	1,173	338	142	8,004
	269,864	**21,094**	**338**	**1,589**	**292,885**
Aviation					
Cathay Pacific group	–	–	24,352	–	24,352
HAECO group	11,894	1,692	–	1,345	14,931
Others	4,490	2,819	–	–	7,309
	16,384	**4,511**	**24,352**	**1,345**	**46,592**
Beverages					
Swire Beverages	**27,890**	**5**	**1,448**	**1,608**	**30,951**
Marine Services					
Swire Pacific Offshore group	18,843	–	55	322	19,220
HUD group	–	(32)	–	–	(32)
	18,843	**(32)**	**55**	**322**	**19,188**
Trading & Industrial					
Swire Retail group	609	33	202	261	1,105
Taikoo Motors group	1,760	–	–	325	2,085
Swire Foods group	1,477	34	–	101	1,612
Swire Pacific Cold Storage group	1,744	331	–	88	2,163
Akzo Nobel Swire Paints	–	610	–	–	610
Swire Environmental Services group	111	47	163	–	321
Other activities	216	–	–	1	217
	5,917	**1,055**	**365**	**776**	**8,113**
Head Office	**355**	**–**	**–**	**667**	**1,022**
	339,253	**26,633**	**26,558**	**6,307**	**398,751**

1. SEGMENT INFORMATION (continued)

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

At 31st December 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	245,337	18,476	–	1,399	265,212
Property trading and development	7,656	493	–	161	8,310
Hotels	6,355	1,016	361	121	7,853
	259,348	**19,985**	**361**	**1,681**	**281,375**
Aviation					
Cathay Pacific group	–	–	25,386	–	25,386
HAECO group	11,422	1,607	–	1,321	14,350
Others	4,516	2,817	–	–	7,333
	15,938	**4,424**	**25,386**	**1,321**	**47,069**
Beverages					
Swire Beverages	**12,690**	**630**	**1,352**	**858**	**15,530**
Marine Services					
Swire Pacific Offshore group	18,991	–	57	445	19,493
HUD group	–	(49)	–	–	(49)
	18,991	**(49)**	**57**	**445**	**19,444**
Trading & Industrial					
Swire Retail group	882	35	196	162	1,275
Taikoo Motors group	1,990	–	–	167	2,157
Swire Foods group	1,264	35	–	224	1,523
Swire Pacific Cold Storage group	1,617	328	–	106	2,051
Akzo Nobel Swire Paints	–	474	–	–	474
Swire Environmental Services group	121	46	194	–	361
Other activities	228	–	–	–	228
	6,102	**918**	**390**	**659**	**8,069**
Head Office	**451**	**–**	**–**	**1,560**	**2,011**
	313,520	25,908	27,546	6,524	373,498

1. SEGMENT INFORMATION (continued)

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

At 30th June 2017	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	7,789	8,560	4,232	27,583	48,164	43,207
Property trading and development	623	324	1,028	1,589	3,564	451
Hotels	176	–	19	1,083	1,278	1,230
	8,588	**8,884**	**5,279**	**30,255**	**53,006**	**44,888**
Aviation						
HAECO group	**2,891**	**373**	**–**	**3,811**	**7,075**	**4,270**
Beverages						
Swire Beverages	**11,610**	**1,107**	**5,626**	**2,026**	**20,369**	**1,204**
Marine Services						
Swire Pacific Offshore group	**729**	**75**	**8,595**	**–**	**9,399**	**17**
Trading & Industrial						
Swire Retail group	722	41	(110)	–	653	–
Taikoo Motors group	578	(4)	–	–	574	–
Swire Foods group	303	14	(81)	–	236	–
Swire Pacific Cold Storage group	254	3	862	–	1,119	–
Other activities	27	24	(117)	–	(66)	–
	1,884	**78**	**554**	**–**	**2,516**	**–**
Head Office	**567**	**24**	**(20,054)**	**39,314**	**19,851**	**–**
	26,269	**10,541**	**–**	**75,406**	**112,216**	**50,379**

1. SEGMENT INFORMATION (continued)

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

At 31st December 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	7,474	8,087	4,809	26,864	47,234	40,523
Property trading and development	1,510	23	2,783	1,669	5,985	636
Hotels	212	–	12	1,021	1,245	1,207
	9,196	**8,110**	**7,604**	**29,554**	**54,464**	**42,366**
Aviation						
HAECO group	**2,806**	**336**	**–**	**3,689**	**6,831**	**4,149**
Beverages						
Swire Beverages	**6,730**	**97**	**2,220**	**1,187**	**10,234**	**752**
Marine Services						
Swire Pacific Offshore group	**802**	**27**	**8,396**	**–**	**9,225**	**22**
Trading & Industrial						
Swire Retail group	843	41	(127)	–	757	–
Taikoo Motors group	662	(21)	6	–	647	–
Swire Foods group	336	8	(43)	–	301	–
Swire Pacific Cold Storage group	242	3	660	–	905	–
Other activities	31	19	21	–	71	–
	2,114	**50**	**517**	**–**	**2,681**	**–**
Head Office	**433**	**59**	**(18,737)**	**36,140**	**17,895**	**–**
	22,081	**8,679**	**–**	**70,570**	**101,330**	**47,289**

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 unaudited condensed interim financial statements are set out on pages 42 to 78 and also include the "Financial Information Reviewed by Auditors" under Financial Review on page 35 and Financing on pages 36 to 40.

The financial information relating to the year ended 31st December 2016 that is included in this document 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 2016 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 and methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2016 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 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

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

2. BASIS OF PREPARATION (continued)

(c) The Group has not early adopted the following relevant new and revised standards that have been issued but are effective for annual periods beginning on or after 1st January 2018.

HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 9	Financial Instruments[1]
HKFRS 16	Leases[2]
HKAS 40 (Amendment)	Transfers of Investment Property[1]

1. To be applied by the Group from 1st January 2018
2. To be applied by the Group from 1st January 2019

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard replaces HKAS 18 and HKAS 11 and related interpretations and provides a comprehensive revenue recognition model that can be applied to a wide range of transactions and industries. The model uses a five-step analysis of transactions to determine whether, how much and when revenue is recognised. The adoption of HKFRS15 is not expected to have a significant impact on the Group's revenue recognition.

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendment is not expected to have a significant impact on the Group's financial statements.

The Group has yet to finalise the assessment of the full impact of HKFRS 9 and HKFRS 16.

(d) 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 2016 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 2016 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
	2017 HK$M	2016 HK$M	2016 HK$M
Gross rental income from investment properties	**5,496**	5,321	10,675
Property trading	**5,258**	1,954	4,760
Hotels	**651**	504	1,129
Aircraft and engine maintenance services	**6,617**	6,307	12,242
Sales of goods	**20,288**	13,302	28,385
Charter hire	**1,280**	1,936	3,574
Rendering of other services	**621**	751	1,624
	40,211	30,075	62,389

5. OTHER NET GAINS/(LOSSES)

Other net gains/(losses) include the following:

	Six months ended 30th June		Year ended 31st December
	2017 HK$M	2016 HK$M	2016 HK$M
Remeasurement gains on interests in joint venture companies which became subsidiary companies	**975**	–	–
Profit/(loss) on disposal of subsidiary companies	**392**	–	(118)
Gain on changes to franchise terms	**194**	–	–
(Loss)/profit on sale of investment properties	**(2)**	51	76
(Loss)/profit on sale of property, plant and equipment	**(24)**	(29)	114
Profit on the sale of available-for-sale assets	**–**	9	9
Net foreign exchange gains	**4**	63	7
Fair value gains on cross-currency swaps transferred from cash flow hedge reserve	**74**	20	15
Fair value (losses)/gains on forward foreign exchange contracts transferred from cash flow hedge reserve	**(14)**	–	22
Fair value (losses)/gains on forward foreign exchange contracts not qualifying as hedges	**(1)**	2	3
Impairment (losses)/reversals recognised on			
Property, plant and equipment	**(3)**	3	(2,362)
Intangible assets	**–**	–	(286)
Dividend income on available-for-sale assets	**–**	–	14
Other income	**116**	68	225
Total	**1,711**	187	(2,281)

6. EXPENSES BY NATURE

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

	Note	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Direct operating expenses of investment properties		**997**	936	2,128
Cost of stocks sold		**18,457**	11,816	25,157
Write-down of stocks and work in progress		**48**	17	66
Impairment losses recognised on trade receivables		**12**	5	26
Depreciation of property, plant and equipment	12	**1,587**	1,446	2,944
Amortisation of				
Leasehold land and land use rights	12	**20**	18	37
Intangible assets	14	**73**	71	171
Initial leasing costs on investment properties		**28**	34	60
Others		**2**	3	–
Staff costs		**7,238**	6,036	12,251
Operating lease rentals				
Properties		**542**	530	1,086
Vessels		**29**	68	125
Plant and equipment		**21**	20	42
Others		**5,127**	4,317	9,076
Total cost of sales, distribution costs, administrative expenses and other operating expenses		**34,181**	25,317	53,169

7. NET FINANCE CHARGES

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 39 for details of the Group's net finance charges.

8. TAXATION

	Note	Six months ended 30th June 2017 HK$M	Six months ended 30th June 2016 HK$M	Year ended 31st December 2016 HK$M
Current taxation				
Hong Kong profits tax		**753**	475	911
Overseas taxation		**746**	346	763
Under-provisions in prior years		**80**	1	45
		1,579	822	1,719
Deferred taxation	23			
Change in fair value of investment properties		**76**	495	902
Origination and reversal of temporary differences		**(52)**	51	195
		24	546	1,097
		1,603	1,368	2,816

Hong Kong profits tax is calculated at 16.5% (2016: 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 companies' tax charges for the six months ended 30th June 2017 of HK$184 million (30th June 2016: HK$168 million; year ended 31st December 2016: HK$400 million) and share of associated companies' tax credits for the six months ended 30th June 2017 of HK$6 million (30th June 2016: tax charges of HK$128 million; year ended 31st December 2016: tax charges of HK$276 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 35 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
	2017 HK$M	2016 HK$M	2016 HK$M
First interim dividend declared on 17th August 2017 of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2016 first interim dividend paid: HK$1.00 and HK$0.20)	**1,503**	1,504	1,504
Second interim dividend paid on 12th May 2017 of HK$1.10 per 'A' share and HK$0.22 per 'B' share	**–**	–	1,655
	1,503	1,504	3,159

The Directors have declared first interim dividends of HK$1.00 (2016: HK$1.00) per 'A' share and HK$0.20 (2016: HK$0.20) per 'B' share for the year ending 31st December 2017. The first interim dividends, which total HK$1,503 million (2016: HK$1,504 million), will be paid on 12th October 2017 to shareholders registered at the close of business on the record date, being Friday, 8th September 2017. Shares of the Company will be traded ex-dividend as from Wednesday, 6th September 2017.

The register of members will be closed on Friday, 8th September 2017, 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, 7th September 2017.

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 2017 of HK$12,138 million (30th June 2016: HK$5,061 million; 31st December 2016: HK$9,644 million) by the weighted average number of 905,206,000 'A' shares and 2,994,397,610 'B' shares in issue during the period (30th June 2016 and 31st December 2016 : 905,206,000 '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 2017		63,996	1,377	65,373
Translation differences		859	30	889
Acquisition of subsidiary companies and new businesses	27	4,513	276	4,789
Disposal of a subsidiary company		(537)	(21)	(558)
Additions		1,817	–	1,817
Disposals		(916)	–	(916)
Revaluation surplus		120	–	120
Transfers to investment properties	13	(434)	–	(434)
Other net transfers		(6)	–	(6)
At 30th June 2017		**69,412**	**1,662**	**71,074**
Accumulated depreciation/amortisation and impairment				
At 1st January 2017		23,074	290	23,364
Translation differences		363	7	370
Disposal of a subsidiary company		(351)	(9)	(360)
Charge for the period	6	1,587	20	1,607
Disposals		(748)	–	(748)
Transfers to investment properties	13	(6)	–	(6)
Other net transfers		(9)	–	(9)
Impairment losses		3	–	3
At 30th June 2017		**23,913**	**308**	**24,221**
Net book value				
At 30th June 2017		**45,499**	**1,354**	**46,853**
At 1st January 2017		40,922	1,087	42,009

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 2017.

13. INVESTMENT PROPERTIES

	Note	HK$M
At 1st January 2017		233,451
Translation differences		915
Additions		2,162
Disposals		(8)
Transfers from property, plant and equipment	12	428
Net fair value gains		9,884
At 30th June 2017		246,832
Add: Initial leasing costs		245
At 30th June 2017		**247,077**
At 1st January 2017 (including initial leasing costs)		233,718

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 2017		6,127	549	2,721	894	173	10,464
Translation differences		35	11	16	5	3	70
Acquisition of subsidiary companies and new businesses	27	1,835	13	3,004	37	–	4,889
Disposal of a subsidiary company		(41)	(15)	–	–	–	(56)
Additions		–	32	–	–	30	62
Disposals		–	–	–	–	(2)	(2)
At 30th June 2017		**7,956**	**590**	**5,741**	**936**	**204**	**15,427**
Accumulated amortisation and impairment							
At 1st January 2017		505	387	211	151	15	1,269
Translation differences		21	8	1	1	–	31
Disposal of a subsidiary company		–	(12)	–	–	–	(12)
Amortisation for the period	6	–	30	3	31	9	73
At 30th June 2017		**526**	**413**	**215**	**183**	**24**	**1,361**
Net book value							
At 30th June 2017		**7,430**	**177**	**5,526**	**753**	**180**	**14,066**
At 1st January 2017		5,622	162	2,510	743	158	9,195

Accounting Policy

Service, franchise and operating rights that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of service, franchise and operating rights over their estimated useful lives of twenty years to forty years.

Service, franchise and operating rights that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

At 30th June 2017, service, franchise and operating rights with aggregate carrying values of HK$4,840 million have indefinite useful lives.

15. JOINT VENTURE COMPANIES

	30th June 2017 HK$M	31st December 2016 HK$M
Share of net assets, unlisted	**12,053**	11,582
Goodwill	**471**	471
	12,524	12,053
Loans due from joint venture companies		
Interest-free	**12,714**	12,501
Interest-bearing at 1.71% to 7.50% (2016: 1.71% to 7.50%)	**1,395**	1,354
	26,633	25,908

In April 2017, joint venture Coca-Cola bottling companies in Guangdong, Zhejiang and Jiangsu became subsidiary companies after the acquisition of additional equity interests from subsidiaries of China Foods Limited. Please refer to note 27(c).

The following table presents the significant movements for the period ended 30th June 2017:

	HK$M
At 1st January 2017	25,908
Reclassification of joint venture companies to subsidiary companies following the acquisition of additional equity interests	(531)
Loans to joint venture companies	254
Share of profits less losses for the period	962
Share of total comprehensive income for the period	341
Dividends paid and payable	(304)
Other equity movements	3
At 30th June 2017	**26,633**

16. ASSOCIATED COMPANIES

	30th June 2017 HK$M	31st December 2016 HK$M
Share of net assets		
Listed in Hong Kong	**23,595**	24,629
Unlisted	**2,024**	1,987
	25,619	26,616
Goodwill	**855**	855
	26,474	27,471
Interest-bearing loans due from associated companies	**84**	75
	26,558	27,546

The market value of the shares in the listed associated company, Cathay Pacific, at 30th June 2017 was HK$21,455 million (31st December 2016: HK$18,056 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 2017					
Available-for-sale assets					
– Listed investments		**289**	**–**	**–**	**289**
– Unlisted investments		**–**	**–**	**166**	**166**
Derivatives used for hedging	18	**–**	**177**	**–**	**177**
Total		**289**	**177**	**166**	**632**
At 31st December 2016					
Available-for-sale assets					
– Listed investments		191	–	–	191
– Unlisted investments		–	–	266	266
Derivatives used for hedging	18	–	548	–	548
Total		191	548	266	1,005
Liabilities as per consolidated statement of financial position					
At 30th June 2017					
Derivatives used for hedging	18	**–**	**156**	**–**	**156**
Put option over non-controlling interest in Brickell City Centre	20	**–**	**–**	**708**	**708**
Put option over non-controlling interest in a subsidiary company	20	**–**	**–**	**83**	**83**
Contingent consideration	20	**–**	**–**	**2,064**	**2,064**
Total		**–**	**156**	**2,855**	**3,011**
At 31st December 2016					
Derivatives used for hedging	18	–	66	–	66
Put option over non-controlling interest in Brickell City Centre	20	–	–	670	670
Put option over non-controlling interest in a subsidiary company	20	–	–	77	77
Contingent consideration	20	–	–	1,770	1,770
Total		–	66	2,517	2,583

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.

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 2017:

	Put options over non-controlling interests HK$M	Unlisted investments HK$M	Contingent consideration HK$M
At 1st January 2017	747	266	1,770
Translation differences	4	–	12
Additions	33	20	282
Disposals	–	(14)	–
Change in fair value recognised in profit or loss during the period	7	–	58
Transfer out of level 3 (Note)	–	(106)	–
Payment of consideration	–	–	(58)
At 30th June 2017	791	166	2,064
Total losses for the period included in profit or loss in respect of financial instruments held at 30th June 2017	(7)	–	(58)
Change in unrealised losses for the period included in profit or loss in respect of financial instruments held at 30th June 2017	(7)	–	(58)

Note: An unlisted investment has been transferred from level 3 to level 1 after it became a listed investment.

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 over a 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 option over a non-controlling interest in a subsidiary company, 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 option, the unlisted investments or the contingent consideration.

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 2017 and 31st December 2016 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2017		At 31st December 2016	
	Carrying amount HK$M	Fair value HK$M	Carrying amount HK$M	Fair value HK$M
Long-term loans and bonds due after one year	68,775	70,968	62,291	63,927

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 2017		31st December 2016	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	155	139	533	25
Interest rate swaps – cash flow hedges	5	15	8	9
Forward foreign exchange contracts				
Cash flow hedges	16	1	5	32
Not qualifying as hedges	1	1	1	–
Commodity swaps				
Not qualifying as hedges	–	–	1	–
Total	177	156	548	66
Analysed as:				
Current	47	2	20	32
Non-current	130	154	528	34
	177	156	548	66

19. TRADE AND OTHER RECEIVABLES

	Note	30th June 2017 HK$M	31st December 2016 HK$M
Trade debtors		**5,212**	3,862
Amounts due from immediate holding company		**12**	4
Amounts due from joint venture companies		**13**	135
Amounts due from associated companies		**459**	465
Interest-bearing advances to joint venture companies		**75**	–
Interest-bearing advance to an associated company		**–**	113
Prepayments and accrued income		**2,659**	2,042
Deposit paid for the acquisition of equity interest in a company	31(a)	**324**	–
Deposit paid for the acquisition of additional interest in a subsidiary company	31(b)	**1,405**	–
Other receivables		**3,748**	3,025
		13,907	9,646
Amounts due after one year included under non-current assets		**(52)**	(49)
		13,855	9,597

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

	30th June 2017 HK$M	31st December 2016 HK$M
Under three months	**4,931**	3,635
Between three and six months	**199**	152
Over six months	**82**	75
	5,212	3,862

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 2017 HK$M	31st December 2016 HK$M
Trade creditors	**5,431**	3,150
Amounts due to immediate holding company	**202**	171
Amounts due to joint venture companies	**6**	78
Amounts due to associated companies	**167**	120
Interest-bearing advances from joint venture companies	**325**	326
Interest-bearing advance from an associated company	**292**	289
Advances from non-controlling interests	**150**	150
Rental deposits from tenants	**2,698**	2,494
Put option over non-controlling interest in Brickell City Centre	**708**	670
Put option over non-controlling interest in a subsidiary company	**83**	77
Deposit received on the sale of a subsidiary company	**1,306**	653
Contingent consideration	**2,064**	1,770
Accrued capital expenditure	**796**	1,484
Other accruals	**6,412**	5,487
Other payables	**4,272**	3,956
	24,912	20,875
Amounts due after one year included under non-current liabilities	**(4,017)**	(3,427)
	20,895	17,448

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

	30th June 2017 HK$M	31st December 2016 HK$M
Under three months	**5,134**	2,985
Between three and six months	**233**	133
Over six months	**64**	32
	5,431	3,150

21. PERPETUAL CAPITAL SECURITIES

Refer to the table with the heading "Financial Information Reviewed by Auditors" on page 37 for details of the redemption of the Group's perpetual capital securities.

22. OTHER NON-CURRENT ASSETS

Other non-current assets comprise an uncompleted property in Kowloon Bay, Hong Kong transferred from investment properties under development at fair value on 28th October 2016. The carrying value of the property at 30th June 2017 and 31st December 2016 represents its fair value at the date of transfer plus the development costs incurred subsequently. The transfer to other non-current assets occurred on the signing of an agreement dated 28th October 2016 between Swire Properties and a third party for the sale of Swire Properties' 100% interest in a subsidiary company owning the property.

22. OTHER NON-CURRENT ASSETS (continued)

The consideration for the sale is HK$6,528 million, subject to adjustment. Completion of the sale is conditional upon the relevant occupation permit and certificate of compliance being obtained on or before 31st December 2018.

23. DEFERRED TAXATION

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

	Note	HK$M
At 1st January 2017		7,594
Translation differences		128
Acquisition of subsidiary companies and new businesses	27	597
Disposal of a subsidiary company		18
Charged to statement of profit or loss	8	24
Credited to other comprehensive income		(103)
At 30th June 2017		**8,258**
Represented by:		(1,028)
Deferred tax assets		9,286
Deferred tax liabilities		**8,258**

24. SHARE CAPITAL

	Company		
	'A' shares	'B' shares	Total HK$M
Issued and fully paid:			
At 1st January 2017	905,206,000	2,995,220,000	1,294
Repurchased during the period	–	(5,932,500)	–
At 30th June 2017	**905,206,000**	**2,989,287,500**	**1,294**

During the period, the company repurchased 5,932,500 'B' shares on The Stock Exchange of Hong Kong Limited for a total aggregate price paid of HK$80 million. The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for the repurchased 'B' shares was paid wholly out of the distributable profits of the Company included in its revenue reserve.

Details of shares acquired by month are as follows:

'B' shares Month	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total HK$M
May	2,775,000	13.53	13.06	37
June	3,157,500	13.74	13.60	43
	5,932,500			80

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

25. RESERVES

	Note	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 2017		224,464	2,090	469	(2,504)	(934)	223,585
Profit for the period		12,138	–	–	–	–	12,138
Other comprehensive income							
Defined benefit plans							
– remeasurement losses recognised during the period		(1)	–	–	–	–	(1)
– deferred tax		(1)	–	–	–	–	(1)
Cash flow hedges							
– losses recognised during the period		–	–	–	(447)	–	(447)
– transferred to net finance charges		–	–	–	(44)	–	(44)
– transferred to operating profit		–	–	–	(56)	–	(56)
– deferred tax		–	–	–	95	–	95
Net fair value gains on available-for-sale assets		–	–	38	–	–	38
Revaluation of property previously occupied by the Group							
– gains recognised during the period		–	99	–	–	–	99
– deferred tax		–	(2)	–	–	–	(2)
Share of other comprehensive income of joint venture and associated companies		18	–	(226)	(332)	712	172
Net translation differences on foreign operations		–	–	–	–	1,021	1,021
Total comprehensive income for the period		**12,154**	**97**	**(188)**	**(784)**	**1,733**	**13,012**
Repurchase of the Company's shares	24	(80)	–	–	–	–	(80)
2016 second interim dividend		(1,655)	–	–	–	–	(1,655)
At 30th June 2017		**234,883**	**2,187**	**281**	**(3,288)**	**799**	**234,862**

* The revenue reserve includes HK$1,503 million representing the declared first interim dividend (31st December 2016: HK$1,655 million representing the second interim dividend for 2016).

26. NON-CONTROLLING INTERESTS

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

	Note	HK$M
At 1st January 2017		**47,289**
Share of profits less losses for the period		2,912
Share of cash flow hedges		
– losses recognised during the period		(64)
– deferred tax		11
Share of revaluation gains of property previously occupied by the Group		21
Share of other comprehensive income of joint venture and associated companies		60
Share of translation differences on foreign operations		242
Share of total comprehensive income for the period		**3,182**
Dividends paid and payable		(693)
Non-controlling interests arising on acquisition of subsidiary companies	27(c)	360
Capital contribution payable from non-controlling interests		241
At 30th June 2017		**50,379**

27. BUSINESS COMBINATION

(a) Acquisition of additional territory rights in the Pacific Northwest and certain distribution and production assets

In February 2017 and April 2017, Swire Coca-Cola, USA completed the acquisition from subsidiaries of The Coca-Cola Company ("TCCC") of additional territory rights in the states of Washington, Oregon and Idaho in the Pacific Northwest, USA and the acquisition of certain distribution and production assets. The acquisition expanded the Group's beverage business in the USA.

Details of the purchase consideration, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration	
Cash paid	1,380
Contingent consideration	183
	1,563

	HK$M
Property, plant and equipment	1,039
Intangible assets	249
Deferred tax assets	26
Stocks and work in progress	235
Other receivables	18
Trade and other payables	(45)
Net identifiable assets acquired	1,522
Goodwill	41
	1,563
Purchase consideration settled in cash and net cash outflow on acquisition	1,380

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations for those assets.

The contingent consideration represents a requirement for Swire Coca-Cola, USA to make quarterly sub-bottler payments to a subsidiary of TCCC. The fair value of the contingent consideration (US$23 million (HK$183 million)) was determined using a discounted cash flow valuation technique. The key unobservable inputs used are the expected future gross profit and the discount rate. This is a level 3 fair value measurement.

The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs of HK$10 million have been recognised in the consolidated statement of profit or loss.

The acquired businesses contributed revenue of HK$1,307 million and net profit of HK$18 million to the Group for the periods from the dates of completion of their acquisition (25th February 2017 and 29th April 2017) to 30th June 2017.

27. BUSINESS COMBINATION (continued)

(b) Acquisition of distribution rights and assets in Arizona and New Mexico

In July 2016, Swire Coca-Cola, USA completed the acquisition from subsidiaries of TCCC of the distribution rights to certain territories and certain distribution assets in Arizona and New Mexico in the USA. The acquisition expanded the Group's beverage business in the USA.

At 31st December 2016, the initial accounting for the acquisition of distribution rights and assets in Arizona and New Mexico was incomplete and provisional amounts were reported pending the receipt of final valuations of the assets acquired. After finalisation of the completion financial statements and receipt of the final valuations of the assets acquired, the following measurement period adjustments were recognised in the current period:

	Provisional amounts at 31st December 2016 HK$M	**Final amounts at 30th June 2017 HK$M**	**Measurement period adjustments recognised in the current period HK$M**
Purchase consideration:			
Cash paid	1,455	**1,542**	**87**
Contingent consideration	1,328	**1,427**	**99**
	2,783	**2,969**	**186**
Property, plant and equipment	469	**469**	**–**
Intangible assets	2,084	**1,911**	**(173)**
Deferred tax assets	80	**103**	**23**
Stocks and work in progress	128	**128**	**–**
Trade and other receivables	–	**359**	**359**
Trade and other payables	(92)	**(107)**	**(15)**
Net identifiable assets acquired	2,669	**2,863**	**194**
Goodwill	114	**106**	**(8)**
	2,783	**2,969**	**186**
Purchase consideration settled in cash and net cash outflow on acquisition	1,455	**1,542**	**87**

(c) Realignment of the Coca-Cola Bottling System in Mainland China

In November and December 2016, Swire Beverages Holdings Limited ("SBHL") entered into conditional agreements with TCCC and a subsidiary of China Foods Limited ("China Foods") for the realignment of the Coca-Cola bottling system in Mainland China. Under the realignment, Swire Pacific enhanced the scale of its successful beverages business in Mainland China.

27. BUSINESS COMBINATION (continued)

(c) Realignment of the Coca-Cola Bottling System in Mainland China (continued)

(i) Acquisition of equity interests from China Foods

In April 2017, SBHL acquired from China Foods additional equity interests in joint venture Coca-Cola bottling companies in Guangdong (19%), Zhejiang (20%) and Jiangsu (20%), and equity interests in Coca-Cola bottling companies in Hainan (100%), Jiangxi (100%) and Zhanjiang/Maoming (100%).

After completion of the acquisition, the joint venture Coca-Cola bottling companies in Guangdong, Zhejiang and Jiangsu became subsidiary companies. The Group recognised a gain of HK$975 million on the remeasurement to fair value of the Group's interest in the joint venture companies held prior to the acquisition.

(ii) Acquisition of equity interests from subsidiaries of TCCC

In April 2017, SBHL acquired from subsidiaries of TCCC equity interests in Coca-Cola bottling companies in Guangxi (100%), Yunnan (95%) and Hubei (79%).

Details of the purchase consideration, the fair value of the equity interests in the joint venture companies before the acquisition, the net assets acquired and goodwill are as follows (on a provisional basis):

	Provisional fair value HK$M
Purchase consideration – cash paid	4,600
Fair value of previously held interest in the joint venture companies	1,441
	6,041

	HK$M
Property, plant and equipment	3,474
Leasehold land and land use rights	276
Intangible assets	2,978
Deferred tax assets	96
Stocks and work in progress	680
Trade and other receivables	1,167
Bank balances and short term deposits maturing within three months	493
Short-term deposits maturing after more than three months	5
Trade and other payables	(3,819)
Taxation payable	(9)
Deferred tax liabilities	(742)
Non-controlling interests	(360)
Net identifiable assets acquired	4,239
Goodwill	1,802
	6,041
Purchase consideration settled in cash and net cash outflow on acquisition	4,107

27. BUSINESS COMBINATION (continued)

(c) Realignment of the Coca-Cola Bottling System in Mainland China (continued)

The fair value of the acquired assets (including identifiable intangible assets) is provisional pending final valuations for those assets.

The fair value of the acquired receivables was HK$1,167 million and included trade receivables with a fair value of HK$343 million. The gross contractual amount of these trade receivables due is HK$362 million, of which HK$19 million is expected to be uncollectible.

The goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs totalled HK$103 million, of which HK$13 million has been recognised in the consolidated statement of profit or loss for the period ended 30th June 2017.

The acquired businesses contributed revenue of HK$3,303 million and net profit of HK$34 million to the Group for the period from the date of completion of their acquisition (1st April 2017) to 30th June 2017.

28. CAPITAL COMMITMENTS

	30th June 2017 HK$M	31st December 2016 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**3,872**	11,147
Authorised by Directors but not contracted for	**2,535**	2,530
Investment properties		
Contracted for	**4,623**	5,577
Authorised by Directors but not contracted for	**9,526**	10,152
	20,556	29,406
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted for	**1,389**	1,725
Authorised by Directors but not contracted for	**1,141**	1,261
	2,530	2,986

* of which the Group is committed to funding HK$798 million (31st December 2016: HK$977 million).

29. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK$1,963 million (31st December 2016: HK$1,960 million). Bank guarantees given in lieu of utility deposits totalled HK$183 million at the end of the period (31st December 2016: HK$175 million).

(b) Cathay Pacific Airways

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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 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. However, the General Court delivered judgment in December 2015 annulling the European Commission's finding against Cathay Pacific and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million (equivalent to approximately HK$498 million) was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific has filed an appeal against this latest decision.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including 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 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.

30. 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 2017 and will last for three years until 31st December 2019. For the six months ended 30th June 2017, service fees payable amounted to HK$171 million (2016: HK$156 million). Expenses of HK$146 million (2016: HK$145 million) were reimbursed at cost; in addition, HK$174 million (2016: HK$185 million) in respect of shared administrative services was reimbursed.

30. RELATED PARTY TRANSACTIONS (continued)

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 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 2017, the aggregate rentals payable to the Group by the JSSHK group under tenancies to which the JSSHK Tenancy Framework Agreement applies amounted to HK$50 million (2016: HK$52 million).

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

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

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M	**2017 HK$M**	2016 HK$M
Revenue from	(a)								
Sales of beverage drinks		**–**	–	**17**	19	**–**	–	**–**	–
Aircraft and engine maintenance		**23**	27	**1,385**	1,367	**–**	–	**–**	–
Rendering of services		**–**	–	**2**	2	**8**	10	**–**	–
Purchases of beverage drinks	(a)	**–**	33	**1,078**	721	**–**	–	**–**	–
Purchases of other goods	(a)	**2**	4	**8**	8	**–**	–	**–**	–
Purchases of services	(a)	**17**	12	**5**	18	**9**	12	**–**	–
Rental revenue	(b)	**1**	1	**2**	5	**–**	8	**50**	44
Interest income	(c)	**36**	40	**6**	10	**–**	–	**–**	–
Interest charges	(c)	**5**	4	**4**	3	**–**	–	**–**	–

Notes:

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

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

(c) Loans advanced to joint venture and associated companies are disclosed in notes 15 and 16. Amounts due to and from joint venture and associated companies are disclosed in notes 19 and 20.

31. EVENT AFTER THE REPORTING PERIOD

Realignment of the Coca-Cola Bottling System in Mainland China

(a) Acquisition of equity interest in a company

In July 2017, SBHL acquired a 54% equity interest in a Coca-Cola bottling company in Shanghai for a total consideration of RMB793 million (HK$913 million), subject to closing adjustments.

(b) Acquisition of additional interest in a subsidiary company

In July 2017, SBHL acquired from a subsidiary of TCCC the 12.5% interest in Swire Beverages Limited which it did not already own, for a total consideration of RMB1,220 million (HK$1,405 million).

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, the Company bought back no 'A' shares and 5,932,500 'B' shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate cost of HK$80,116,138. The buy-back of these 'B' shares was made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the 'B' shares bought back were cancelled. Particulars of the share buy-back and details of the Company's share capital are set out in note 24 to the financial statements.

DIRECTORS' PARTICULARS

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

1. I K L Chu was re-designated from an Executive Director to a Non-Executive Director of Cathay Pacific Airways Limited and ceased to be Chief Executive of Cathay Pacific Airways Limited with effect from 1st May 2017 on his appointment as Chairman of John Swire & Sons (China) Limited.

2. G M C Bradley and A K W Tang resigned as Executive Directors of the Company with effect from 5th May 2017.

3. M M T Yang resigned as an Independent Non-Executive Director of the Company with effect from 5th May 2017.

4. P K Etchells was appointed as an Independent Non-Executive Director of the Company with effect from 17th May 2017.

5. M C C Sze retired as an Independent Non-Executive Director of the Company at the conclusion of the 2017 annual general meeting held on 18th May 2017.

6. R W M Lee retired as Vice-Chairman and Chief Executive of Hang Seng Bank Limited and ceased to be a Director of The Hongkong and Shanghai Banking Corporation Limited with effect from 1st July 2017.

7. M M S Low was appointed as an Executive Director of the Company with effect from 1st July 2017.

8. J R Slosar was appointed as an Independent Non-Executive Director of PureCircle Limited with effect from 1st July 2017.

9. D P Cogman was appointed as an Executive Director of the Company with effect from 7th August 2017.

DIRECTORS' INTERESTS

At 30th June 2017, 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 and Cathay Pacific Airways 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						
P K Etchells	–	12,000	–	12,000	0.0013	
T G Freshwater	41,000	–	–	41,000	0.0045	
G R H Orr	9,000	–	–	9,000	0.0010	
'B' shares						
C Lee	1,000,000	–	21,605,000	22,605,000	0.7547	1

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of issued share capital (comprised in the class) (%)	Note
John Swire & Sons Limited						
Ordinary Shares of £1						
M B Swire	2,075,023	130,000	17,546,068	19,751,091	19.75	2
S C Swire	1,351,805	–	14,622,061	15,973,866	15.97	2
8% Cum. Preference Shares of £1						
M B Swire	2,769,489	–	12,175,623	14,945,112	16.61	2
S C Swire	1,102,323	–	12,175,623	13,277,946	14.75	2

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Swire Properties Limited						
Ordinary Shares						
P K Etchells	–	8,400	–	8,400	0.00014	
T G Freshwater	28,700	–	–	28,700	0.00049	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1

	Capacity: Beneficial interest: Personal	Capacity: Beneficial interest: Family	Capacity: Trust interest	Total no. of shares	Percentage of voting shares (%)	Note
Cathay Pacific Airways Limited						
Ordinary Shares						
M M S Low	1,000	–	–	1,000	0.00003	3

Notes:

1. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire and S C Swire are trustees and/or potential beneficiaries of trusts which held 6,222,732 ordinary shares and 3,298,725 ordinary shares respectively and 1,963,221 preference shares in John Swire & Sons Limited included under "Trust interest" and do not have any beneficial interest in those shares.
3. M M S Low was appointed as a Director of the Company with effect from 1st July 2017.

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 2017 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	'A' shares	Percentage of voting shares (comprised in the class) (%)	'B' shares	Percentage of voting shares (comprised in the class) (%)	Note
John Swire & Sons Limited	412,558,720	45.58	2,074,008,782	69.33	1
Aberdeen Asset Management plc	–	–	267,449,412	8.93	2

Notes:

1. John Swire & Sons Limited ("Swire") was deemed to be interested in a total of 412,558,720 'A' shares and 2,074,008,782 'B' shares of the Company at 30th June 2017, 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: 322,603,700 'A' shares and 117,747,500 '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 '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 2017, the Swire group was interested in 55.03% of the equity of the Company and controlled 63.81% 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 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 2017

Interim Report sent to shareholders	4th September
'A' and 'B' shares trade ex-dividend	6th September
Share registers closed	8th September
Payment of 2017 first interim dividends	12th October
Annual results announcement	March 2018
Second interim dividends payable	May 2018
Annual General Meeting	May 2018

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International callers: 1-201-680-6825

STOCK CODES

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

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

AUDITORS

PricewaterhouseCoopers

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REQUEST FOR FEEDBACK

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

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