SWIRE PACIFIC

Swire Pacific Limited

2011 Interim Report

Stock Codes: ‘A’ Shares 00019 ‘B’ Shares 00087

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Financial Highlights

	Note	Six months ended 30th June		Year ended 31st December
	(a)	**2011 HK$M**	2010 HK$M (Restated)	2010 HK$M
Turnover		**17,082**	12,836	29,201
Operating profit		**23,319**	12,982	33,971
Profit attributable to the Company's shareholders		**23,951**	14,630	38,252
Cash generated from operations		**4,541**	2,701	7,627
Net cash inflow/(outflow) before financing		**258**	(704)	(3,001)
Total equity (including non-controlling interests)		**230,463**	186,843	209,051
Net debt		**44,834**	37,348	41,181
		HK$	HK$	HK$
Earnings per share	(b)			
'A' shares		**15.92**	9.72	25.42
'B' shares		**3.18**	1.94	5.08
		HK$	HK$	HK$
Dividends per share				
'A' shares		**1.15**	1.00	3.50
'B' shares		**0.23**	0.20	0.70
		HK$	HK$	HK$
Equity attributable to the Company's shareholders per share	(c)			
'A' shares		**149.97**	120.33	135.88
'B' shares		**29.99**	24.07	27.18

UNDERLYING PROFIT AND EQUITY

		Six months ended 30th June		Year ended 31st December
		2011 HK$M	2010 HK$M	2010 HK$M
Underlying profit attributable to the Company's shareholders	(d)	**4,602**	8,909	16,143
		HK$	HK$	HK$
Underlying earnings per share	(b)			
'A' shares		**3.06**	5.92	10.73
'B' shares		**0.61**	1.18	2.15
		HK$	HK$	HK$
Underlying equity attributable to the Company's shareholders per share	(c), (d)			
'A' shares		**153.26**	123.14	138.67
'B' shares		**30.65**	24.63	27.73

Notes:

(a) The comparative figures for the six months ended 30th June 2010 have been restated as a result of the early adoption at 31st December 2010 of amended HKAS 12 "Income taxes".

(b) Refer to note 11 in the interim accounts for the weighted average number of shares.

(c) Refer to the glossary on page 63 for the definition of equity and underlying equity attributable to the Company's shareholders per share.

(d) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 28.

Chairman's Statement

CONSOLIDATED RESULTS

The profit attributable to shareholders for the first half of 2011 was HK$23,951 million, HK$9,321 million higher than for the first half of 2010. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$4,307 million to HK$4,602 million. Excluding the effect of non-recurring items, adjusted underlying profit decreased by HK$542 million to HK$4,378 million.

This decrease in adjusted underlying profit reflects lower profits from the Cathay Pacific group and from the Marine Services and Trading & Industrial Divisions. However, there was continued growth in profits from the Property Division, an improved performance at Hong Kong Aircraft Engineering Company Limited ("HAECO") and modest growth in profits from the Beverages Division.

KEY DEVELOPMENTS

In the first half of 2011, the Group acquired an additional 1% interest in Cathay Pacific for a total cost of HK$721 million, increasing its interest to 43.97%.

In March, Cathay Pacific announced orders for a further 27 new aircraft – two Airbus A350-900s (which had been ordered in December 2010), 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August, Cathay Pacific announced a further acquisition of four Boeing 777-300ERs and eight Boeing 777-200F freighters. These new aircraft are expected to be delivered between 2013 and 2016.

In May, the phased opening of TaiKoo Hui, a 3.8 million square foot mixed-use development in the Tianhe district of Guangzhou, began with the opening of the retail mall, which is 100% leased or committed. The office space will be handed over to tenants from the third quarter of 2011 and the 263-room hotel operated by Mandarin Oriental is scheduled to open in 2012.

During the first half of 2011, Swire Pacific Offshore ("SPO") committed to purchase an additional 27 vessels for delivery between 2011 and 2015.

HALF-YEAR OPERATING PERFORMANCE

Excluding the underlying profit of HK$577 million arising in connection with the disposal of investment properties in the first half of 2010, underlying profit in the Property Division increased by HK$357 million to HK$2,243 million. Gross rental income rose by 7% to HK$4,174 million. This principally reflected robust demand for office space at Pacific Place and Island East in Hong Kong. The retail portfolio benefited from high retail sales, reflecting strong consumer demand. The hotel business improved strongly, particularly the Group's owned and managed hotels in Hong Kong and Mainland China.

On an attributable basis, the Property Division's net investment property valuation gain, before deferred tax in Mainland China, in the first half of 2011 was HK$18,083 million, compared to a net gain in the first half of 2010 of HK$6,079 million.

The core business of the Cathay Pacific group remained generally robust in the first half of 2011. However, operating profit was adversely affected by increased jet fuel prices. The group contributed a profit of HK$1,221 million, a decrease of HK$861 million compared with the first half of 2010. The passenger businesses of Cathay Pacific and Dragonair performed well, with strong demand for premium class travel despite uncertainty in some of the world's major economies. The cargo business performed reasonably in the first quarter of the year but was appreciably weaker in the second quarter. Cathay Pacific benefited from the profits earned by its associated company, Air China, which increased by 21% compared to the first half of 2010.

The HAECO group's business improved in the first half of 2011. Demand for HAECO's services in Hong Kong remained strong and there was an improvement in Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO")'s performance in Mainland China, reflecting recovering demand for airframe heavy maintenance services. Hong Kong Aero Engine Services Limited ("HAESL") and Singapore Aero Engine Services Pte. Limited ("SAESL") contributed to the increase in profits. HAECO's new joint ventures in Mainland China continued to sustain losses as a result of weak demand.

The Beverages Division recorded a 3% increase in attributable profit in the first half of 2011 to HK$275 million. This principally reflected an improved performance in Mainland China. Overall sales volume grew by 10% to 468 million unit cases in the first half of 2011. Profits improved in Mainland China. In other markets, results were adversely affected by rising costs, which were not fully offset by price increases and improvements in the sales mix.

The Marine Services Division reported an 8% decrease in attributable profit in the first half of 2011. The offshore energy industry began to recover from the difficult conditions experienced during 2010. This was reflected in an improvement in SPO's overall fleet utilisation. However, average charter hire rates were lower than in the first half of 2010 and operating costs were higher.

Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, the Trading & Industrial Division recorded a profit of HK$149 million in the first half of 2011, a 24% decrease compared to the first half of 2010. The decrease principally reflects the absence of a contribution from CROWN Beverage Cans group, which was sold in the second half of 2010. Swire Resources and Akzo Nobel Swire Paints recorded increases in profits. The profits of the Taikoo Motors group and of Taikoo Sugar were lower.

DISPOSAL OF FESTIVAL WALK

In July, agreement was reached for the sale of the property in Hong Kong known as Festival Walk for a cash consideration which values Festival Walk at HK$18,800 million. This sale puts the Group in a strong position to continue its investment programmes. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011 (of which HK$1,087 million arose in the six months ended on that date), is expected to be HK$640 million. The underlying profit on the sale, which is calculated by reference to the original cost of Festival Walk, is expected to be HK$8,617 million.

FINANCE

Net debt at 30th June 2011 was HK$44,834 million, an increase of HK$3,653 million since 31st December 2010. The increase principally reflects investments in property projects in Mainland China and Hong Kong and in new vessels for SPO. Gearing decreased by 0.2 percentage points to 19.5%. Cash and undrawn committed facilities totalled HK$22,794 million at 30th June 2011, compared with HK$16,323 million at 31st December 2010.

PROSPECTS

The results of Swire Properties in the second half of 2011 are expected to continue to benefit from strong office and retail rental markets in Hong Kong. In Mainland China, the contribution from Sanlitun Village in Beijing is expected to improve. Swire Properties' results will also benefit from the profit on sale of Festival Walk.

INDIGO, the 1.9 million square foot mixed-use development in Beijing, is expected to open from the latter part of 2011. 63% of the lettable retail space has already been pre-let.

After an exceptionally strong 2010, in which the Cathay Pacific group made record profits, 2011 is proving to be more challenging. High fuel prices are increasing costs and recovering them through higher tariffs may affect demand. The outlook for the world economy is uncertain and a return to recessionary economic conditions would also affect demand and possibly average price levels. 2010's strong performance enabled Cathay Pacific to rebuild its balance sheet. Its financial position is strong. Cathay Pacific remains in a good position to deal with increased operating costs and the economic uncertainty with which it is faced and to reinforce Hong Kong's position as a leading international aviation hub.

The outlook for the HAECO group for the second half of 2011 is mixed. Assuming continued growth in the aviation industry, demand for HAECO's heavy and line maintenance services in Hong Kong is expected to remain strong. Forward bookings for heavy maintenance support services at TAECO for the second half of 2011 are weak. HAESL's performance is expected to be adversely affected by delays in the supply of spare parts. The joint ventures in Mainland China are expected to continue to be adversely affected by weak demand.

The businesses of the Beverages Division in Mainland China and Hong Kong are performing well. However, high raw material, fuel and energy costs will put pressure on margins.

The outlook for the second half of 2011 for SPO is positive. Activity in the offshore energy market is expected to increase. This should result in improved utilisation and charter hire rates. In addition, five new vessels were delivered during the first half and a further two P-class AHTS vessels are to be delivered in the second half of 2011. This will have a positive impact on the second half-year results.

The Trading & Industrial Division expects positive conditions for the Swire Resources and Taikoo Motors groups in the second half of the year. Margins in Taikoo Sugar will remain under pressure from high sugar costs. A steady performance is expected from Akzo Nobel Swire Paints.

DIVIDENDS

The Directors have declared interim dividends of HK$1.15 (2010: HK$1.00) per 'A' share and HK$0.23 (2010: HK$0.20) per 'B' share for the period ended 30th June 2011. These interim dividends, which total HK$1,730 million (2010: HK$1,505 million), will be paid on 4th October 2011 to shareholders registered at the close of business on the record date, being Friday, 16th September 2011. Shares of the Company will be traded ex-dividend as from Wednesday, 14th September 2011.

The register of members will be closed on Friday, 16th September 2011, during which day no transfer of shares will be effected. In order to qualify for entitlement to the 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, 15th September 2011.

Christopher Pratt
Chairman
Hong Kong, 11th August 2011

PROPERTY DIVISION

	Six months ended 30th June 2011 HK$M	Six months ended 30th June 2010 HK$M (Restated)	Year ended 31st December 2010 HK$M
Turnover			
Gross rental income derived from			
Offices	**2,216**	2,121	4,222
Retail	**1,806**	1,637	3,357
Residential	**152**	144	296
Other revenue*	**49**	40	78
Property investment	**4,223**	3,942	7,953
Property trading	**270**	299	779
Hotels	**343**	215	518
Total turnover	**4,836**	4,456	9,250
Operating profit/(loss) derived from			
Property investment	**3,147**	3,354	6,553
Valuation gains on investment properties	**17,469**	4,818	20,381
Property trading	**24**	39	147
Hotels	**(8)**	(96)	(144)
Total operating profit	**20,632**	8,115	26,937
Share of post-tax profits from jointly controlled and associated companies	**777**	1,074	1,686
Attributable profit	**19,963**	7,797	26,008

* Other revenue is mainly estate management fees.

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

	At 30th June 2011					At 31st December 2010
Location	**Offices**	**Retail**	**Hotels**	**Residential**	**Total**	Total
Completed						
Pacific Place	**2,186**	**711**	**496**	**443**	**3,836**	3,836
TaiKoo Place	**6,180***	**–**	**–**	**–**	**6,180**	6,180
Cityplaza	**1,633**	**1,105**	**200**	**–**	**2,938**	2,938
Festival Walk	**229**	**980**	**–**	**–**	**1,209**	1,209
Others	**265**	**608**	**47**	**18**	**938**	938
– Hong Kong	**10,493**	**3,404**	**743**	**461**	**15,101**	15,101
– Mainland China	**–**	**1,387**	**169**	**–**	**1,556**	1,556
– United States	**–**	**–**	**259**	**–**	**259**	259
– United Kingdom	**–**	**–**	**196**	**–**	**196**	196
Total completed	**10,493**	**4,791**	**1,367**	**461**	**17,112**	17,112
Under and pending development						
– Hong Kong	**145**	**–**	**–**	**68**	**213**	213
– Mainland China	**2,926**	**3,036**	**1,173**	**53**	**7,188**	6,988
Total	**13,564**	**7,827**	**2,540**	**582**	**24,513**	24,313

Gross floor area represents 100% of space owned by Group companies and the Group's attributable share of space held by jointly controlled and associated companies.
* Includes 1.8 million square feet of techno-centres.

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for the effect of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax.

	Note	Six months ended 30th June		Year ended 31st December
		2011 HK$M	2010 HK$M (Restated)	2010 HK$M
Reported attributable profit		**19,963**	7,797	26,008
Adjustments re investment properties:				
Revaluation of investment properties	(a)	**(18,083)**	(6,079)	(22,274)
Deferred tax on revaluation movements	(b)	**307**	555	852
Realised profit on sale of investment properties	(c)	**–**	161	211
Depreciation of investment properties occupied by the Group	(d)	**13**	10	23
Non-controlling interests' share of revaluation movements less deferred tax		**43**	19	42
Underlying attributable profit		**2,243**	2,463	4,862
Adjustment to reverse fair value loss/(gain) on put option in respect of non-controlling interest in Sanlitun Village	(e)	**139**	59	(12)
Underlying attributable profit after adjusting for Sanlitun Village put option		**2,382**	2,522	4,850

Notes:

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

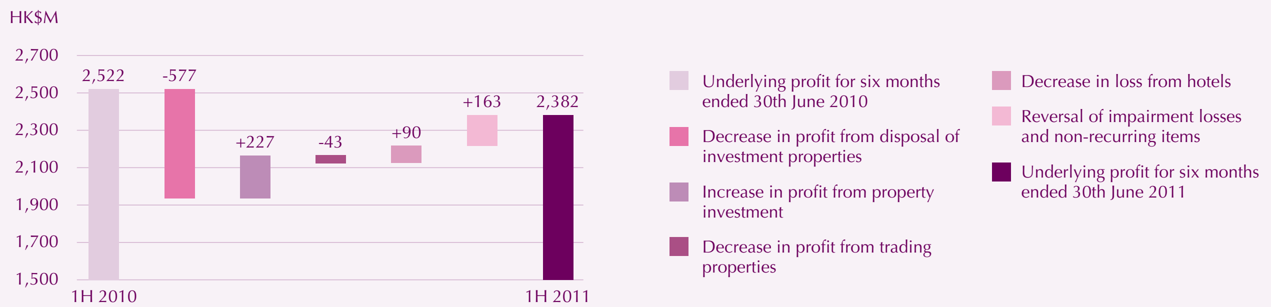
(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. In accordance with the provisions of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.

(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 income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.

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

(e) The value of the put option in favour of the owner of a non-controlling interest in Sanlitun Village is calculated principally by reference to the estimated fair value of the portions of the Sanlitun Village investment property in which the minority partner is interested.

Property Division – Movement in Underlying Profit



RESULTS SUMMARY

Attributable profit from the Property Division for the first half of 2011 was HK$19,963 million compared to a restated HK$7,797 million in the first half of 2010. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$18,083 million and HK$6,079 million respectively.

Excluding the underlying profit of HK$577 million arising in connection with the disposal of investment properties in Hong Kong in the first half of 2010, underlying profit increased by HK$437 million to HK$2,382 million.

The increase reflects a significant increase in net rental income from the office, retail and residential portfolios in Hong Kong.

Profits from property trading fell compared to the first half of 2010 as fewer units were sold at Island Lodge and a smaller profit was accrued from the development of a property at 53 Stubbs Road. However, the effect of this was partially offset by an increase in sales of condominiums at the ASIA development in Miami. The performance of the hotel portfolio was much improved, particularly at the owned and managed hotels in Hong Kong and Mainland China.

Previous impairment losses on land in Hong Kong have been reversed in the first half of 2011. Certain one-off expenses in the first half of 2010 did not recur in the first half of 2011.

KEY CHANGE TO THE PROPERTY PORTFOLIO DURING THE FIRST HALF OF 2011

In April, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre site in Miami, USA, for HK$215 million. Approval is now being sought for a mixed use development of up to 3.5 million square feet. The plan comprises 529,000 square feet of retail shops and restaurants, a 290-room four star hotel with 75 serviced apartments, two office buildings and a residential tower complex. The property is currently being held as property under development as opposed to investment property until approval is obtained.

INVESTMENT PROPERTIES

Hong Kong

In the office portfolio, gross rental income for the first half of 2011 increased by 4% compared with the first half of 2010, to HK$2,216 million, reflecting positive rental reversions and strong demand for office space at both Pacific Place and Island East. At 30th June 2011 the office vacancy rate was 1%.

In the retail portfolio, gross rental income for the first half of 2011 increased by 8% compared with the first half of 2010, to HK$1,578 million. Occupancy levels at the Group's wholly-owned malls were 100%. Retail sales in the Group's retail malls were 17% higher than in the first half of 2010, reflecting strong consumer demand.

The interior components of the Pacific Place design improvement project are expected to be completed in the second half of 2011.

Superstructure work is in progress at 28 Hennessy Road, with completion expected in 2012. The building will provide 145,390 square feet of office space.

Extensive refurbishment has commenced at the 81,346 square foot 8 Queen's Road East office building in Wanchai, formerly known as the Sincere Insurance Building. The work is expected to be finished in late 2012.

Construction work at 53 Stubbs Road is progressing on schedule, with completion expected in early 2012.

Conditions in the office and retail rental markets are expected to remain strong in the second half of 2011. Retail sales in the second half should also continue to grow.

In July, agreement was reached for the sale of the property in Hong Kong known as Festival Walk for a cash consideration which values Festival Walk at HK$18,800 million. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011 (of which HK$1,087 million arose in the six months ended on that date), is expected to be HK$640 million. The underlying profit on the sale, which is calculated by reference to the original cost of Festival Walk, is expected to be HK$8,617 million.

Mainland China

At Sanlitun Village, gross rental income for the first half of 2011 increased by 14% compared with the first half of 2010, to HK$187 million. The increase reflected improved reversionary base rents from the Village South and higher occupancy rates at the Village North. At 30th June 2011, the proportion of lettable space either leased or committed was 90% at the Village South and 87% at the Village North.

The movement in the fair value of the put option in respect of the non-controlling interest in Sanlitun Village during the period resulted in an increase in net finance charges of HK$139 million.

Results from Sanlitun Village are expected to continue to improve in the second half of 2011, reflecting investment designed to increase footfall and circulation together with the continued buoyancy of consumer demand in Mainland China.

The phased opening of TaiKoo Hui, a 3.8 million square foot mixed-use development in the Tianhe district of Guangzhou has begun, with 100% of the retail space having been leased or committed. Tenants include retailers of major international and national brands. 64% of the office space has been leased or committed and will be handed over to tenants from the third quarter of 2011. The 263- room hotel and 24 serviced apartments will be operated by Mandarin Oriental, and are scheduled to open in 2012.

INDIGO, the 1.9 million square foot mixed-use development at Jiang Tai, in the Chaoyang district of Beijing is expected to open from the latter part of 2011. 63% of the lettable retail space has already been pre-let.

Design development, which includes site clearance and resettlement, is almost complete at the Dazhongli project in the Jing'an district of Shanghai, and the Fang An (schematic design) has been approved. The expected opening of this 3.5 million square foot mixed-use project will be in phases from 2015 and is linked to the construction of a metro station adjacent to the site.

Site excavation work at the Daci Temple site in Chengdu is anticipated to commence in September 2011. The 0.8 million square foot site will be redeveloped into 2.5 million square feet of commercial mixed-use space. A phased completion of the development is expected from 2014.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 30th June 2011 (97% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation (before associated deferred tax in Mainland China) was HK$201,414 million compared to HK$180,248 million at 31st December 2010.

The increase in the valuation of the investment property portfolio at 30th June 2011 principally reflects improved rental rates for the Hong Kong portfolio.

Financial Information Reviewed by Auditors

Investment Properties	HK$M
At 1st January 2011	**180,248**
Translation differences	**362**
Additions	**1,782**
Disposals	**–**
Net transfers to property, plant and equipment	**(72)**
Other net transfers to properties under development for sale	**(4)**
Net fair value gains	**19,098**
At 30th June 2011	**201,414**
Add: Initial leasing costs	**206**
At 30th June 2011 (including initial leasing costs)	**201,620**
At 1st January 2011 (including initial leasing costs)	**180,418**

HOTELS

Hong Kong

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

The wholly owned and managed hotels performed significantly better in terms of both occupancy rates and room revenues during the first half of 2011 than in the first half of 2010.

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. All of these non-managed hotels also performed better in the first half of 2011.

Mainland China

At The Opposite House, a 99-room luxury hotel at Sanlitun Village, occupancy and room rates continued to improve in the first half of 2011, reflecting the growing international reputation of the hotel and an improvement in the Beijing hotel market.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. Trading conditions in the first half of 2011 improved by comparison with those in the first half of 2010 and occupancy rates were higher.

UK

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. The Cheltenham hotel, named The Montpellier Chapter, was re-opened in December 2010 after extensive refurbishment. The Exeter hotel is closed for refurbishment until early 2012. Occupancy and room rates are satisfactory although trading conditions remain challenging.

Trading conditions in the second half of 2011 in the division's hotels are expected to continue to improve as compared with 2010.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				**Commitments**
	Six months ended 30th June 2011 HK$M	Six months ending 31st December 2011 HK$M	2012 HK$M	2013 HK$M	2014 & beyond HK$M	**at 30th June 2011 HK$M**
Property project						
Hong Kong projects	**1,180**	815	667	72	2	**1,556**
Mainland China projects	**945**	3,370	2,044	1,644	2,060	**9,118**
UK hotels	**55**	68	15	–	–	**83**
USA hotel	**4**	–	–	–	–	**–**
Total	**2,184**	4,253	2,726	1,716	2,062	**10,757***

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$2,715 million of the capital commitments of jointly controlled companies (31st December 2010: HK$2,459 million).

PROPERTY TRADING

Hong Kong

93 of the 126 units at the AZURA development on Seymour Road have been pre-sold, with sale prices reflecting the strong market for residential properties. Construction work is progressing on schedule, with completion expected in 2012. Swire Properties has a controlling interest in this development.

Superstructure work at the 75,805 square foot residential development at 63 Seymour Road is progressing, with completion expected in 2013.

Foundation work has been completed at the 151,944 square foot residential development at Sai Wan Terrace, in which Swire Properties has a controlling interest. Completion of this project is expected in 2013.

Piling work at the 165,792 square foot residential development at 33 Seymour Road is progressing, with completion expected in 2014. Piling work is also progressing at the adjacent site at 92-102 Caine Road. This site is to be redeveloped so as to provide 195,531 square feet of residential space, with completion expected in 2016.

All remaining residential units at the Island Lodge development in North Point have now been sold. Swire Properties is entitled to reimbursement of redevelopment costs and a share of the net proceeds of sales under an agreement with China Motor Bus Company Limited, which owns the property.

The 17,663 square foot residential development at 5 Star Street was completed in 2010. 22 of the 25 units have now been sold.

Foundation work has started at the 88,555 square foot residential development at 146-148 Argyle Street. Completion of this joint venture project, in which Swire Properties has a 50% interest, is expected in 2013.

USA

Sales of 88 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in 2008, and a further 23 units have been leased.

Trading conditions in the Miami condominium market improved in the first half of 2011. Despite this improvement, the market remains soft.

Martin Cubbon

AVIATION DIVISION

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Hong Kong Aircraft Engineering Company ("HAECO") group*			
Turnover	**2,544**	342	2,574
Operating profit	**345**	27	229
Attributable profit	**318**	28	290
Gain on remeasurement of previously held interest in HAECO	**–**	2,547	2,547
Attributable profit on sale of interest in Hong Kong Air Cargo Terminals Limited ("Hactl")	**–**	825	825
Share of post-tax profits from associated companies			
Cathay Pacific group**	**1,221**	2,082	5,079
HAECO group*	**–**	152	152
Hactl***	**–**	26	26
	1,221	2,260	5,257
Attributable profit	**1,528**	5,653	8,901

* The interest in the HAECO group was accounted for as an associated company until the acquisition of a controlling interest on 7th June 2010.

** The share of profit attributable to Cathay Pacific's holding in the HAECO group until 7th June 2010 is included in the attributable figures for the HAECO group in 2010.

*** The interest in Hactl was accounted for as an investment from 12th February 2010 until its disposal on 31st May 2010.

2011 FIRST HALF OVERVIEW

The Aviation Division principally comprises the Swire Pacific Group's investments in the Cathay Pacific group and the HAECO group.

The Aviation Division reported an attributable profit of HK$1,528 million in the first half of 2011, compared to HK$5,653 million in the same period in 2010.

During the first half of 2011, the group acquired an additional 1% interest in Cathay Pacific for a total cost of HK$721 million, increasing its interest in Cathay Pacific to 43.97%.

CATHAY PACIFIC GROUP

Results Summary

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60%-owned subsidiary AHK Air Hong Kong, its associated company Air China and its interest in the Air China Cargo joint venture.

The Cathay Pacific group reported an attributable profit of HK$2,808 million for the first half of 2011, compared to HK$6,840 million in the first half of 2010. Turnover for the period increased by 13.2% to HK$46,791 million.

In the first half of 2011, the core business of the Cathay Pacific group remained generally robust. However, operating profits were adversely affected by increased jet fuel prices. The passenger businesses of both Cathay Pacific and Dragonair performed well, with strong demand for premium class travel despite economic uncertainty in some of the world's major economies. The cargo business performed reasonably in the first quarter of the year but was appreciably weaker in the second quarter.

Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		
		2011	2010	**Change**
Available tonne kilometres ("ATK")*	*Million*	**12,846**	11,436	**+12.3%**
Available seat kilometres ("ASK")*	*Million*	**61,136**	55,680	**+9.8%**
Revenue Passengers carried	*'000*	**13,176**	12,954	**+1.7%**
Passenger load factor*	*%*	**79.3**	84.0	**-4.7%pt**
Passenger yield*	*HK¢*	**65.3**	58.4	**+11.8%**
Cargo and mail carried	*Tonnes '000*	**836**	872	**-4.1%**
Cargo and mail load factor*	*%*	**68.4**	78.0	**-9.6%pt**
Cargo and mail yield*	*HK$*	**2.42**	2.26	**+7.1%**
Cost per ATK*	*HK$*	**3.35**	3.14	**+6.7%**
Cost per ATK without fuel	*HK$*	**1.94**	2.01	**-3.5%**
Aircraft utilisation	*Hours per day*	**12.3**	11.8	**+4.2%**
On-time performance*	*%*	**83.1**	82.5	**+0.6%pt**

* Refer to Glossary on page 63 for definitions.

Passenger revenue for the period increased by 15.9% compared with the same period in 2010. Capacity increased by 9.8%. The load factor fell by 4.7 percentage points and yield increased by 11.8%. Demand for premium class travel generally remained strong. However, the earthquake and tsunami in Japan in March caused a significant reduction in demand in one of the group's most important markets.

The cargo business of Cathay Pacific and Dragonair started the year well. However, demand for shipments from the two most important markets, Hong Kong and Mainland China, weakened significantly in the second quarter. The effect of this weakness was offset to some extent by an increase in shipments of cargo to Hong Kong, reflecting increased consumer demand in Mainland China. The airlines' cargo revenue for the first half of 2011 was up by 7.7% to HK$11,628 million compared with the same period in 2010.

Fuel is the group's biggest single cost. During the period the group's fuel costs (disregarding the effect of fuel hedging) rose by 49.5% compared to the same period in 2010. The increase reflects higher fuel prices and, to a lesser extent, flying more. In the first half of 2011 hedging activities resulted in a realised profit of HK$962 million, with additional unrealised mark-to-market gains of HK$1,197 million being recognised in reserves.

The relative strength of some of the airlines' key operating currencies made a positive contribution to revenues during the first half of 2011.

Cathay Pacific remains the subject of antitrust investigations and proceedings by competition authorities in various jurisdictions and continues to cooperate with these authorities and, where applicable, defend itself vigorously. These investigations 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 relevant facts and circumstances.

Passenger Services

Cathay Pacific and Dragonair carried a total of 13.2 million passengers in the first half of 2011, an increase of 1.7% compared to the same period in 2010. This was a slower rate of growth than in 2010. The load factor was 79.3%, representing a reduction of 4.7 percentage points compared with the first half of 2010. Demand for economy class was slightly less than expected. Premium class demand was strong. Business class load factors increased, particularly on long haul routes. Both premium and economy class yields improved through a combination of the weaker US dollar and careful revenue management. Overall yield increased by 11.8% to HK65.3 cents. Revenue from passenger services in the first half of 2011 grew by 15.9% to HK$31,774 million compared with the same period in 2010. Capacity increased by 9.8% as new aircraft were added to the fleet, a new destination (Abu Dhabi) was introduced and frequencies were increased on other routes.

Cargo Services

Cathay Pacific and Dragonair

2010's strong recovery in the world's air cargo markets continued in the first quarter of 2011. However, from April onwards shipments from Hong Kong and Mainland China (the airlines' main markets) weakened significantly. In the first half of 2011 the tonnage carried by Cathay Pacific and Dragonair fell by 4.1% (to 0.8 million tonnes) in comparison with the first half of 2010. The airlines operated at full capacity at the beginning of the year. Capacity was subsequently reduced as demand fell. The load factor fell by 9.6 percentage points (to 68.4%) in comparison with the first half of 2010. Yield was up by 7.1% to HK$2.42. Cargo revenue increased by 7.7% to HK$11,628 million.

Dragonair continues to make a contribution to the cargo business by selling space in the bellies of its passenger aircraft.

The only major change in the freighter network in the first half of 2011 was the addition of Bangkok to the network, from May. This once-weekly service flies via Singapore.

AHK Air Hong Kong ("AHK")

AHK, a 60% owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express (the 40% minority shareholder) to 11 Asian cities from Hong Kong with a fleet of eight owned Airbus A300-600F freighters, two Boeing 747-400BCF freighters dry-leased from Cathay Pacific and one wet-leased aircraft.

During the first half of 2011, AHK recorded a modest improvement in profit compared with the first half of 2010 principally due to better yields.

Fleet Profile*

Aircraft type	Number as at 30th June 2011: Owned	Leased: Finance	Leased: Operating	Total	Firm orders: '11	Firm orders: '12	Firm orders: '13 and beyond	Total	Expiry of operating leases: '11	'12	'13	'14	'15	'16 and beyond	Options	Purchase rights
Aircraft operated by Cathay Pacific:																
A330-300	11	15	6	**32**	1	6	13	**20**					2	4		
A340-300	6	5	3	**14**					3							
A350-900							32[(a)]	**32**							10[(b)]	
747-400	16		5	**21**						2			2	1		
747-400F	3	3		**6**												
747-400BCF	5		4	**9**							2	1		1		
747-400ERF		6		**6**												
747-8F					5	5		**10**								
777-200	5			**5**												
777-300	3	9		**12**												
777-300ER	3	8	11	**22**	2	5	17	**24**						11		20[(c)]
Total	52	46	29	**127**	8	16	62	**86**	3	2	2	1	4	17	10	20
Aircraft operated by Dragonair:																
A320-200	5		6	**11**									2	4		
A321-200	2		4	**6**									2	2		
A330-300	4	1	10	**15**						3	3	1	1	2		
747-400BCF	1			**1**[(d)]												
Total	12	1	20	**33**						3	3	1	5	8		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		**8**												
747-400BCF			2	**2**										2		
Total	2	6	2	**10**										2		
Grand total	**66**	**53**	**51**	**170**	**8**	**16**	**62**	**86**	**3**	**5**	**5**	**2**	**9**	**27**	**10**	**20**

* Includes parked aircraft, but does not reflect changes in the fleet after 30th June 2011.

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

(b) Options, to be exercised no later than 2016, for A350 family aircraft.

(c) Purchase rights for aircraft to be delivered by 2017.

(d) This aircraft was sold to Air China Cargo in July 2011.

Fleet Profile

The airlines took delivery of six new aircraft in the first half of 2011 and have a further eight deliveries scheduled in the second half of the year. In March, Cathay Pacific announced orders for 27 new aircraft – two Airbus A350-900s (which had been ordered in December 2010), 15 Airbus A330-300s and 10 Boeing 777-300ERs. In August, Cathay Pacific announced a further acquisition of four Boeing 777-300ERs and eight Boeing 777-200F freighters. These new aircraft are expected to be delivered between 2013 and 2016. The airlines' fleet development plans are intended to result in the airlines operating one of the youngest, most fuel-efficient wide-body passenger fleets in the world by 2019. The second of four Boeing 747-400BCF freighters was sold to the cargo joint venture with Air China in July. The remaining two will be sold in early 2012. Cathay Pacific is dry-leasing another two aircraft of this type to Air Hong Kong. The delivery of new Boeing 747-8F freighters has been further delayed. Two are now scheduled to be delivered in September 2011, with three more arriving before the end of the year. However, the latest delivery schedule is still subject to final confirmation.

Air China

Air China, in which Cathay Pacific holds a 19.0% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear and consequently the 2011 interim results include Air China's results for the six months ended 31st March 2011.

The Cathay Pacific group recorded a profit of HK$910 million from Air China in the first half of 2011, a 21% increase compared with the profit recorded in the first half of 2010. This primarily reflected strong demand in the fourth quarter of 2010.

Air China Cargo Joint Venture

In May, the cargo joint venture with Air China (in which Cathay Pacific holds an equity and an economic interest) was launched. The joint venture operates from Shanghai under the Air China Cargo name. Shipments of air cargo between the Yangtze River Delta region and major markets round the world are large and growing, accounting for two-thirds of Mainland China's air cargo business. Cathay Pacific is confident that the venture will succeed in capitalising on the opportunity afforded by this growing market.

The key markets for the joint venture are expected to be North America, Europe and North Asia. In addition to operating its own freighters, the venture has exclusive rights to carry cargo in the bellies of the entire Air China passenger fleet.

Cargo Terminal

Work continues and remains on schedule at the new cargo terminal at Hong Kong International Airport. When it opens in 2013, it will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six inflight catering facilities in Asia and North America. CPCS reported a minor decrease in profit in the first half of 2011 compared to the first half of 2010. There was a 3% growth in meal volumes, but margins were adversely affected by food price inflation and higher operating costs.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport. The financial results for the first half of 2011 were significantly improved compared to those of the first half of 2010. The improvement primarily reflected the increased number of flights handled and improved yields.

Outlook

After an exceptionally strong 2010, in which the Cathay Pacific group made record profits, 2011 is proving to be more challenging. High fuel prices are increasing costs and recovering them through higher tariffs may affect demand. The outlook for the world economy is uncertain and a return to recessionary economic conditions would also affect demand and possibly average price levels. 2010's strong performance enabled Cathay Pacific to rebuild its balance sheet. Its financial position is strong. Cathay Pacific remains in a good position to deal with increased operating costs and the economic uncertainty with which it is faced and to reinforce Hong Kong's position as a leading international aviation hub.

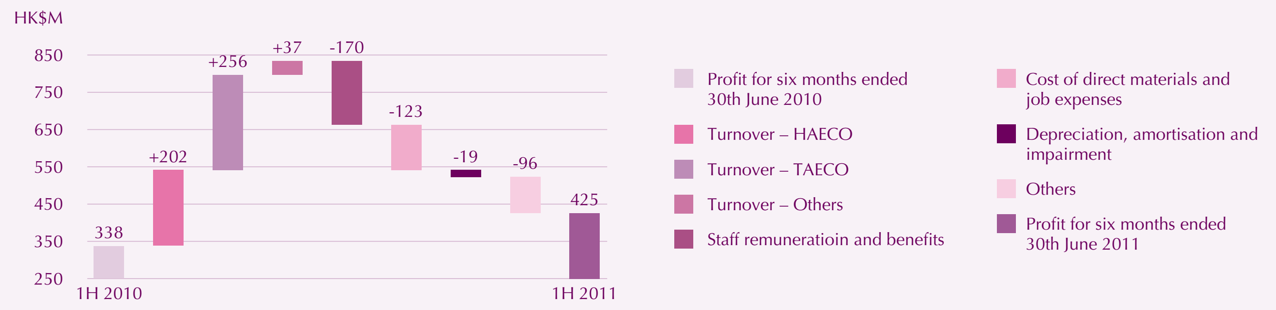
The current high fuel prices and economic uncertainty are a reminder that Cathay Pacific operates in a challenging and unpredictable industry and accordingly must continue to manage its finances prudently. Despite the uncertainties and challenges, Cathay Pacific is confident of its position and that it can meet those challenges. Cathay Pacific has a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and is positioned in one of the world's premier international aviation hubs, Hong Kong. These core strengths can be expected to support the continued success of the airline.

HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

HAECO Group – Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Turnover			
HAECO	**1,641**	1,439	2,966
TAECO	**826**	570	1,177
Others	**77**	40	123
Net operating profit	**341**	197	389
Profit attributable to the Company's shareholders			
HAECO	**195**	151	327
TAECO	**78**	39	53
Share of profit / (loss) of:			
HAESL and SAESL	**194**	167	380
Other subsidiary and jointly controlled companies	**(42)**	(19)	(59)
Total	**425**	338	701
Swire Pacific share	**318**	180	442

HAECO Group – Movement in Attributable Profit



HAECO Group – Key Operating Highlights

		Six months ended 30th June		
		2011	2010	**Change**
Base maintenance manhours sold – HAECO	*Million*	**1.58**	1.39	**+13.7%**
Base maintenance manhours sold – TAECO	*Million*	**1.81**	1.33	**+36.1%**
Line maintenance movements handled – HAECO	*Average per day*	**299**	262	**+14.1%**

Results Summary

The HAECO group provides aviation maintenance and repair services, primarily in Hong Kong by HAECO and in Xiamen by its subsidiary company Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO"). Engine overhaul work is performed by HAECO's jointly controlled company Hong Kong Aero Engine Services Limited ("HAESL") and by HAESL's jointly controlled company Singapore Aero Engine Services Pte. Limited ("SAESL").

The HAECO group's profit attributable to shareholders in the first half of 2011 was HK$425 million, an increase of 26% compared to the corresponding figure in 2010 of HK$338 million.

In general the HAECO group's business improved in the first half of 2011. Demand for HAECO's services in Hong Kong was strong. There was an improvement in TAECO's performance. HAESL's and SAESL's profits increased. However, the new joint ventures in Mainland China continued to sustain losses.

HAECO

Manhours sold by HAECO for airframe heavy maintenance in the first half of 2011 were 1.58 million, 14% higher than in the first half of 2010. This reflected continued strength in the aviation industry. Approximately 73% of the work was for airlines based outside Hong Kong.

Demand for HAECO's line maintenance services improved as aircraft movements in Hong Kong continued to increase. The average number of aircraft movements handled by HAECO in the first half of the year increased by 14% to 299 per day.

TAECO

TAECO recorded a 100% increase in attributable profit in the first half of 2011 to HK$78 million. This reflected a significant improvement in hangar utilisation consequent on a recovery in demand for airframe heavy maintenance services. Manhours sold in the first half of 2011 were 1.81 million, 36% higher than in the first half of 2010.

The line maintenance operations in Xiamen, Beijing, Tianjin and Shanghai handled an average of 54 aircraft movements per day during the first half of 2011, representing an increase of 23%.

HAESL and SAESL

HAESL recorded a 14% increase in profit in the first half of 2011 to HK$356 million. This reflected increased work scope per engine overhauled. However, the results were adversely affected by delays in the supply of spare parts.

SAESL, in which HAESL has a 20% interest, reported a 28% growth in profit in the first half of 2011.

Significant Developments

TAECO opened its sixth wide-body double bay hangar at Xiamen in June 2011.

HAESL opened its Centre of Excellence facility in June 2011. This 13,500 square metre extension to its existing component repair facility will commence full operations in the fourth quarter of 2011.

Taikoo Engine Services (Xiamen) Company Limited completed the extension to its engine overhaul facility in June 2011.

Taikoo Sichuan Aircraft Engineering Services Company Limited's construction of a second hangar has been approved. Construction is expected to commence in the second half of 2011.

Outlook

The outlook for the HAECO group for the second half of 2011 is mixed. Assuming continued growth in the aviation industry, demand for HAECO's airframe heavy maintenance and line maintenance services in Hong Kong is expected to remain strong. Forward bookings for airframe heavy maintenance support services at TAECO for the second half of 2011 are weak and TAECO's capacity utilisation is likely to fall following the opening of its sixth hangar. HAESL's performance is expected to be adversely affected by continued delays in the supply of spare parts. The joint ventures in Mainland China are expected to continue to be adversely affected by weak demand.

John R Slosar
Augustus Tang

BEVERAGES DIVISION

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Turnover	**4,288**	3,995	8,553
Operating profit	**239**	297	618
Share of post-tax profits from jointly controlled and associated companies	**163**	79	334
Attributable profit	**275**	266	699

Segment Information

	Turnover			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M	**2011 HK$M**	2010 HK$M	2010 HK$M
Mainland China*	**799**	627	1,523	**145**	56	203
Hong Kong	**928**	864	1,882	**57**	61	173
Taiwan	**765**	711	1,561	**1**	9	48
USA	**1,796**	1,793	3,587	**109**	111	250
Central costs	**–**	–	–	**(11)**	29	25
	4,288	3,995	8,553	**301**	266	699
Campbell Swire	**–**	–	–	**(26)**	–	–
	4,288	3,995	8,553	**275**	266	699

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. The division also has jointly controlled interests in six franchises in Mainland China, the total turnover of which was HK$7,003 million in the first half of 2011 (2010 first-half: HK$5,455 million; full-year: HK$11,942 million). The division has an associated interest in a manufacturing company which supplies still beverages to all Coca-Cola franchises in Mainland China, the turnover of which, excluding sales to the seven franchises, was HK$2,716 million in the first half of 2011 (2010 first-half: HK$1,911 million; full-year: HK$4,287 million). The sales volume for Mainland China shown in the table on page 20 represents the sales of the seven franchises only.

RESULTS SUMMARY

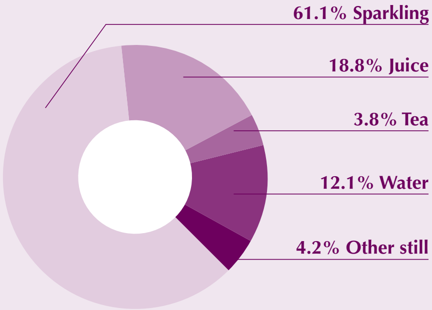
The Beverages Division made an attributable profit of HK$275 million (after taking account of the HK$26 million loss incurred by the newly formed Campbell Swire joint venture) in the first half of 2011. Excluding Campbell Swire, attributable profit was HK$301 million compared with HK$266 million in the first half of 2010. The 2010 result included a profit of HK$40 million on the sale of long-term investments.

Overall sales volume in the first half of 2011 grew by 10% compared with the first half of 2010. Volume grew in Mainland China and Hong Kong, declined in the USA and was little changed in Taiwan. Margins improved in Mainland China and the USA. In other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of cost increases.

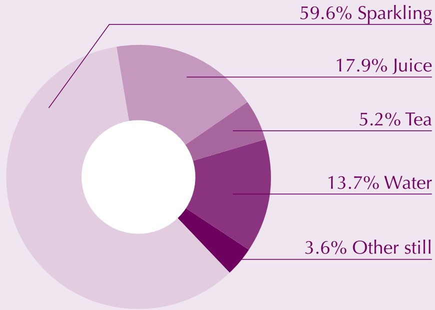
Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2011	**370.4**	**29.4**	**29.4**	**39.3**	**468.5**
Six months ended 30th June 2010	329.2	27.7	29.2	40.7	426.8

Breakdown of Total Volume by Category



Six months ended 30th June 2011



Six months ended 30th June 2010

Mainland China

Attributable profit for the first half of 2011 was HK$145 million, representing a 159% increase from the first half of 2010.

Sales volumes increased by 13%, with all franchise areas performing strongly. This strong performance reflected better weather, focused sales efforts on core brands and stronger consumer marketing promotions. Sparkling sales volumes increased by 17%. Still sales volumes increased by 7%, which comprised a 21% increase in juice sales volumes partially offset by a decrease, reflecting competitive pressures, in water and tea sales volumes. Sales revenue growth of 22% exceeded volume growth due primarily to an improvement in the sales mix and higher prices.

Margins improved by 12% per unit case. Raw material costs increased by 7% per unit case or HK$1,092 million in total despite efficiency savings. The effect of cost increases was more than offset by a better sales mix and higher prices. Sales of higher margin single serve items grew by 7% by volume and represented 53% of total sales volumes.

Hong Kong

Attributable profit for the first half of 2011 was HK$57 million, representing a 7% decline from the first half of 2010.

Sales volumes increased by 6% compared to a 1% increase in the total beverage market. Better weather in the second quarter offset the adverse effect of a longer than normal period of cold winter weather. Schweppes sales benefited from the successful launch of the +C sparkling lemon drink.

Margins fell by 1% per unit case. Raw material costs increased by 5% per unit case. This increase more than offset the favourable effect of improvements in the sales mix and higher prices, which in turn reflected changes in packaging designed to enable different prices to be charged in different sales channels.

Taiwan

An attributable profit of HK$1 million was recorded in the first half of 2011 compared with a profit of HK$9 million in the first half of 2010.

Sales volumes were similar to those of the first half of 2010. Market conditions were challenging. Consumer confidence was weak and was badly affected by a food ingredient scare associated with some of our competitors. The adverse market conditions made it difficult to increase prices in order to offset the effect of increased raw material costs.

USA

Attributable profit for the first half of 2011 was HK$109 million, representing a 2% decline from the first half of 2010.

Sales volumes were down by 3%. This reflected an adverse economic background, poor weather and reduced promotional activity. Sparkling sales volumes were down by 5%. Still sales volumes were up by 4%.

Margins improved by 3% per unit case. Raw material costs increased by 3% per unit case. The effect of cost increases was more than offset by an improved sales mix and higher prices.

Outlook

The soft drinks industry is seasonal. Consumption peaks in the warmer summer months, so operating profits are usually higher in the second half of the calendar year than in the first.

The businesses in Mainland China and Hong Kong are performing well. However, high raw material, fuel and energy costs will put pressure on margins.

The food ingredient scare is expected to continue to affect consumer confidence in Taiwan, despite promotional campaigns designed to emphasise the quality of Coca-Cola products.

Economic conditions in the USA are expected to remain challenging.

Campbell Swire

This joint venture with The Campbell Soup Company was established in January 2011 to manufacture, sell and distribute soup and broth products in Mainland China. An attributable loss of HK$26 million was incurred in the first half of 2011. This was in line with expectations.

Geoff Cundle

MARINE SERVICES DIVISION

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Swire Pacific Offshore group			
Turnover	**1,581**	1,514	3,046
Operating profit	**378**	420	732
Attributable profit	**371**	410	709
Share of post-tax profits from jointly controlled companies			
HUD group	**41**	39	82
Attributable profit	**412**	449	791

	At 30th June		At 31st December
	2011	2010	2010
Fleet size (number of vessels)			
Swire Pacific Offshore group	**75**	71	75
HUD group	**17**	17	17
Total	**92**	88	92

SPO – Movement in Attributable Profit

RESULTS SUMMARY

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore energy industry. The division also has jointly controlled interests, through the Hongkong United Dockyards ("HUD") group, in ship repair and harbour towage services in Hong Kong. The attributable profit for the division of HK$412 million was 8% lower than that of the same period in 2010.

Swire Pacific Offshore group

SPO reported an attributable profit of HK$371 million for the first half of 2011, a decrease of 10% compared to the first half of 2010.

Five new vessels were delivered during the first half of 2011, consisting of three P-class 4,800 brake horse power ("BHP") anchor handling tug supply ("AHTS") vessels, one C-class 16,310 BHP AHTS vessel and one seismic survey vessel.

Over the same period five older vessels were sold. Accordingly, the fleet size at 30th June 2011 remained at 75 vessels.

During the first half of 2011, the offshore energy industry began to recover from the difficult conditions experienced during 2010. This was reflected in an improvement in SPO's overall fleet utilisation rate, which increased to 83%, five percentage points higher than in the first half of 2010. Average charter hire rates were 5% lower than in the first half of 2010 as a number of long-term contracts expired in the second half of 2010 and new contracts were entered into at lower market rates.

Total operating costs were 15% higher than in the first half of 2010, mainly as a result of more vessels operating in Australian waters, where manning costs are higher than elsewhere.

The five new vessels delivered in the first half of 2011 made an additional contribution of HK$18 million.

The sale of four J-class AHTS vessels and one seismic survey vessel contributed an additional profit of HK$69 million in the first half of 2011.

Total capital expenditure on new vessels and equipment during the first half of 2011 was HK$1,765 million, compared to HK$469 million in the first half of 2010.

During the first half of 2011, SPO committed to purchase an additional 27 vessels. This comprised four C-class AHTS vessels, of which one has been delivered and the remaining three will be delivered in 2012 and 2013, four D-class AHTS vessels for delivery in 2013 and 2014, and eight H-class and 10 A-class platform supply vessels ("PSVs") for delivery between 2013 and 2015. In addition, an option was exercised to acquire a second wind farm installation vessel for delivery in late 2012. The new AHTS vessels and PSVs are designed to operate in deeper waters, where future demand is expected to be strongest.

Market activity is expected to continue to increase in the second half of 2011. This should improve SPO's utilisation and charter hire rates. In addition the five vessels delivered during the first-half and the two P-class AHTS vessels to be delivered in the second-half will have a positive impact on the second half-year results.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure					**Commitments**
	Six months ended 30th June 2011 HK$M	Six months ending 31st December 2011 HK$M	2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	**at 30th June 2011 HK$M**
Vessels	**1,748**	2,453	6,173	3,835	1,670	454	**14,585**
Other fixed assets	**17**	51	13	9	–	–	**73**
Total	**1,765**	2,504	6,186	3,844	1,670	454	**14,658**

SPO – Fleet Growth

Vessel class	Brake horse power	Vessels in operation 30th June 2011	Vessels expected to be received in: 2011	2012	2013	2014	2015
Anchor Handling Tug Supply Vessels							
J-class	2,600-4,200	**7**	–	–	–	–	–
T-class	3,600-4,000	**4**	–	–	–	–	–
P-class	4,800-4,830	**14**	2	–	–	–	–
S-class	5,440	**4**	–	–	–	–	–
6000 series	6,000-6,500	**2**	–	–	–	–	–
UT704	8,000-9,000	**2**	–	–	–	–	–
R-class	7,100-7,210	**8**	–	–	–	–	–
V-class	8,810	**10**	–	–	–	–	–
W-class	10,800	**8**	–	–	–	–	–
B-class	12,240	**6**	–	–	–	–	–
C-class	16,310	**1**	–	1	2	–	–
D-class	17,860-18,250	**–**	–	2	5	1	–
Platform Supply Vessels							
A-class	6,310	**5**	–	–	2	4	4
H-class	11,500	**–**	–	–	2	5	1
Ice Breaking Supply Vessels							
E-class	23,170	**2**	–	–	–	–	–
Seismic and Hydrographic Survey Vessels							
Survey	5,000-7,720	**2**	–	–	–	–	–
Accommodation Barges							
I-class	–	**–**	–	2	–	–	–
Wind Farm Installation Vessels							
O-class	32,900	**–**	–	2	–	–	–
		75	2	7	11	10	5

Hongkong United Dockyards group

The HUD group's attributable profit for the first half of 2011 was HK$41 million, compared to HK$39 million for the same period in 2010.

The profit of Hong Kong Salvage and Towage Limited ("HKST") was HK$52 million, 20% above that of the same period in 2010. The liner business (and in particular that of the intra-Asia trades) continued to grow. This was reflected in increased tug movements at container terminals. An average increase of 1.5% in general tariffs and higher bunker surcharges also contributed to the improved results.

The ship repair division's profit for the first half of 2011 was lower than in the same period in 2010. Margins declined as operating costs increased but prices did not.

In the second half of 2011, an over-supply of container tonnage is expected to put pressure on freight rates. This in turn will put pressure on HKST's tariffs.

In the second half of 2011, the ship repair division will continue to be flexible on pricing in order to attract work and thereby increase dock and worker productivity.

Two of HKST's four 5,000 BHP tugs on order are expected to be delivered in the fourth quarter of 2011. The remaining two are scheduled to be delivered in the first half of 2012.

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Turnover			
Swire Resources group	**1,283**	970	2,135
Taikoo Motors group	**2,469**	1,609	3,588
Taikoo Sugar	**333**	273	594
Other subsidiary companies	**–**	1	4
	4,085	2,853	6,321
Operating profits/(losses)			
Swire Resources group	**90**	62	183
Taikoo Motors group	**47**	52	125
Taikoo Sugar	**(4)**	2	5
Other subsidiary companies and central costs	**(13)**	(5)	(14)
	120	111	299
Attributable profits/(losses)			
Swire Resources group*	**71**	67	177
Taikoo Motors group	**37**	40	89
Taikoo Sugar	**(4)**	2	5
Other subsidiary companies and central costs	**(14)**	(5)	(14)
	90	104	257
* Including the attributable profits from jointly controlled and associated companies within the Swire Resources group shown below.			
Attributable profits from jointly controlled and associated companies			
Swire Resources group	**3**	18	35
Akzo Nobel Swire Paints	**59**	53	114
CROWN Beverage Cans group	**–**	40	56
	62	111	205
Attributable profit (excluding profit on sale of interest in PUMA & CROWN Beverage Cans group)	**149**	197	427
Profit on sale of interest in PUMA	**148**	–	–
Profit on sale of interest in CROWN Beverage Cans group	**–**	–	771
Attributable Profit	**297**	197	1,198

RESULTS SUMMARY

Excluding the gain on disposal of the Group's interest in PUMA in January 2011, the Trading & Industrial Division reported an attributable profit of HK$149 million in the first half of 2011, a 24% decrease from the profit made in the first half of 2010. The decrease principally reflected the absence of a contribution from CROWN Beverage Cans group, which was sold in the second half of 2010.

Swire Resources group

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

Attributable profit (excluding the gain on disposal of the interest in PUMA) for the first half of 2011 was HK$71 million, an increase of 6% compared with the first half of 2010. The performance of most parts of the business improved. The multibrand store chains in Hong Kong and the Columbia brand did particularly well. However, the effect of this was partly offset by the absence of a contribution from the PUMA associate.

The group disposed of its 49% interest in PUMA in January 2011 for a cash consideration of HK$413 million. The profit on the disposal was HK$148 million.

Turnover in Hong Kong was 25% higher than in the same period in 2010. Turnover benefited from a continuation of 2010's buoyant trading environment, strong demand from visitors from Mainland China and a longer than normal period of cold weather.

Gross margins improved. There was less discounting and there were fewer promotions. The effect of this was partly offset by increased staff and occupancy costs.

The group operated 129 retail outlets in Hong Kong at the end of the period, an increase of four outlets since 31st December 2010.

Turnover in Mainland China increased by 52%, principally reflecting increased sales of Columbia products. Gross margins improved as a result of fewer sales promotions and increased local sourcing.

The outlook for the remainder of the year is positive for both the Hong Kong and Mainland China markets.

Taikoo Motors group

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

Attributable profit in the first half of 2011 was HK$37 million, compared to HK$40 million in the same period in 2010. The reduction in profit primarily reflected the costs incurred in establishing new Vespa scooters and Fiat and Alfa Romeo cars businesses.

Taikoo Motors sold 7,049 cars and commercial vehicles in the first half of 2011, 48% more than in the same period in 2010. Overall car registrations in Taiwan increased by 30% over the same period in 2010 to 163,371, of which 26% (2010 first-half: 25%) were imported cars.

Sales of Volkswagen cars increased by 25% to 4,622. Sales of Skŏda cars were 868 units, compared with 171 units in the first half of 2010.

Sales of Volkswagen light commercial vehicles increased by 69% to 949 units.

Sales (145) of Volvo commercial vehicles and buses in the first half of 2011 were similar to those in the first half of 2010.

Sales of Harley-Davidson motorcycles increased by 27% to 273 units.

Sales of Vespa scooters started in Taiwan in April 2011. 672 scooters were sold in the first half of 2011.

In late 2010 the group was appointed as the importer of Fiat and Alfa Romeo cars in Hong Kong. Sales of both brands are expected to commence in the second half of 2011.

Taikoo Sugar

Taikoo Sugar packages and sells sugar products to the retail and catering trades in Hong Kong and Mainland China. It also sells sugar in bulk to industrial users. The company reported an attributable loss of HK$4 million for the first half of 2011, compared with a profit of HK$2 million in the first half of 2010.

Taikoo Sugar sold 8.0 million pounds of sugar to retail and catering users in Hong Kong, an increase of 7% compared with the first half of 2010. In Mainland China, Taikoo Sugar sold 12.8 million pounds of sugar in the first half of 2011, an increase of 30% compared with the same period in 2010. Profitability was adversely affected by increased sugar costs.

Demand in the second half of 2011 is expected to continue to grow, but margins will remain under pressure from high sugar costs.

Akzo Nobel Swire Paints

Akzo Nobel Swire Paints consists of joint ventures with Akzo Nobel which manufacture and distribute decorative paints, primarily under the Dulux brand, in Mainland China and Hong Kong.

Attributable profit for the first half of 2011 was HK$59 million, compared to HK$53 million in the same period in 2010.

Sales volume in Mainland China in the first half of 2011 was 116.3 million litres, an increase of 32% over the same period in 2010. However, gross margins fell, primarily due to increased raw material costs.

The Hong Kong market contributed an attributable profit of HK$3 million, which was in line with that of the first half of 2010.

The business is expected to perform steadily for the remainder of the year.

J B Rae-Smith

Financial Review

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally reverse the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax. Further analysis compares the impact of other significant non-recurring items in the current and prior periods.

	Note	Six months ended 30th June		Year ended 31st December
		2011 HK$M	2010 HK$M (Restated)	2010 HK$M
Underlying profit				
Profit attributable to the Company's shareholders per accounts		**23,951**	14,630	38,252
Adjustments re investment properties:				
Revaluation of investment properties	(a)	**(19,712)**	(6,466)	(23,237)
Deferred tax on revaluation movements	(b)	**307**	555	852
Realised profit on sale of investment properties	(c)	**–**	161	211
Depreciation of investment properties occupied by the Group	(d)	**13**	10	23
Non-controlling interests' share of revaluation movements less deferred tax		**43**	19	42
Underlying profit attributable to the Company's shareholders		**4,602**	8,909	16,143
Other significant non-recurring items:				
Gain on remeasurement of previously held interest in HAECO		**–**	(2,547)	(2,547)
Profit on sale of interest in Hactl		**–**	(825)	(825)
Profit on sale of interest in CROWN Beverage Cans group		**–**	–	(771)
Gains on remeasurement and profit on sale of shareholdings in PCCW Tower		**–**	–	(342)
Profit on sale of interest in PUMA		**(148)**	–	–
Profit on sale of shareholdings in other investments		**(7)**	(40)	(40)
Profit on sale of investment properties		**–**	(577)	(576)
Profit on sale of vessels		**(69)**	–	–
Impairment of vessels		**–**	–	57
Adjusted underlying profit		**4,378**	4,920	11,099
Underlying equity				
Equity attributable to the Company's shareholders per accounts		**225,646**	181,051	204,452
Deferred tax on revaluation of investment properties		**3,068**	2,483	2,766
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**664**	822	535
Revaluation of investment properties occupied by the Group		**1,152**	850	833
Cumulative depreciation of investment properties occupied by the Group		**74**	66	63
Underlying equity attributable to the Company's shareholders		**230,604**	185,272	208,649
Underlying non-controlling interests		**4,860**	5,826	4,637
Underlying equity		**235,464**	191,098	213,286

Notes:

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

(b) This represents deferred tax on the Group's net revaluation movements plus the Group's share of deferred tax on the net revaluation movements of jointly controlled and associated companies. In accordance with the provisions of the amended HKAS 12, deferred tax is no longer provided on net revaluation movements in respect of investment properties in Hong Kong. However, deferred tax continues to be provided on net revaluation movements in respect of investment properties in Mainland China at the corporate income tax rate of 25%.

(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 income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.

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

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

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Net cash from/(used by) businesses and investments			
Cash generated from operations	**4,541**	2,701	7,627
Dividends received	**1,735**	718	1,705
Tax paid	**(319)**	(278)	(682)
Net interest paid	**(910)**	(769)	(1,447)
Cash used in investing activities	**(4,789)**	(3,076)	(10,204)
	258	(704)	(3,001)
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(3,870)**	(3,770)	(5,305)
Increase in borrowings	**3,941**	5,814	9,585
Capital contributions from non-controlling interests	**–**	11	13
Security deposits uplifted	**85**	85	169
	156	2,140	4,462
Increase in cash and cash equivalents	**414**	1,436	1,461

Cash used in investing activities during the first half of 2011 included the acquisition of additional shares in Cathay Pacific, capital expenditure on property projects by subsidiary companies, investments in jointly controlled companies and stage payments for offshore support vessels under construction. This was partly offset by the proceeds of the disposal of the Group's interest in PUMA.

Changes in Financing

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

	Six months ended 30th June 2011	Year ended 31st December 2010
	HK$M	HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**45,435**	34,502
Loans drawn and refinancing	**4,499**	13,302
Repayment of loans and bonds	**(558)**	(3,717)
Changes in composition of Group	**–**	1,324
Other non-cash movements	**40**	24
	49,416	45,435
Overdrafts	**16**	19
At 30th June/31st December	**49,432**	45,454

During the first half of 2011, the Group raised HK$10,361 million. This comprised:

- a five-year club loan facility of HK$9,000 million, which comprised a HK$4,500 million term loan and a HK$4,500 million revolving credit facility
- an increase of RMB300 million in the refinancing of a three-year syndicated loan facility to RMB2,700 million
- a three-year dual currency term and revolving credit facility of HK$400 million
- a three-year term and revolving credit facility of HK$300 million
- a three-year dual currency revolving credit facility of HK$300 million

Sources of Finance

At 30th June 2011, committed loan facilities and debt securities amounted to HK$66,430 million, of which HK$18,375 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$5,274 million. Sources of funds at 30th June 2011 comprised:

Financial Information Reviewed by Auditors

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring after one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	17,252	17,252	–	–
Bank loans, overdrafts and other loans	46,843	28,468	1,256	17,119
Perpetual capital securities	2,335	2,335	–	–
Total committed facilities	66,430	48,055	1,256	17,119
Uncommitted facilities				
Bank loans, overdrafts and other loans	6,844	1,570	5,274	–
Total	73,274	49,625	6,530	17,119

Note: The figures above are stated before unamortised loan fees of HK$193 million.

The Group had bank balances and short-term deposits of HK$4,419 million at 30th June 2011, excluding security deposits, compared to HK$4,010 million at 31st December 2010.

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 2011

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

Financial Information Reviewed by Auditors
Gross Borrowings Maturity Profile

	30th June 2011		31st December 2010	
	HK$M		HK$M	
Within 1 year	**11,493**	**23%**	14,384	32%
1 – 2 years	**13,476**	**27%**	8,939	20%
2 – 5 years	**12,585**	**26%**	5,613	12%
After 5 years	**11,878**	**24%**	16,518	36%
Total	**49,432**	**100%**	45,454	100%

Currency Profile

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

	30th June 2011		31st December 2010	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**40,416**	**82%**	37,481	82%
United States dollar	**2,289**	**5%**	2,268	5%
Renminbi	**6,548**	**13%**	5,521	12%
New Taiwan dollar	**116**	**–**	124	1%
Others	**63**	**–**	60	–
Total	**49,432**	**100%**	45,454	100%

Finance Charges

At 30th June 2011, 48% of the Group's gross borrowings were on a fixed rate basis and 52% were on a floating rate basis (31st December 2010: 56% and 44% respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Interest charged on:			
Bank loans and overdrafts	**(260)**	(161)	(392)
Other loans and bonds	**(568)**	(562)	(1,119)
Fair value (losses)/gains on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**–**	(2)	(12)
– Interest rate swaps: fair value hedges	**–**	4	5
Adjustments to financial liabilities – fair value hedges	**9**	5	13
Amortised loan fees – loans at amortised cost	**(32)**	(25)	(56)
Other financing costs	**(28)**	(22)	(55)
Deferred into properties under development for sale	**53**	48	101
Finance charges capitalised	**150**	84	198
Fair value loss on put option in respect of non-controlling interest in Sanlitun Village	**(139)**	(59)	–
	(815)	(690)	(1,317)
Interest income on:			
Short-term deposits and bank balances	**11**	9	22
Other loans	**18**	12	24
Fair value gain on put option in respect of non-controlling interest in Sanlitun Village	**–**	–	12
	29	21	58
Net finance charges	**(786)**	(669)	(1,259)

Gearing Ratios and Interest Cover

	30th June		31st December
	2011	2010 (Restated)	2010
Gearing ratio*			
Per accounts	**19.5%**	20.0%	19.7%
Underlying	**19.0%**	19.5%	19.3%
Interest cover – times*			
Per accounts	**29.7**	19.4	27.0
Underlying	**5.4**	11.9	10.2
Cash interest cover – times*			
Per accounts	**23.6**	16.2	21.8
Underlying	**4.3**	9.9	8.3
Adjusted#	**4.1**	4.3	4.7

* Refer to Glossary on page 63 for definition

\# After excluding significant non-recurring items from underlying operating profit. (Refer to page 28 for the list of significant non-recurring items).

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of the Group reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2011 and 31st December 2010:

	Total net debt/(cash) of jointly controlled and associated companies		Portion of net debt/ (cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2011 HK$M	31st December 2010 HK$M	**30th June 2011 HK$M**	31st December 2010 HK$M	**30th June 2011 HK$M**	31st December 2010 HK$M
Property Division	**5,117**	4,332	**2,412**	1,956	**478**	481
Aviation Division						
Cathay Pacific group	**20,596**	15,436	**9,056**	6,633	**–**	–
HAECO group	**539**	403	**129**	86	**114**	–
Other Aviation Division companies	**5**	5	**2**	2	**–**	–
Beverages Division	**2,643**	2,521	**943**	944	**–**	–
Marine Services Division	**642**	659	**321**	329	**500**	500
Trading & Industrial Division	**(1,514)**	(1,792)	**(487)**	(677)	**–**	–
	28,028	21,564	**12,376**	9,273	**1,092**	981

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 24.8% and underlying gearing would rise to 24.3%.

Report on Review of Interim Accounts

To the Board of Directors of Swire Pacific Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim accounts set out on pages 35 to 59, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2011 and the related consolidated income statement, consolidated statement of 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 the interim accounts to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of the interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the interim accounts based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim accounts 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 interim accounts are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11th August 2011

Consolidated Income Statement

for the six months ended 30th June 2011 – unaudited

	Note	Six months ended 30th June 2011 HK$M	Six months ended 30th June 2010 HK$M (Restated)	Year ended 31st December 2010 HK$M
Turnover	4	**17,082**	12,836	29,201
Cost of sales		**(9,642)**	(6,758)	(15,958)
Gross profit		**7,440**	6,078	13,243
Distribution costs		**(1,802)**	(1,537)	(3,245)
Administrative expenses		**(1,541)**	(1,027)	(2,697)
Other operating expenses		**(183)**	(179)	(312)
Profit on sale of interests in associated and jointly controlled companies	5	**148**	1,238	2,008
Gain on remeasurement of previously held interest in HAECO on acquiring control		**–**	2,547	2,547
Other net gains	6	**159**	657	1,083
Change in fair value of investment properties		**19,098**	5,205	21,344
Operating profit		**23,319**	12,982	33,971
Finance charges		**(815)**	(690)	(1,317)
Finance income		**29**	21	58
Net finance charges	8	**(786)**	(669)	(1,259)
Share of profits less losses of jointly controlled companies		**1,179**	1,238	2,263
Share of profits less losses of associated companies		**1,296**	2,352	5,552
Profit before taxation		**25,008**	15,903	40,527
Taxation	9	**(844)**	(789)	(1,638)
Profit for the period		**24,164**	15,114	38,889
Profit attributable to:				
The Company's shareholders		**23,951**	14,630	38,252
Non-controlling interests		**213**	484	637
		24,164	15,114	38,889
Dividends				
Interim – proposed/paid		**1,730**	1,505	1,505
Final – paid				3,761
	10	**1,730**	1,505	5,266

	Note	**HK$**	HK$	HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	11			
'A' shares		**15.92**	9.72	25.42
'B' shares		**3.18**	1.94	5.08

	2011 Interim HK$	2010 Interim HK$	2010 Final HK$	2010 Total HK$
Dividends per share				
'A' shares	**1.15**	1.00	2.50	3.50
'B' shares	**0.23**	0.20	0.50	0.70

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2011 – unaudited

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M (Restated)	2010 HK$M
Profit for the period	**24,164**	15,114	38,889
Other comprehensive income			
Cash flow hedges			
(losses)/gains recognised during the period	**(182)**	122	110
transferred to net finance charges	**–**	2	12
transferred to operating profit – exchange differences	**(19)**	(50)	(34)
transferred to initial cost of non-financial assets	**75**	(158)	26
deferred tax	**21**	12	(15)
Net fair value changes on available-for-sale assets			
net losses recognised during the period	**(41)**	(22)	(30)
net gains transferred to operating profit	**(3)**	(44)	(44)
Revaluation of property previously occupied by the Group			
gain recognised during the period	**36**	856	1,462
Share of other comprehensive income of jointly controlled and associated companies	**685**	29	93
Net translation differences on foreign operations	**511**	136	615
Other comprehensive income for the period, net of tax	**1,083**	883	2,195
Total comprehensive income for the period	**25,247**	15,997	41,084
Total comprehensive income attributable to:			
The Company's shareholders	**24,955**	15,512	40,431
Non-controlling interests	**292**	485	653
	25,247	15,997	41,084

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

Consolidated Statement of Financial Position

at 30th June 2011 – unaudited

	Note	30th June 2011 HK$M	31st December 2010 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**26,058**	24,125
Investment properties	12	**201,620**	180,418
Leasehold land and land use rights	12	**978**	928
Intangible assets	13	**4,441**	4,435
Properties held for development		**659**	443
Jointly controlled companies	14	**17,913**	16,567
Associated companies	15	**26,248**	25,486
Available-for-sale assets		**246**	302
Long-term receivables		**7**	7
Long-term security deposits		**42**	42
Derivative financial instruments	16	**445**	611
Deferred tax assets	19	**297**	327
Retirement benefit assets		**561**	548
		279,515	254,239
Current assets			
Properties for sale		**5,695**	5,517
Stocks and work in progress		**2,541**	2,104
Trade and other receivables	17	**5,531**	4,499
Derivative financial instruments	16	**30**	36
Cash and cash equivalents		**4,236**	3,809
Short-term deposits		**268**	371
		18,301	16,336
Current liabilities			
Trade and other payables	18	**11,431**	10,156
Taxation payable		**779**	595
Derivative financial instruments	16	**10**	11
Bank overdrafts and short-term loans		**5,080**	5,283
Long-term loans and bonds due within one year		**6,413**	9,101
		23,713	25,146
Net current liabilities		**(5,412)**	(8,810)
Total assets less current liabilities		**274,103**	245,429
Non-current liabilities			
Perpetual capital securities		**2,335**	2,332
Long-term loans and bonds		**35,604**	28,738
Receipt in advance from an associated company		**63**	69
Derivative financial instruments	16	**171**	204
Deferred tax liabilities	19	**4,890**	4,605
Deferred profit		**304**	128
Retirement benefit liabilities		**273**	302
		43,640	36,378
NET ASSETS		**230,463**	209,051
EQUITY			
Share capital	20	**903**	903
Reserves	21	**224,743**	203,549
Equity attributable to the Company's shareholders		**225,646**	204,452
Non-controlling interests	22	**4,817**	4,599
TOTAL EQUITY		**230,463**	209,051

Consolidated Statement of Cash Flows

for the six months ended 30th June 2011 – unaudited

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Operating activities			
Cash generated from operations	**4,541**	2,701	7,627
Interest paid	**(950)**	(788)	(1,491)
Interest received	**40**	19	44
Profits tax paid	**(319)**	(278)	(682)
	3,312	1,654	5,498
Dividends received from jointly controlled and associated companies and available-for-sale assets	**1,735**	718	1,705
Net cash from operating activities	**5,047**	2,372	7,203
Investing activities			
Purchase of property, plant and equipment	**(2,506)**	(1,100)	(2,586)
Additions of investment properties	**(1,777)**	(1,368)	(4,366)
Purchase of intangible assets	**(6)**	(7)	(22)
Proceeds from disposals of property, plant and equipment	**32**	34	69
Proceeds from disposals of vessels	**72**	–	3
Proceeds from disposals of investment properties	**–**	190	1,194
Purchase of shares in existing subsidiary companies	**–**	(134)	(201)
Net cash outflow on purchase of shares in new subsidiary companies	**–**	(18)	(208)
Proceeds from disposal of a subsidiary company	**–**	–	4
Purchase of shares in jointly controlled companies	**(56)**	(255)	(306)
Purchase of shares in associated companies	**(721)**	(46)	(994)
Net cash outflow on purchase of additional shares in HAECO	**–**	(2,079)	(4,531)
Purchase of available-for-sale assets	**(3)**	(1)	(5)
Purchase of shares in PCCW Tower	**–**	–	(1,824)
Proceeds from disposal of interests in jointly controlled companies	**–**	–	1,175
Proceeds from disposal of interest in an associated company – Hactl	**–**	1,341	1,339
Proceeds from disposal of interest in an associated company – PUMA	**413**	–	–
Proceeds from disposals of available-for-sale assets	**22**	69	65
Proceeds from disposals of shares in PCCW Tower	**–**	–	1,353
Loans to jointly controlled companies	**(299)**	(192)	(1,055)
Loan to an associated company	**–**	–	(1)
Repayment of loans by jointly controlled companies	**54**	119	431
Loan from an associated company	**24**	–	–
Repayment of loans by associated companies	**–**	386	386
Net decrease/(increase) in deposits maturing after more than three months	**22**	2	(2)
Initial leasing costs incurred	**(60)**	(17)	(122)
Net cash used in investing activities	**(4,789)**	(3,076)	(10,204)
Net cash inflow/(outflow) before financing	**258**	(704)	(3,001)
Financing activities			
Loans drawn and refinancing	**4,499**	7,292	13,302
Repayment of loans and bonds	**(558)**	(1,478)	(3,717)
	3,941	5,814	9,585
Security deposits uplifted	**85**	85	169
Capital contribution from non-controlling interests	**–**	11	13
Dividends paid to the Company's shareholders	**(3,761)**	(3,310)	(4,815)
Dividends paid to non-controlling interests	**(109)**	(460)	(490)
Net cash generated from financing activities	**156**	2,140	4,462
Increase in cash and cash equivalents	**414**	1,436	1,461
Cash and cash equivalents at 1st January	**3,790**	2,322	2,322
Currency adjustment	**16**	3	7
Cash and cash equivalents at end of the period	**4,220**	3,761	3,790
Represented by:			
Bank balances and short-term deposits maturing within three months	**4,236**	3,761	3,809
Bank overdrafts	**(16)**	–	(19)
	4,220	3,761	3,790

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2011 – unaudited

	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 2011	**903**	**199,044**	**4,505**	**204,452**	**4,599**	**209,051**
Profit for the period	**–**	**23,951**	**–**	**23,951**	**213**	**24,164**
Other comprehensive income	**–**	**–**	**1,004**	**1,004**	**79**	**1,083**
Total comprehensive income for the period	**–**	**23,951**	**1,004**	**24,955**	**292**	**25,247**
Dividend paid	**–**	**(3,761)**	**–**	**(3,761)**	**(74)**	**(3,835)**
At 30th June 2011	**903**	**219,234**	**5,509**	**225,646**	**4,817**	**230,463**

	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 2010						
– as originally stated	903	149,262	2,338	152,503	846	153,349
– adjustment on adoption of amendments to HKAS 12	–	16,373	–	16,373	3	16,376
– as restated	903	165,635	2,338	168,876	849	169,725
Profit for the period, as restated	–	14,630	–	14,630	484	15,114
Other comprehensive income, as restated	–	–	882	882	1	883
Total comprehensive income for the period	–	14,630	882	15,512	485	15,997
Dividend paid	–	(3,310)	–	(3,310)	(460)	(3,770)
Changes in composition of Group	–	(27)	–	(27)	4,918	4,891
At 30th June 2010	903	176,928	3,220	181,051	5,792	186,843

Notes to the Interim Accounts

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Income Statement

Six months ended 30th June 2011	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	4,192	31	4,223	3,147	(734)	45	–	2,458	2,117	2,114
Change in fair value of investment properties	–	–	–	17,469	–	583	1	18,053	17,776	17,733
Property trading	99	171	270	24	(1)	69	–	92	73	73
Hotels	342	1	343	(8)	(16)	9	70	55	43	43
	4,633	**203**	**4,836**	**20,632**	**(751)**	**706**	**71**	**20,658**	**20,009**	**19,963**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	1,221	1,221	1,221	1,221
HAECO group	2,544	–	2,544	345	(4)	204	–	545	472	318
Others	–	–	–	(26)	–	2	–	(24)	(24)	(11)
	2,544	**–**	**2,544**	**319**	**(4)**	**206**	**1,221**	**1,742**	**1,669**	**1,528**
Beverages										
Mainland China	799	–	799	23	(18)	181	2	188	164	145
Hong Kong	928	–	928	72	–	–	–	72	61	57
Taiwan	765	–	765	5	(3)	–	–	2	1	1
USA	1,796	–	1,796	154	–	–	–	154	110	109
Central costs	–	–	–	(11)	–	–	–	(11)	(11)	(11)
Campbell Swire	–	–	–	(4)	(2)	(20)	–	(26)	(26)	(26)
	4,288	**–**	**4,288**	**239**	**(23)**	**161**	**2**	**379**	**299**	**275**
Marine Services										
Swire Pacific Offshore group	1,581	–	1,581	378	–	–	2	380	373	371
HUD group	–	–	–	–	–	41	–	41	41	41
	1,581	**–**	**1,581**	**378**	**–**	**41**	**2**	**421**	**414**	**412**
Trading & Industrial										
Swire Resources group	1,283	–	1,283	90	1	3	–	94	71	71
Taikoo Motors group	2,469	–	2,469	47	–	–	–	47	37	37
Taikoo Sugar	281	52	333	(4)	–	–	–	(4)	(4)	(4)
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	62	59	59
Sale of interest in PUMA	–	–	–	148	–	–	–	148	148	148
Other activities	–	–	–	(13)	–	–	–	(13)	(14)	(14)
	4,033	**52**	**4,085**	**268**	**1**	**65**	**–**	**334**	**297**	**297**
Head Office										
Net income/(expenses)	3	7	10	(112)	(9)	–	–	(121)	(119)	(119)
Change in fair value of investment properties	–	–	–	1,629	–	–	–	1,629	1,629	1,629
	3	**7**	**10**	**1,517**	**(9)**	**–**	**–**	**1,508**	**1,510**	**1,510**
Inter-segment elimination	**–**	**(262)**	**(262)**	**(34)**	**–**	**–**	**–**	**(34)**	**(34)**	**(34)**
Total	**17,082**	**–**	**17,082**	**23,319**	**(786)**	**1,179**	**1,296**	**25,008**	**24,164**	**23,951**

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Six months ended 30th June 2010	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M (Restated)	Share of profits less losses of associated companies HK$M (Restated)	Profit before taxation HK$M (Restated)	Profit for the period HK$M (Restated)	Profit attributable to the Company's shareholders HK$M (Restated)
Property										
Property investment	3,912	30	3,942	3,354	(667)	26	11	2,724	2,308	2,304
Change in fair value of investment properties	–	–	–	4,818	–	972	12	5,802	5,524	5,505
Property trading	51	248	299	39	(1)	–	–	38	35	35
Hotels	215	–	215	(96)	(12)	(4)	57	(55)	(47)	(47)
	4,178	**278**	**4,456**	**8,115**	**(680)**	**994**	**80**	**8,509**	**7,820**	**7,797**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	2,082	2,082	2,082	2,082
HAECO group										
– as subsidiary company	342	–	342	27	(1)	24	–	50	45	28
– as associated company	–	–	–	–	–	–	152	152	152	152
Gain on remeasurement of previously held interest in HAECO	–	–	–	2,547	–	–	–	2,547	2,547	2,547
Hactl	–	–	–	–	–	–	26	26	26	18
Sale of interest in Hactl	–	–	–	1,238	–	–	–	1,238	1,238	825
Others	–	–	–	–	–	1	–	1	1	1
	342	**–**	**342**	**3,812**	**(1)**	**25**	**2,260**	**6,096**	**6,091**	**5,653**
Beverages										
Mainland China	627	–	627	27	(19)	79	(1)	86	72	56
Hong Kong	864	–	864	74	–	–	–	74	67	61
Taiwan	711	–	711	10	(1)	1	–	10	10	9
USA	1,793	–	1,793	157	–	–	–	157	111	111
Central costs	–	–	–	29	–	–	–	29	29	29
	3,995	**–**	**3,995**	**297**	**(20)**	**80**	**(1)**	**356**	**289**	**266**
Marine Services										
Swire Pacific Offshore group	1,514	–	1,514	420	1	–	–	421	410	410
HUD group	–	–	–	–	–	39	–	39	39	39
	1,514	**–**	**1,514**	**420**	**1**	**39**	**–**	**460**	**449**	**449**
Trading & Industrial										
Swire Resources group	970	–	970	62	1	5	13	81	67	67
Taikoo Motors group	1,609	–	1,609	52	–	–	–	52	40	40
Taikoo Sugar	223	50	273	2	–	–	–	2	2	2
Akzo Nobel Swire Paints	–	–	–	–	–	55	–	55	53	53
CROWN Beverage Cans group	–	–	–	–	–	40	–	40	40	40
Other activities	1	–	1	(5)	–	–	–	(5)	(5)	(5)
	2,803	**50**	**2,853**	**111**	**1**	**100**	**13**	**225**	**197**	**197**
Head Office										
Net income/(expenses)	4	6	10	(110)	30	–	–	(80)	(69)	(69)
Change in fair value of investment properties	–	–	–	387	–	–	–	387	387	387
	4	**6**	**10**	**277**	**30**	**–**	**–**	**307**	**318**	**318**
Inter-segment elimination	**–**	**(334)**	**(334)**	**(50)**	**–**	**–**	**–**	**(50)**	**(50)**	**(50)**
Total	**12,836**	**–**	**12,836**	**12,982**	**(669)**	**1,238**	**2,352**	**15,903**	**15,114**	**14,630**

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Year ended 31st December 2010	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	7,893	60	7,953	6,553	(1,209)	19	18	5,381	4,589	4,582
Change in fair value of investment properties	–	–	–	20,381	–	1,435	75	21,891	21,422	21,380
Property trading	398	381	779	147	(3)	30	–	174	155	155
Hotels	518	–	518	(144)	(25)	(23)	132	(60)	(109)	(109)
	8,809	**441**	**9,250**	**26,937**	**(1,237)**	**1,461**	**225**	**27,386**	**26,057**	**26,008**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	5,079	5,079	5,079	5,079
HAECO group										
– as subsidiary company	2,574	–	2,574	229	(7)	243	–	465	408	290
– as associated company	–	–	–	–	–	–	152	152	152	152
Gain on remeasurement of previously held interest in HAECO	–	–	–	2,547	–	–	–	2,547	2,547	2,547
Hactl	–	–	–	–	–	–	26	26	26	18
Sale of interest in Hactl	–	–	–	1,238	–	–	–	1,238	1,238	825
Others	–	–	–	(30)	–	3	–	(27)	(27)	(10)
	2,574	**–**	**2,574**	**3,984**	**(7)**	**246**	**5,257**	**9,480**	**9,423**	**8,901**
Beverages										
Mainland China	1,523	–	1,523	(14)	(40)	291	42	279	243	203
Hong Kong	1,882	1	1,883	213	–	–	–	213	192	173
Taiwan	1,561	–	1,561	55	(1)	1	–	55	49	48
USA	3,587	–	3,587	339	–	–	–	339	250	250
Central costs	–	–	–	25	–	–	–	25	25	25
	8,553	**1**	**8,554**	**618**	**(41)**	**292**	**42**	**911**	**759**	**699**
Marine Services										
Swire Pacific Offshore group	3,046	–	3,046	732	1	–	–	733	715	709
HUD group	–	–	–	–	–	82	–	82	82	82
	3,046	**–**	**3,046**	**732**	**1**	**82**	**–**	**815**	**797**	**791**
Trading & Industrial										
Swire Resources group	2,135	–	2,135	183	2	7	28	220	177	177
Taikoo Motors group	3,588	–	3,588	125	–	–	–	125	89	89
Taikoo Sugar	485	109	594	5	–	–	–	5	5	5
Akzo Nobel Swire Paints	–	–	–	–	–	119	–	119	114	114
CROWN Beverage Cans group	–	–	–	–	–	56	–	56	56	56
Sale of interest in CROWN Beverage Cans group	–	–	–	771	–	–	–	771	771	771
Other activities	4	–	4	(14)	–	–	–	(14)	(14)	(14)
	6,212	**109**	**6,321**	**1,070**	**2**	**182**	**28**	**1,282**	**1,198**	**1,198**
Head Office										
Net income/(expenses)	7	–	7	(257)	23	–	–	(234)	(232)	(232)
Change in fair value of investment properties	–	–	–	963	–	–	–	963	963	963
	7	**–**	**7**	**706**	**23**	**–**	**–**	**729**	**731**	**731**
Inter-segment elimination	**–**	**(551)**	**(551)**	**(76)**	**–**	**–**	**–**	**(76)**	**(76)**	**(76)**
Total	**29,201**	**–**	**29,201**	**33,971**	**(1,259)**	**2,263**	**5,552**	**40,527**	**38,889**	**38,252**

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

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2011	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	200,929	11,061	55	1,015	213,060
Property trading and development	6,950	396	–	49	7,395
Hotels	5,027	687	682	61	6,457
	212,906	**12,144**	**737**	**1,125**	**226,912**
Aviation					
Cathay Pacific group	–	–	24,684	–	24,684
HAECO group	7,198	1,070	–	1,311	9,579
Others	4,805	2,815	–	–	7,620
	12,003	**3,885**	**24,684**	**1,311**	**41,883**
Beverages					
Swire Beverages	5,515	1,405	827	588	8,335
Campbell Swire	–	37	–	–	37
	5,515	**1,442**	**827**	**588**	**8,372**
Marine Services					
Swire Pacific Offshore group	11,530	–	–	308	11,838
HUD group	–	23	–	–	23
	11,530	**23**	**–**	**308**	**11,861**
Trading & Industrial					
Swire Resources group	539	18	–	94	651
Taikoo Motors group	1,465	–	–	343	1,808
Taikoo Sugar	108	–	–	18	126
Akzo Nobel Swire Paints	–	401	–	–	401
Other activities	11	–	–	–	11
	2,123	**419**	**–**	**455**	**2,997**
Head Office	**4,980**	**–**	**–**	**811**	**5,791**
	249,057	**17,913**	**26,248**	**4,598**	**297,816**

1. SEGMENT INFORMATION (continued)

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

At 31st December 2010	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	181,581	9,964	53	960	192,558
Property trading and development	6,150	348	–	42	6,540
Hotels	4,759	627	652	40	6,078
	192,490	**10,939**	**705**	**1,042**	**205,176**
Aviation					
Cathay Pacific group	–	–	23,701	–	23,701
HAECO group	7,020	1,065	–	1,252	9,337
Others	4,831	2,813	–	–	7,644
	11,851	**3,878**	**23,701**	**1,252**	**40,682**
Beverages					
Swire Beverages	4,989	1,413	822	731	7,955
Campbell Swire	–	–	–	–	–
	4,989	**1,413**	**822**	**731**	**7,955**
Marine Services					
Swire Pacific Offshore group	9,878	–	–	381	10,259
HUD group	–	(18)	–	–	(18)
	9,878	**(18)**	**–**	**381**	**10,241**
Trading & Industrial					
Swire Resources group	472	15	258	152	897
Taikoo Motors group	1,087	–	–	463	1,550
Taikoo Sugar	89	–	–	19	108
Akzo Nobel Swire Paints	–	340	–	–	340
Other activities	12	–	–	–	12
	1,660	**355**	**258**	**634**	**2,907**
Head Office	**3,381**	**–**	**–**	**233**	**3,614**
	224,249	**16,567**	**25,486**	**4,273**	**270,575**

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

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

Swire Beverages 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 income statement in note 1(a) presents the results of Swire Beverages by geographical location in order to provide further information to the user of the Interim Report.

2. BASIS OF PREPARATION

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

The accounting policies, methods of computation and presentation used in the preparation of the interim accounts are consistent with those described in the 2010 annual accounts except for those noted in 2(b) below.

(b) The Group has adopted the following relevant revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2011:

HKFRS (Amendment)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosures

The improvements to HKFRSs 2010 consist of amendments to existing standards, including an amendment to HKAS 34 Interim Financial Reporting. HKAS 34 (Amendment) provides for further disclosures in interim financial reports. It has had no financial impact on the Group's interim accounts.

HKAS 24 (Revised) has changed the definition of Related Parties. It has had no financial impact on the Group's interim accounts.

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

(c) In December 2010, the IASB/HKICPA amended IAS/HKAS 12, "Income taxes", to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The effective date for the amendment is annual periods beginning on or after 1st January 2012. As permitted, the Group early adopted the amendment and the new accounting policy was applied retrospectively for annual periods beginning before 1st January 2010. The amendment introduced a rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In Hong Kong, land leases can typically be renewed without a payment of a market-based premium, which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time. Consequently, as required by the amendment, the Group has re-measured the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. The tax consequences in Hong Kong of a sale of the investment property and of the entity owning the investment property are not significantly different.

2. BASIS OF PREPARATION (continued)

In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of recovery entirely by sale has been rebutted. Consequently, the Group has continued to recognise deferred taxes on the basis that the value of investment property in Mainland China is recovered through use.

As a result of the early adoption of amendments to HKAS 12, the comparative figures for the six months ended 30th June 2010 have been restated to reflect the change in accounting policy, as summarised below.

Effect on Consolidated Statement of Financial Position	30th June 2010 HK$M
Decrease in deferred tax liabilities	17,521
Decrease in goodwill (note)	495
Increase in jointly controlled companies	82
Increase in associated companies	92
Increase in non-controlling interests	3
Increase in retained earnings	17,197

Effect on Consolidated Income Statement	Six months ended 30th June 2010 HK$M
Decrease in income tax expense	677
Increase in share of profits less losses of jointly controlled companies	5
Increase in share of profits less losses of associated companies	1
Increase in profit attributable to the Company's shareholders	683
Increase in other comprehensive income attributable to the Company's shareholders	141
Increase in earnings per share (basic and diluted)	HK$0.45

Note:

If the investment properties were acquired as part of a business combination which took place in prior years, the related deferred tax would be adjusted against goodwill.

(d) The preparation of the interim accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2010 annual accounts.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factor

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

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2010 annual accounts.

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

(b) Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

(c) Estimates of fair value of financial instruments

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011, there were no transfers of assets or liabilities between the levels in the fair value hierarchy.

In 2011 there were no reclassifications of financial assets.

(d) Estimates of fair value of investment properties

DTZ Debenham Tie Leung ("DTZ"), an independent property valuer, was engaged to carry out a valuation of the major portion of the Group's investment property portfolio as at 30th June 2011. This valuation was carried out in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, which define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion".

DTZ has derived the valuation of the Group's completed investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions as available in the relevant property market. The assumptions are principally in respect of open market rents and yields.

DTZ has derived the valuation of the Group's investment properties under construction by making reference to recent comparable sales transactions as available in the relevant property market (on the assumption that the property had already been completed at the valuation date), and has also taken into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. Where the valuation of a property in Mainland China is prepared based on the assumptions that the property is a vacant cleared site and that the title certificate has been received but this is not the case (because not all land premium or resettlement compensation or other costs necessary for immediate redevelopment have been fully paid), the Group has made an estimate of the costs of those items and has deducted an amount equal to the estimate from the valuation.

4. TURNOVER

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

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Gross rental income from investment properties	**4,162**	3,876	7,841
Property trading	**99**	51	398
Hotels	**342**	215	518
Charter hire and related income	**1,581**	1,514	3,046
Rendering of services	**2,563**	384	2,614
Sales of goods	**8,335**	6,796	14,784
	17,082	12,836	29,201

5. PROFIT ON SALE OF INTERESTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

In January 2011, the Group disposed of its 49% interest in an associated company, PUMA, for a total cash consideration of HK$413 million and recorded a profit of HK$148 million.

6. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Remeasurement gains and profit on disposal relating to the change of shareholding in PCCW Tower	**–**	–	342
Profit on sale of available-for-sale assets	**7**	45	45
Profit on sale of investment properties	**–**	545	544
Profit/(loss) on sale of property, plant and equipment	**5**	2	(5)
Profit on sale of vessels	**69**	–	–
Net foreign exchange losses	**(3)**	(49)	(9)
Fair value gains/(losses) on derivative instruments transferred from cash flow hedge reserve			
Cross-currency swaps	**16**	53	34
Forward foreign exchange contracts	**3**	(3)	–

7. EXPENSES BY TYPE

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

	Six months ended 30th June		Year ended 31st December
	2011 HK$M	2010 HK$M	2010 HK$M
Direct operating expenses of investment properties that			
Generated rental income	**636**	586	1,330
Did not generate rental income	**67**	67	94
Cost of stocks sold	**6,059**	4,452	10,143
Write-down of stocks and work in progress	**17**	13	51
Impairment losses on trade receivables	**3**	–	–
Reversal of impairment losses on trade receivables	**–**	–	(34)
Impairment losses recognised on vessels	**–**	–	57
Impairment losses recognised on intangible assets	**–**	–	1
Depreciation of property, plant and equipment (note 12)	**734**	516	1,244
Amortisation of			
Leasehold land and land use rights (note 12)	**13**	3	16
Intangible assets (note 13)	**22**	10	31
Initial leasing costs	**26**	15	34
Others	**1**	2	3
Staff costs	**3,346**	2,065	4,929
Operating lease rentals			
Properties	**260**	155	373
Other equipment	**58**	20	37

8. NET FINANCE CHARGES

Refer to page 32 for details of the Group's net finance charges.

9. TAXATION

	Six months ended 30th June 2011 HK$M	Six months ended 30th June 2010 HK$M (Restated)	Year ended 31st December 2010 HK$M
Current taxation			
Hong Kong profits tax	**(344)**	(384)	(747)
Overseas taxation	**(138)**	(111)	(251)
(Under)/over provisions in prior years	**(22)**	13	11
	(504)	(482)	(987)
Deferred taxation (note 19)			
Changes in fair value of investment properties	**(224)**	(241)	(379)
Origination and reversal of temporary differences	**(116)**	(66)	(272)
	(340)	(307)	(651)
	(844)	(789)	(1,638)

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable to tax.

The Group's share of jointly controlled and associated companies' tax charges for the six months ended 30th June 2011 of HK$191 million (30th June 2010: HK$355 million, as restated; year ended 31st December 2010: HK$623 million) and HK$200 million (30th June 2010: HK$235 million, as restated; year ended 31st December 2010: HK$684 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

10. DIVIDENDS

	Six months ended 30th June 2011 HK$M	Six months ended 30th June 2010 HK$M	Year ended 31st December 2010 HK$M
Proposed interim dividend of HK$1.15 per 'A' share and HK$0.23 per 'B' share (2010 interim dividend paid: HK$1.00 and HK$0.20)	**1,730**	1,505	1,505
Final dividend paid on 2nd June 2011 of HK$2.50 per 'A' share and HK$0.50 per 'B' share			3,761
	1,730	1,505	5,266

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 2011 of HK$23,951 million (30th June 2010: HK$14,630 million, as restated; 31st December 2010: HK$38,252 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during the period (30th June and 31st December 2010: 905,578,500 '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

	Property, plant and equipment HK$M	Leasehold land and land use rights HK$M	Total HK$M
Cost			
At 1st January 2011	34,761	1,021	35,782
Translation differences	309	15	324
Additions	2,450	7	2,457
Disposals	(392)	–	(392)
Revaluation surplus	36	–	36
Transfer between categories	(45)	45	–
Net transfers from investment properties	70	–	70
Transfer to intangible assets	(17)	–	(17)
At 30th June 2011	37,172	1,088	38,260
Accumulated depreciation/amortisation and impairment			
At 1st January 2011	10,636	93	10,729
Translation differences	108	4	112
Charge for the period	734	13	747
Disposals	(362)	–	(362)
Net transfers to investment properties	(2)	–	(2)
At 30th June 2011	11,114	110	11,224
Net book value			
At 30th June 2011	26,058	978	27,036
At 1st January 2011	24,125	928	25,053

(a) During the period, certain properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK$36 million has been recognised in other comprehensive income and the property revaluation reserve.

(b) Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2011.

(c) Property, plant and equipment and vessels include costs of HK$737 million (31st December 2010: HK$512 million), HK$51 million (31st December 2010: HK$14 million) and HK$2,348 million (31st December 2010: HK$2,381 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

Refer to pages 7 and 8 for details of the Group's investment properties.

13. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Technical licences HK$M	Total HK$M
Cost				
At 1st January 2011	3,854	155	539	4,548
Translation differences	1	3	(2)	2
Additions	–	11	–	11
Transfer from property, plant and equipment	–	17	–	17
At 30th June 2011	3,855	186	537	4,578
Accumulated amortisation and impairment				
At 1st January 2011	1	95	17	113
Translation differences	–	1	1	2
Amortisation for the period	–	9	13	22
At 30th June 2011	1	105	31	137
Net book value				
At 30th June 2011	3,854	81	506	4,441
At 1st January 2011	3,853	60	522	4,435

14. JOINTLY CONTROLLED COMPANIES

	30th June 2011 HK$M	31st December 2010 HK$M
Share of net assets, unlisted	**8,823**	7,653
Loans due from jointly controlled companies less provisions		
Interest-free	**8,994**	8,818
Interest-bearing	**96**	96
	17,913	16,567

15. ASSOCIATED COMPANIES

	30th June 2011 HK$M	31st December 2010 HK$M
Share of net assets		
Listed in Hong Kong	**23,883**	23,039
Unlisted	**1,388**	1,566
	25,271	24,605
Goodwill	**801**	662
	26,072	25,267
Loans due from associated companies		
Interest-free	**176**	219
	26,248	25,486

The market value of the shares in the listed associated companies at 30th June 2011 was HK$31,169 million (30th June 2010: HK$25,591 million; 31st December 2010: HK$36,258 million).

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30th June 2011		31st December 2010	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	**442**	**–**	609	–
Interest rate swaps – cash flow hedges	**–**	**171**	–	204
Interest rate swap – fair value hedge	**4**	**–**	13	–
Forward foreign exchange contracts – cash flow hedges	**28**	**10**	24	11
Commodity swaps – not qualifying as hedges	**1**	**–**	1	–
Total	**475**	**181**	647	215
Less non-current portion:				
Cross-currency swaps – cash flow hedges	**442**	**–**	609	–
Interest rate swaps – cash flow hedges	**–**	**171**	–	204
Forward foreign exchange contracts – cash flow hedges	**3**	**–**	2	–
	445	**171**	611	204
Current portion	**30**	**10**	36	11

17. TRADE AND OTHER RECEIVABLES

	30th June 2011 HK$M	31st December 2010 HK$M
Trade debtors	**2,579**	2,108
Amounts due from jointly controlled companies	**217**	179
Amounts due from associated companies	**143**	105
Prepayments and accrued income	**963**	971
Other receivables	**1,629**	1,136
	5,531	4,499

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

	30th June 2011 HK$M	31st December 2010 HK$M
Under three months	**2,409**	1,876
Between three and six months	**67**	105
Over six months	**103**	127
	2,579	2,108

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

18. TRADE AND OTHER PAYABLES

	30th June 2011 HK$M	31st December 2010 HK$M
Trade creditors	**2,115**	1,850
Amounts due to immediate holding company	**139**	191
Amounts due to jointly controlled companies	**70**	48
Amounts due to associated companies	**31**	10
Interest-bearing advances from jointly controlled companies	**240**	17
Interest-bearing advances from associated companies	**149**	149
Advances from non-controlling interests	**371**	368
Rental deposits from tenants	**1,919**	1,810
Put option in respect of non-controlling interest in Sanlitun Village	**817**	678
Accrued capital expenditure	**1,126**	1,318
Other accruals	**2,639**	2,604
Other payables	**1,815**	1,113
	11,431	10,156

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

	30th June 2011 HK$M	31st December 2010 HK$M
Under three months	**1,925**	1,717
Between three and six months	**161**	113
Over six months	**29**	20
	2,115	1,850

19. DEFERRED TAXATION

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

	HK$M
At 1st January 2011	4,278
Translation differences	(4)
Charged to income statement (note 9)	340
Credited to other comprehensive income	(21)
At 30th June 2011	4,593
Represented by:	
Deferred tax assets	(297)
Deferred tax liabilities	4,890
	4,593

20. SHARE CAPITAL

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 30th June 2011 and 31st December 2010	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 30th June 2011 and 31st December 2010	905,578,500	2,995,220,000	543	360	903

21. RESERVES

	Revenue reserve* HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Property revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2011	199,044	342	49	1,462	635	(455)	2,472	203,549
Profit for the period	23,951	–	–	–	–	–	–	23,951
Other comprehensive income								
Cash flow hedges								
– recognised during the period	–	–	–	–	–	(182)	–	(182)
– transferred to operating profit – exchange differences	–	–	–	–	–	(19)	–	(19)
– transferred to initial cost of non-financial assets	–	–	–	–	–	75	–	75
– deferred tax	–	–	–	–	–	21	–	21
Net fair value changes on available-for-sale assets								
– net losses recognised during the period	–	–	–	–	(41)	–	–	(41)
– transferred to operating profit	–	–	–	–	(3)	–	–	(3)
Revaluation of property previously occupied by the Group								
– gain recognised during the period	–	–	–	36	–	–	–	36
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	(7)	271	415	679
Net translation differences on foreign operations	–	–	–	–	–	–	438	438
Total comprehensive income for the period	**23,951**	**–**	**–**	**36**	**(51)**	**166**	**853**	**24,955**
2010 final dividend	**(3,761)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,761)**
At 30th June 2011	**219,234**	**342**	**49**	**1,498**	**584**	**(289)**	**3,325**	**224,743**

* The revenue reserve includes HK$1,730 million representing the proposed interim dividend for the period (31st December 2010: HK$3,761 million representing the final dividend for 2010).

22. NON-CONTROLLING INTERESTS

	HK$M
At 1st January 2011	4,599
Share of profits less losses for the period	213
Share of other comprehensive income of jointly controlled companies	6
Share of translation differences on foreign operations	73
Share of total comprehensive income for the period	292
Dividends paid and payable	(74)
At 30th June 2011	4,817

23. CAPITAL COMMITMENTS

	30th June 2011 HK$M	31st December 2010 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**11,452**	3,983
Authorised by Directors but not contracted for	**5,161**	1,915
Investment properties		
Contracted for	**1,388**	2,461
Authorised by Directors but not contracted for	**1,731**	1,576
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	**1,372**	1,894
Authorised by Directors but not contracted for	**5,713**	5,411
	7,085	7,305

* of which the Group is committed to funding HK$2,716 million (31st December 2010: HK$2,460 million).

24. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of jointly controlled companies totalled HK$1,093 million (31st December 2010: HK$982 million).

(b) Contingent tax liabilities

Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2004/05 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

24. CONTINGENCIES (continued)

(b) Contingent tax liabilities (continued)

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

The IRD has issued Notices of Assessment totalling HK$482 million in respect of their queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to unconditional holdover of the assessments. In addition, the estimated interest which would (assuming the relevant Group companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK$224 million at 30th June 2011 (31st December 2010: HK$206 million).

(c) Cathay Pacific Airways

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

In December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded. In May and June 2011, the first stage trial in this matter was heard in the Auckland High Court.

In July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

In May 2010, the Korean Fair Trade Commission ("KFTC") announced that it would fine several airlines, including Cathay Pacific, for their air cargo pricing practices. In November 2010, KFTC issued a written decision and Cathay Pacific's fine was KRW 5.35 billion (equivalent to HK$36 million at the exchange rate current as of the date of the announcement). Cathay Pacific filed an appeal in the Seoul High Court challenging the KFTC's decision in December 2010.

On 9th November 2010, the European Commission announced that it had 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 57,120,000 (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. Cathay Pacific filed an appeal with the General Court of the European Union in January 2011.

24. CONTINGENCIES (continued)

(c) Cathay Pacific Airways (continued)

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

The investigations, 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.

25. RELATED PARTY TRANSACTIONS

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements commenced on 1st January 2011 and will last for three years until 31st December 2014. For the period ended 30th June 2011, service fees payable amounted to HK$111 million (2010: HK$86 million). Expenses of HK$104 million (2010: HK$70 million) were reimbursed at cost; in addition, HK$117 million (2010: HK$100 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the period ended 30th June 2011, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$37 million (2010: HK$26 million).

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

The following table presents a summary of other significant transactions between the Group and related parties which were carried out in the normal course of the Group's business, in addition to those disclosed elsewhere in the interim accounts. These transactions were not connected transactions or continuing connected transactions subject to disclosure or other requirements under the Listing Rules.

25. RELATED PARTY TRANSACTIONS (continued)

		For the six months ended 30th June							
		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M	**2011 HK$M**	2010 HK$M
Revenue from	(a)								
Sales of beverage drinks		**–**	–	**9**	8	**–**	–	**–**	–
Rendering of services		**–**	3	**1**	4	**–**	–	**–**	–
Aircraft maintenance		**43**	5	**1,113**	164	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**263**	154	**–**	–	**–**	–
Purchases of beverage cans	(a)	**–**	60	**–**	–	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	2	**10**	21	**–**	–	**–**	–
Purchases of services	(a)	**3**	1	**4**	2	**12**	5	**–**	–
Rental revenue	(b)	**2**	4	**5**	3	**7**	6	**32**	21
Interest income	(c)	**7**	3	**11**	2	**–**	–	**–**	–
Interest charges	(c)	**–**	–	**–**	–	**–**	–	**–**	–

Notes:

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

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

(c) Loans advanced to jointly controlled and associated companies are disclosed in notes 14 and 15. Advances from jointly controlled and associated companies are disclosed in note 18.

26. EVENTS AFTER THE REPORTING PERIOD

(a) In July 2011, an agreement was entered into with an unrelated third party for the disposal of the Group's entire interest in the property in Hong Kong known as Festival Walk. The consideration, which is payable in cash on completion of the disposal, is HK$18,800 million, subject to an adjustment by reference to net current assets and liabilities at completion. The adjustment is expected to result in an additional receipt of approximately HK$113 million. Completion is expected to take place in August 2011. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011 (of which HK$1,087 million arose in the six months ended on that date), is expected to be HK$640 million. The underlying profit on the disposal is expected to amount to HK$8,617 million. Underlying profit principally reverses the impact of HKAS 40 on investment properties. Prior to the implementation of HKAS 40, changes in fair value of investment properties were recorded in the revaluation reserve rather than the consolidated income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement. The effect is that the underlying profit on the disposal of Festival Walk will be calculated by reference to its original cost to the Group.

(b) In August 2011, agreements were entered into under which the Cathay Pacific group agreed to purchase four Boeing 777-300ER aircraft and eight Boeing 777-200F freighters. These new aircraft are expected to be delivered between 2013 and 2016. The catalogue price of these aircraft is approximately HK$25,600 million. The actual purchase price of the aircraft, which was determined after arm's length negotiations between the parties, is lower than the catalogue price.

Supplementary Information

CORPORATE GOVERNANCE

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

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the accounting period covered by the Interim Report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

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

SHARE CAPITAL

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

DIRECTORS' PARTICULARS

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

1. A N Tyler resigned as a Director of the Company, as a Director and Chief Executive of Cathay Pacific Airways Limited and as Chairman of Hong Kong Dragon Airlines Limited with effect from 31st March 2011.

2. J R Slosar was appointed Chief Executive of Cathay Pacific Airways Limited and Chairman of Hong Kong Dragon Airlines Limited with effect from 31st March 2011.

3. G L Cundle and A K W Tang have been appointed as Executive Directors of the Company with effect from 1st August 2011.

DIRECTORS' INTERESTS

At 30th June 2011, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
Swire Pacific Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
'A' shares						
P A Johansen	31,500	–	–	31,500	0.0035	–
P A Kilgour	5,000	–	–	5,000	0.0006	–
C D Pratt	51,000	–	–	51,000	0.0056	–
M B Swire	58,791	–	–	58,791	0.0065	–
M C C Sze	6,000	–	–	6,000	0.0007	–
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	–
C Lee	750,000	–	21,605,000	22,355,000	0.7464	1
C D Pratt	100,000	–	–	100,000	0.0033	–
I S C Shiu	–	20,000	–	20,000	0.0007	–
M B Swire	2,241,483	–	3,938,554	6,180,037	0.2063	2

	Capacity					
	Beneficial interest					
John Swire & Sons Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
M B Swire	3,140,523	–	19,222,920	22,363,443	22.36	2
8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
M B Swire	846,476	–	5,655,441	6,501,917	21.67	2

DIRECTORS' INTERESTS (continued)

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

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

Notes:

1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which held 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 3,037,822 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS

The register of interests in shares under Section 336 of the SFO shows that as at 30th June 2011, the Company had been notified of the following interests in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	207,128,020	22.87	2,045,353,690	68.29	1
Aberdeen Asset Management plc	72,546,151	8.01	399,174,942	13.33	2

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 207,128,020 'A' shares and 2,045,353,690 'B' shares of the Company as at 30th June 2011, comprising:
   (a) 885,861 'A' shares and 7,187,925 '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 1,482,779,167 '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: 142,707,000 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,390,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited and 99,221,635 'B' shares held by Tai-Koo Limited and 5,932,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested. The interests in the 'B' shares were reported by Aberdeen Asset Management plc under Section 329 of the SFO. Details of the capacities in which the shares are held were not given.

The Company had not been notified of any short positions in the shares of the Company as at 30th June 2011.

At 30th June 2011, the Swire group owned interests in shares of the Company representing 40.95% of the issued capital and 57.74% of the voting rights.

Glossary

TERMS

FINANCIAL

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

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

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

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

Equity attributable to the Company's shareholders per share Equity before non-controlling interests divided by the weighted average number of shares in issue during the period.

Underlying equity attributable to the Company's shareholders per share Reported equity before non-controlling interests, adjusted for the impact of deferred tax on changes in the fair value of investment properties in Mainland China, divided by the weighted average number of shares in issue during the period.

Underlying profit Reported profit adjusted for the impact of changes in the fair value of investment properties and the associated deferred tax in Mainland China.

AVIATION

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.

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

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

RATIOS

FINANCIAL

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

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

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

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

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

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

AVIATION

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

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

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

Financial Calendar and Information for Investors

FINANCIAL CALENDAR 2011

Interim Report sent to shareholders	26th August
‘A’ and ‘B’ shares trade ex-dividend	14th September
Share registers closed	16th September
Payment of 2011 interim dividends	4th October
Annual results announcement	March 2012
Annual General Meeting	May 2012

REGISTERED OFFICE

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Tel: Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

STOCK CODES

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

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

AUDITORS

PricewaterhouseCoopers

INVESTOR RELATIONS

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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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