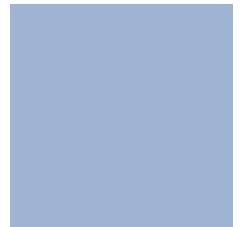
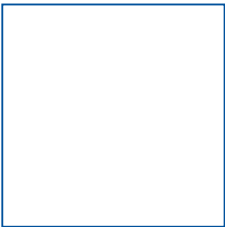
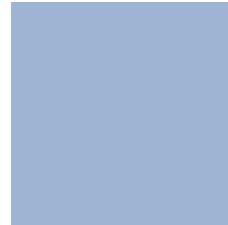
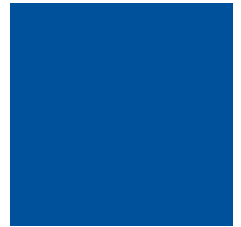
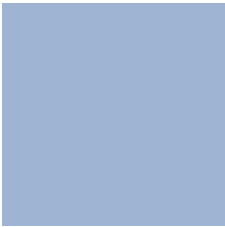


INTERIM
REPORT
2003



INFORMATION FOR INVESTORS

Registered Office

Swire Pacific Limited
35th Floor, Two Pacific Place
88 Queensway
Hong Kong

Stock Codes

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

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

Registrars

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19th Floor, Hopewell Centre
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Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

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	Note	Six months ended 30th June		Year ended 31st December
		2003 HK\$M	2002 HK\$M (restated)	2002 HK\$M (restated)
Turnover		7,240	7,406	15,215
Operating profit		1,960	2,311	4,345
Profit attributable to shareholders		1,187	2,716	5,360
Net cash inflow before financing		2,306	3,827	5,140
Shareholders' funds and minority interests		73,312	78,031	73,896
Consolidated net borrowings		13,505	14,188	14,188
		HK¢	HK¢	HK¢
Earnings per share:	1			
'A' shares		77.5	175.0	346.4
'B' shares		15.5	35.0	69.3
		HK¢	HK¢	HK¢
Dividends per share:				
'A' shares		32.0	40.0	130.0
'B' shares		6.4	8.0	26.0
		HK\$	HK\$	HK\$
Shareholders' funds per share:				
'A' shares		44.71	47.24	45.03
'B' shares		8.94	9.45	9.01
Gearing ratio – percentage	2	18	18	19
Interest cover – times	3	8.83	7.83	7.94
Cash interest cover – times	4	4.88	5.26	5.03
Dividend cover – times	5	2.42	4.39	2.69

Notes:

- Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period.
- Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.
- Interest cover is calculated by dividing operating profit by net finance charges.
- Cash interest cover is calculated by dividing operating profit by net finance charges and capitalised interest.
- Dividend cover is calculated by dividing profit attributable to shareholders by total dividends paid and proposed for the period.

Consolidated Results

The profit attributable to shareholders for the first half of 2003 was HK\$1,187 million, a 56% decline compared to the first half of 2002.

Your directors have today declared interim dividends of HK¢32.0 (2002: HK¢40.0) per 'A' share and HK¢6.4 (2002: HK¢8.0) per 'B' share, payable on 2nd October 2003 to shareholders registered at the close of business on 19th September 2003. The share registers will be closed from 15th September to 19th September 2003, both dates inclusive.

Impact of the SARS outbreak on results

The group made a good start to the year, with the Iraq War having only a modest impact on its aviation businesses. In the second half of March, however, accelerating international concern over the spread of SARS and related counter-measures led to sharp falls in passenger numbers, resulting in substantial financial losses in the group's aviation businesses. Cathay Pacific issued a profit warning on 11th April and both Cathay Pacific and Dragonair made substantial cuts to flight schedules, parked aircraft and implemented wide-ranging cost reduction measures. Since the containment of the SARS outbreak and lifting of related travel restrictions in late May, passenger traffic has recovered relatively quickly, although the prevalence of discounting and special promotional offers has undermined yields.

The group's non-aviation divisions were less affected by the SARS outbreak, although the hotel interests and those businesses with direct exposure to local retail sentiment, namely Swire Coca-Cola Hong Kong and Swire Resources, did experience marked declines in profitability in April and May.

Operating results

The Property Division continues to be affected by the weak office rental market with both occupancies and rents well down on the prior period. However, retail sales, helped by the post SARS pick-up in regional tourism, are recovering well and the retail portfolio remains fully let. Residential property sales in Hong Kong were generally weak throughout the period, although sales in the mass market have begun to revive. The results also reflect the smaller number of Albany units sold in comparison with the prior year. Sales of properties in the United States were steady.

The Aviation Division reported an attributable loss of HK\$486 million (2002 first half profit of HK\$779 million). The losses reflect the sharp falls in passenger traffic during the SARS outbreak and continuing depressed yields. Cargo traffic remained strong.

The Beverages, Marine Services and Trading & Industrial Divisions produced a combined profit attributable to

Swire Pacific of HK\$504 million, slightly above the 2002 half year total of HK\$497 million. Profit growth at Modern Terminals, Shekou Container Terminals and Swire Coca-Cola operations in Mainland China offset reduced operating profits at Taikoo Motors and Swire Coca-Cola's operations in Hong Kong and Taiwan.

Finance

The group's financial position remains strong, with gearing at 18%, and committed but undrawn facilities of HK\$4,109 million at 30th June 2003. Interest cover was 8.83 for the half year. An additional committed facility of HK\$2,300 million was arranged in July.

Taikoo Shing

On the 7th July 2003, the Court of Final Appeal refused Swire Properties leave to appeal on a point of law in respect of the Taikoo Shing arbitration award. The amount of HK\$4,500 million that the group provided in prior years remains the directors' best estimate of the group's cash exposure. However the amount and accounting treatment of the premium payable and any interest have not yet been determined.

Prospects

Demand for Hong Kong office space remains weak and, with additional new supply coming into the market, both rental levels and occupancies are likely to remain under pressure. Although the retail portfolio remains fully let, overall net rental income is expected to show a modest decline from that of 2002. The prospects for residential sales show some improvement with early signs of price stability returning to the market on the back of more robust and consistent demand.

Airline interests are continuing to benefit from the recovery in demand for passenger travel, albeit at unsatisfactory yields, and should return to profitability in the second half of the year.

Prospects for the other divisions remain good.

Overall, the group's results for the second half of 2003 are expected to be substantially better than those for the first half, given the post-SARS recovery now underway. However, it is expected that the full year results will be very much lower than those for the prior year.

James Hughes-Hallett

Chairman

Hong Kong, 7th August 2003

Property Division

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Turnover			
Gross rental income derived from			
Offices	997	1,090	2,155
Retail	1,035	1,077	2,170
Residential	125	148	285
Other income	36	40	83
Property investment	2,193	2,355	4,693
Property trading	350	129	565
Sale of investment properties	119	410	555
Total turnover	2,662	2,894	5,813
Operating profit derived from			
Property investment	1,576	1,723	3,338
Property trading	103	11	125
Sale of investment properties	90	315	409
Total operating profit	1,769	2,049	3,872
Share of profits before taxation			
Jointly controlled and associated companies			
Normal operations	17	90	112
Non-recurring items	-	-	(398)
	17	90	(286)
Attributable profit	1,361	1,625	2,606

Operating Highlights
Investment Property Portfolio – Gross Floor Area (thousand square feet)

Location	Total	Office	Techno-centres	Retail	Residential
Pacific Place	2,887	1,559	-	711	617
TaiKoo Place	4,327	2,516	1,811	-	-
Cityplaza	2,751	1,646	-	1,105	-
Festival Walk	1,214	232	-	982	-
Others	934	183	-	574	177
Total completed	12,113	6,136	1,811	3,372	794
Under and pending development	3,261	3,240	-	4	17
Total	15,374	9,376	1,811	3,376	811

Hong Kong investment property: Gross rental income for the half-year to 30th June 2003 amounted to HK\$2,157 million, compared with HK\$2,315 million for the corresponding period in 2002. Demand for office space, already weak, was further undermined during the period by external factors, whilst at the same time there is a

considerable amount of surplus supply in the market. As a result, rental reversions in the office portfolio have been negative and occupancy levels have fallen. Business sentiment should improve with a recovery in the global economic environment, but the excess capacity in the office market will take time to absorb.

After a strong start to the year, retail sales throughout Hong Kong fell sharply in April and May as the number of tourist arrivals slumped and local residents cut back on discretionary spending as a result of the SARS outbreak. Domestic demand has largely recovered, which has been reflected in a rebound in sales at Cityplaza and Festival Walk. In April and May certain key retail partners were granted rental concessions on a case-by-case basis, but the impact on gross rental income during the period was not particularly significant.

In the first half of 2003 construction has been completed on two properties:

- Cambridge House, an office tower providing approximately 271,000 square feet of office space at TaiKoo Place.
- 3 Coombe Road, a development for sale of four luxury houses.

Construction is well advanced on Three Pacific Place, which will offer 630,000 square feet of office space on completion in mid-2004.

Demolition work has started on the former site of the Aik San and Melbourne Industrial Buildings in Quarry Bay. This site has been given the working name of 16 Westlands Road. Building plans have been approved for the construction of an office building of approximately 1,550,000 square feet.

Hong Kong property trading: The residential market has continued to be extremely difficult in the first half of 2003, although buyer sentiment improved in June. Occupation permits were received for Phase 3 of Ocean Shores in May and July: 1,364 units remain unsold at this development. 497 units were sold at Seaview Crescent and Tung Chung Crescent in the first half of the year, and 434 remain unsold. There are 112 unsold units at Les Saisons.

The Orchards residential complex at Quarry Bay, comprising 442 residential units in two towers, has been completed and will be launched shortly.

Sale of investment properties: A further 5 units at The Albany were sold in the first half of 2003. 43 units remain unsold.

Hotels: The sharp drop in inbound visitors in the second quarter had a dramatic impact on occupancy at the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place. The recovery has started but will take some time.

USA: Sales of units at Swire Properties' developments in Miami have continued to be steady. At Courts Brickell Key, which was completed in late 2002, 42 units remain unsold. Construction at Jade Residences, where 25 units are unsold, is on schedule for completion in late 2004.

Taikoo Shing arbitration: The Hong Kong SAR Government Lands Department's claim for payment of land premium and interest in relation to the Cityplaza Four, Cityplaza Three and Cityplaza One office towers, as well as the Horizon Gardens residential scheme at Taikoo Shing, was upheld in an arbitration award announced in January 2001. The Court of Final Appeal has recently refused to grant Swire Properties leave to appeal on a point of law against an element of the arbitration award. A number of issues flow from this decision which will be discussed with Government in accordance with the agreed arbitration procedure. The amount of HK\$4,500 million which was accrued in the Swire Pacific group accounts as at 31st December 2000 remains our best estimate of the group's cash exposure. However, the quantum of the Government's entitlement to premium and any interest, and the allocation of the cash payment between revaluation reserve, retained earnings and current year profit and loss have not yet been determined.

Aviation Division

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Share of (losses)/profits before taxation			
Associated companies			
Cathay Pacific Group*	(500)	618	1,805
Hong Kong Aircraft Engineering Group	106	126	242
Hong Kong Dragon Airlines	(47)	36	107
Hong Kong Air Cargo Terminals	119	102	229
	(322)	882	2,383
Attributable (loss)/profit	(486)	779	2,115

* These figures do not include Cathay Pacific Airways' share of profit from Hong Kong Aircraft Engineering group, Hong Kong Dragon Airlines and Hong Kong Air Cargo Terminals, which have been included in the attributable figures for those companies.

Operating Highlights

		Six months ended 30th June		Change
		2003	2002	
Cathay Pacific Airways				
Revenue passenger kilometres ("RPK")	Million	17,273	23,072	-25.1%
Passengers carried	'000	4,019	5,932	-32.3%
Passenger load factor	%	64.4	78.1	-13.7% pts
Passenger yield	HK cents	42.8	45.4	-5.7%
Cargo carried	'000 tonnes	406	386	+5.2%
Cargo and mail load factor	%	69.2	70.2	-1.0% pt
Cargo and mail yield	HK\$	1.72	1.83	-6.0%
Cost per available tonne kilometre ("ATK")	HK\$	2.09	2.26	-7.5%
Cost per ATK without fuel	HK\$	1.70	1.90	-10.5%
Aircraft utilisation	Hours per day	11.1	11.8	-5.9%
On-time performance	%	91.7	90.7	+1.0% pt

Cathay Pacific Airways Limited: During the first half of 2003, Cathay Pacific was confronted by the greatest commercial challenge in the company's history. The outbreak in mid March of SARS in Hong Kong had a severe impact on the airline's revenues. Passenger numbers fell dramatically to below one fifth of their normal level and the company issued its first ever profit warning on 11th April. For the first six months of the year Cathay Pacific group recorded a loss of HK\$1,241 million, compared to a profit of HK\$1,412 million recorded in the first half of 2002.

For the first half of 2003, passenger revenue shrank by 29.5% and passenger numbers fell by 32.3% compared to the same period last year. The passenger load factor

dropped to 64.4% despite a 9.2% reduction in seat capacity. Passenger yield fell 5.7% to HK\$42.8.

Demand for cargo services remained strong, particularly to the key markets in Europe and North America. Cargo revenues were up 11.4% on the same period last year. Cargo yield fell 6.0% to HK\$1.72.

Following the SARS outbreak, the airline responded quickly both to contain costs and conserve cash reserves by reducing passenger schedules. At the height of the crisis, Cathay Pacific cancelled 45% of its passenger flights and parked 22 aircraft. Shareholders and staff both provided support to the company by agreeing to reduce the 2002 final dividend and to accept unpaid leave respectively.

By mid-2003 Cathay Pacific had 80 aircraft in its fleet, including 69 passenger aircraft and 11 freighters. Six more aircraft, three B777-300s and three A330-300s, are due for delivery in late 2003 and early 2004. One B747-200 freighter, which had been parked since late 2001, was reintroduced into service.

Following the lifting of the World Health Organisation's travel advisory and Hong Kong's subsequent removal from the list of SARS infected areas, Cathay Pacific quickly began restoring services, and is currently operating 90% of the original passenger schedule with plans to return to a full schedule by September.

Cathay Pacific has also launched a range of special promotions and initiatives aimed at recovering lost business. The airline co-founded the "We Love Hong Kong" campaign aimed at restoring consumer confidence in Hong Kong and supported the Operation UNITE – with a promotion that offered packages of discounted fares to more than 40 cities worldwide.

In April, Hong Kong's Air Transport Licensing Authority granted Cathay Pacific licences to operate services to Beijing, Shanghai and Xiamen. In order to commence services, the airline is now seeking regulatory approval from the Hong Kong and Mainland China authorities, in line with established procedures. Services to Beijing are expected to commence within 2003.

AHK Air Hong Kong (AHK): SARS had little effect on the air freight business and the company reported a satisfactory interim profit against a loss reported in the same period last year.

Capacity, as a result of the return of two aircraft to Cathay Pacific in July 2002, fell by 84.6%. Load factor decreased to 55.8% whilst the yield increased significantly as the company shifted its focus to regional cargo business. AHK commenced a four times weekly service to Bangkok in March using a wet-leased B727-200 freighter.

AHK ordered six new A300-600 freighters for delivery in 2004 and early 2005 to expand its express cargo network in Asia.

Hong Kong Aircraft Engineering Company (HAECO): HAECO reported a profit attributable to its shareholders of HK\$190 million for the first half of 2003, compared with a profit of HK\$240 million for the same period last year. This reflects the absence of last year's provision

write-back and a reduction in line maintenance revenues during the SARS outbreak. The average number of aircraft handled daily was 164 compared with 191 in the first half of last year. The heavy maintenance and modification facilities operated by both HAECO and TAECO continued to be well used, and the latter's third hangar was opened on 24th March 2003. The contribution from Taikoo (Xiamen) Aircraft Engineering (TAECO) was HK\$46 million (2002: HK\$29 million) and from Hong Kong Aero Engine Services (HAESL) was HK\$80 million (2002: HK\$47 million). HAESL's engine throughput increased 13%; 90 engines were serviced compared with 80 in the same period last year. However, some delayed impact of SARS on base maintenance and engine overhaul will be felt in the second half of the year.

Hong Kong Dragon Airlines (Dragonair): Dragonair recorded an interim loss due to the dramatic fall in passenger traffic resulting from the SARS outbreaks in Hong Kong, Mainland China and Taiwan. The company reduced passenger capacity by over 60% and parked 11 aircraft in the second quarter.

Passenger numbers fell to 1.1 million compared to 1.6 million in the first half of 2002. Even with the substantial reductions in capacity, the passenger load factor fell to 50.4% compared to 64.5% on a full schedule in the same period last year.

With the removal of Hong Kong, Mainland China and Taiwan from the World Health Organisation's SARS-infected area list, the company expects to restore passenger capacity to 80% and 100% of the planned level in the third and fourth quarter of the year.

Cargo services were less affected by the SARS outbreak with a 6.6% points increase in cargo load factor, enabling overall growth of 49.6% in tonnage carried.

Hong Kong Air Cargo Terminals (Hactl): Hactl reported good results despite the SARS outbreak with a 5.3% growth in tonnage handled as compared to the same period in 2002.

Airline Catering: The interim results of the airline catering business was badly affected by the outbreak of SARS. Cathay Pacific Catering Services (HK) and all overseas flight kitchens implemented stringent cost control measures.

Hong Kong Airport Services (HAS): HAS reported an interim loss due to the large number of flight cancellations.

Beverages Division

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Turnover*	2,306	2,365	4,956
Operating profit	90	114	333
Share of profits before taxation Jointly controlled companies	112	64	140
Attributable profit	113	90	276

* Turnover does not include the Mainland China operations which are all jointly controlled companies. Total turnover from Mainland China operations was HK\$1,781 million in the first half of 2003 (2002: first half HK\$1,615 million; full year HK\$3,203 million).

Segment Information

	Turnover			Attributable Profit		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2002 HK\$M
Hong Kong	584	610	1,323	24	48	138
USA	1,321	1,292	2,696	49	41	110
Mainland China	-	-	-	49	10	33
Taiwan	401	463	937	3	11	30
Head office – costs	-	-	-	(12)	(20)	(35)
	2,306	2,365	4,956	113	90	276

Six months ended 30th June 2003

	Total	Hong Kong	USA	Taiwan	Mainland China
Sales volume (million cases)	185.3	19.8	36.9	18.6	110.0
Franchise population (million)	420.2	6.8	5.7	23.0	384.7
Number of plants	14	1	2	2	9
Number of employees	11,761	1,188	1,742	861	7,970

The division made an attributable profit of HK\$113 million for the half year, compared with a profit of HK\$90 million for the same period last year, with sales volume growing 2%. Sales were depressed in the second quarter due to concerns relating to the outbreak of SARS. However, underlying brand strength and good market execution are supporting a return to strong overall growth as consumer behaviour returns to normal.

Sales volume in **Mainland China** grew 9% for the first six months over the same period in 2002, driven largely by growth from Non-Carbonated Beverages. Brand presence has been extended in the tea and juice categories with the successful launch of Nestea and further expansion in the range of Qoo brand products. In addition, improved coordination of all aspects of purchasing across the system is delivering impressive

cost savings particularly in materials. Overall, profits from Mainland China operations have grown significantly. New marketing campaigns and product launches are expected to lift growth further in the second half of the year.

Hong Kong has faced further pressure on prices and volumes as a result of the generally weak economic climate and the impact of SARS on consumer behaviour during April and May. Despite new products and flavours, and further growth from Bonaqua mineral water, overall sales volume declined 6% compared to the first half of last year. Tight control of operating costs offset some, but not all, of the lost contribution. The stronger sales performance witnessed since the territory was declared free of SARS is expected to continue in the second half.

In **Taiwan**, sales volume for the first six months fell by 15% compared to the same period last year due to the combination of a continuing decline in the Carbonated Soft Drinks category and lower consumer demand. Lower financing charges and operating cost savings partly contained the consequential drop in profit. Sales are expected to pick up in the second half as consumption patterns return to normal, supported by

strong sales promotions and a range of new product launches.

The **USA** operations, consistent with other bottlers in this market, have seen a 2% decline in sales volume, driven by broad economic trends. Price improvements and cost savings more than offset the impact of the volume shortfall.

Marine Services Division

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Swire Pacific Offshore			
Turnover	569	456	993
Operating profit	128	162	352
Attributable profit	127	168	355
Share of profits before taxation			
Jointly controlled and associated companies			
Ship repair, land engineering and harbour towage	25	14	24
Container terminal operations	179	135	330
Offshore oil support services	13	14	25
	217	163	379
Attributable profit	293	294	658
Operating Highlights			
	Six months ended 30th June		Year ended 31st December
	2003	2002	2002
Fleet size (number of vessels)			
Swire Pacific Offshore	61	52	56
Hongkong Salvage & Towage	25	25	26
Total	86	77	82
Container terminal throughput ('000TEUs)			
Modern Terminals	2,021	1,647	3,775
Shekou Container Terminals	634	347	884
Total	2,655	1,994	4,659

The division reported attributable profits for the first half year of HK\$293 million, compared with HK\$294 million for the same period in 2002.

Swire Pacific Offshore achieved higher revenues on the back of expanded capacity but fleet utilisation and charter rates declined as a result of weaker global demand for oil exploration and sub-sea construction activity. The outlook for the second half of the year remains

somewhat uncertain. The company took delivery of the last UT-738 7,200 bhp Anchor Handling Tug Supply ('AHTS') vessel in its current new-build programme and three UT-710 10,800 bhp AHTS during the first six months. A further two 10,800 bhp AHTS will be delivered in the second half of the year, with two recently ordered 4,830 bhp AHTS to be delivered in 2004 and 2005. Its jointly controlled company has also added one vessel during the first half of 2003.

Hongkong United Dockyards was adversely affected by lower utilisation of its ship repair facility in the face of weak demand and industry over-capacity, resulting in a deterioration in profitability.

Hongkong Salvage & Towage reported an improvement in results due to an increase of vessel movements within Hong Kong harbour, and the gain on sale of four tugs. The company took delivery of three tugs during the first six months, with a further three tugs to be delivered in the second half of 2003 and in 2004. In June 2003, the company acquired a 55% stake in Australian Maritime

Services, a harbour towage company operating in Melbourne and Brisbane.

Modern Terminals and Shekou Container Terminals both saw an increase in profitability compared to the same period last year, with strong growth in the South China market resulting in the terminals achieving record throughput. The trend is expected to continue in the second half of the year. Shekou Container Terminals continues to benefit from the continued rapid growth of the Shenzhen region and an overall improvement in tariffs. The completion of the first of the two new berths in August 2003 will ease the current capacity constraints.

Trading & Industrial Division

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Turnover			
Taikoo Motors group	1,217	1,224	2,500
Swire Resources group	387	325	674
Other subsidiaries	115	158	309
	1,719	1,707	3,483
Operating profits/(losses)			
Taikoo Motors group	48	5	(131)
Swire Resources group	23	26	43
Other subsidiaries and head office costs	(11)	(2)	(2)
Profit on sale of jointly controlled companies	–	68	68
	60	97	(22)
Attributable profits/(losses)			
Taikoo Motors group	32	(22)	(174)
Swire Resources group	18	21	35
Other subsidiaries and head office costs	(11)	65	65
	39	64	(74)
Share of profits/(losses) before taxation			
Jointly controlled companies			
Swire SITA group	38	37	89
Crown Can group	21	7	14
ICI Swire Paints	3	4	19
Others	5	8	10
Write-off of sports footwear franchise	(3)	–	(35)
Discontinued businesses	–	1	1
	64	57	98
Attributable profit	98	113	4

The division reported a half year attributable profit of HK\$98 million compared with HK\$113 million in the same period last year. Most of the division's businesses recorded sales growth in the first quarter but performance in the second quarter was significantly disrupted by the effects of the SARS outbreaks in the division's major markets of Hong Kong, Mainland China and Taiwan.

Subsidiaries

Taikoo Motors Group reported profits of HK\$48 million compared to a post-provision HK\$5 million in the same period last year. Taikoo Motors Taiwan recorded a 24% decline in operating profit in the first half compared to 2002, with SARS depressing sales in April and May although the market has since recovered. Nevertheless the persistent weakness of the Taiwan dollar is raising prices of imported vehicles at the dealerships and reducing affordability. The addition of the Audi brand to the companies' portfolio in 2002 has strengthened the business. Prospects for the second half are good.

The division is no longer involved in car distribution in Mainland China. The Hong Kong car distribution businesses are also being restructured.

Swire Resources, the division's sports shoes and apparel business, now operates 61 shops in Hong Kong and 27 in China. Sales were up 19.1% in the first half compared to the same period in 2002 but profits at HK\$23 million were down by 11.5%. In general the company responded well to the collapse in retail demand in Hong Kong during the SARS outbreak although margins declined as the company introduced special incentives to maintain volumes. The result was also affected by the write-off of franchise goodwill.

Taikoo Sugar reported a loss of HK\$2.5 million in the first half compared to a loss of HK\$0.1 million in the same period last year. The company traded steadily in Hong Kong and regained some retail market share. In May the company opened a new packaging plant in Guangzhou and relaunched the Taikoo brand in Mainland China, with a major promotional campaign.

Swire Duro recorded a loss of HK\$3.9 million in the first half compared to HK\$0.3 million in 2002. Performance was well below budget due to delays in certain key construction projects. The forward order book is firm and the company should have a stronger second half.

Jointly Controlled Companies

Swire SITA Waste Services' profit was slightly ahead of last year. The Hong Kong transfer stations and landfills have performed well. Although tonnages are generally down, costs have been well controlled and there has been some easing in the decline of the relevant price indices for the first time in five years. The company continues to suffer larger than forecast losses from its waste-to-energy incinerator operation in Kaohsiung, Taiwan.

The Crown Can group reported a significantly improved profit compared to the same period last year. Demand for the companies' products, particularly in southern China, continues to increase and prices are stable. The April and May results were adversely affected by the SARS outbreak in Beijing. Prospects for the second half are encouraging.

ICI Swire Paints' sales in Mainland China were robust, gaining 20% over the same period in 2002. The growth in sales would likely have been better but for SARS. Profit was adversely impacted by the substantial promotional spending for the launch of a major new marketing initiative in the second half which will see the ICI premium brands promoted in several secondary cities and the launch of a new brand to address the much larger mid-market. Business in Hong Kong continues to be adversely affected by the weak property market.

Cash Flow Summary

	Six months ended 30th June	Year ended 31st December
	2003 HK\$M	2002 HK\$M
Net cash generated by businesses and investments		
Cash generated from operations	1,942	4,462
Cash from asset realisations*	1,081	3,272
Dividends received	1,070	1,245
Capital expenditure and investments**	(1,256)	(2,619)
Tax and net interest paid	(531)	(1,220)
	2,306	5,140
Cash paid to shareholders and net funding by external debt		
Share repurchases	(60)	(540)
Dividends paid	(1,447)	(1,884)
Decrease in borrowings	(570)	(2,603)
	(2,077)	(5,027)
Increase in cash and cash equivalents	229	113

* Includes proceeds from fixed asset disposals and the sale of shareholdings in and repayments of loans by jointly controlled and associated companies and investment securities as well as net changes in long-term receivables.

** Includes additions to fixed assets and deferred expenditure, purchase of shareholdings in and loans to jointly controlled and associated companies and investment securities.

Cash from asset realisations was derived mainly from the sale of trading properties in Ocean Shores and from the sale of The Albany units. Other receipts include the proceeds received from the disposal of Swire Beverages (Dongguan) Limited and the Hong Kong Spinners Industrial Building.

The main capital outlays related to construction costs for Cambridge House and Three Pacific Place and investments in offshore support vessels.

The repayment totalling HK\$1,400 million of fixed and floating rate notes were funded from the existing syndicated loan facilities. Other repayments relate to funds drawn from syndicated and bilateral revolving credit loans, funded by cash from operations and asset realisations. A new syndicated loan of HK\$2,300 million has been arranged in July to provide additional committed facilities.

Net Debt and Gearing

Shareholders' funds and minority interests at 30th June 2003 totalled HK\$73,312 million (31st December 2002: HK\$73,896 million). At 30th June 2003, net borrowings

were HK\$13,505 million, compared to HK\$14,188 million at 31st December 2002.

The group's gearing ratio was 18%: compared to 19% at 31st December 2002. 55% of the group's gross borrowings were on a fixed rate basis and 45% were on a floating basis.

Analysis of Gross Borrowings

Loan maturity profile

	HK\$M	
Within 1 year	3,700	26%
1 – 2 years	2,621	18%
2 – 5 years	3,341	23%
Over 5 years	4,642	33%
	14,304	100%

Currency profile

	HK\$M	
Hong Kong Dollar	7,845	55%
United States Dollar	5,985	42%
New Taiwan Dollar	445	3%
Others	29	–%
	14,304	100%

Sources of finance

At 30th June 2003, committed loan facilities and debt securities amounted to HK\$17,266 million, of which HK\$4,109 million or 24% remained undrawn. Together with undrawn uncommitted facilities of HK\$2,266 million, a total of HK\$6,375 million was available.

	Available HK\$M	Drawn HK\$M	Undrawn HK\$M
Committed facilities			
Perpetual Capital Securities	4,642	4,642	–
Bonds	2,321	2,321	–
Private Placement	852	852	–
Fixed/Floating Rate Notes	2,000	2,000	–
Bank and other loans	7,451	3,342	4,109
	<u>17,266</u>	<u>13,157</u>	<u>4,109</u>
Uncommitted facilities			
Money market and others	3,413	1,147	2,266

Contingent Liabilities

Guarantees given in respect of bank loans and other liabilities to jointly controlled companies and third parties at 30th June 2003 amounted to HK\$1,351 million compared to HK\$1,354 million at 31st December 2002.

Derivative Transactions

In the first half of 2003, the following derivative transactions entered into by Swire Pacific and its subsidiary companies matured.

- Options, swaps and forwards totalling HK\$83 million for the purpose of hedging aluminium prices. The aluminium is required for cans used by Swire Beverages.
- A floating rate of interest swap (Swire pays) for fixed rate payment (Swire receives) on a principal of HK\$1,200 million.

All other derivative transactions listed on page 34 of the 2002 Annual Report remain outstanding as at 30th June 2003. That report also sets out the group's policy on treasury management.

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong accounting standards, the group's balance sheet does not include the net debt in its jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2003 and at the end of 2002:

	Total net debt		Portion of net debt attributable to Swire Pacific		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2003 HK\$M	31st December 2002 HK\$M	30th June 2003 HK\$M	31st December 2002 HK\$M	30th June 2003 HK\$M	31st December 2002 HK\$M
Property Division	2,323	2,404	716	736	343	349
Aviation Division						
Cathay Pacific	11,230	9,645	5,187	4,414	–	–
Hactl	2,434	2,711	599	666	–	–
Dragonair	2,781	2,606	443	413	–	–
Other Aviation Division companies	201	(45)	26	(91)	8	–
Beverages Division	(389)	(167)	(218)	(97)	–	–
Marine Services Division	2,045	1,707	568	499	500	500
Trading & Industrial Division	(130)	(42)	(50)	(14)	–	–
	<u>20,495</u>	<u>18,819</u>	<u>7,271</u>	<u>6,526</u>	<u>851</u>	<u>849</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2003 – unaudited

	Note	Six months ended 30th June		Year ended 31st December	
		2003 HK\$M	2002 HK\$M (restated)	2002 HK\$M (restated)	
Turnover		7,240	7,406	15,215	
Cost of sales		(3,778)	(3,627)	(7,727)	
Gross profit		3,462	3,779	7,488	
Other revenue		14	98	133	
Distribution costs		(936)	(894)	(1,814)	
Administrative expenses		(486)	(501)	(1,032)	
Other operating expenses		(94)	(171)	(430)	
Operating profit	3	1,960	2,311	4,345	
Finance charges		(265)	(315)	(632)	
Finance income		43	20	85	
Net finance charges	4	(222)	(295)	(547)	
Share of profits less losses of jointly controlled companies		259	214	(36)	
Share of profits less losses of associated companies		(171)	1,042	2,750	
Profit before taxation		1,826	3,272	6,512	
Taxation	5	475	374	772	
Profit after taxation		1,351	2,898	5,740	
Minority interests		164	182	380	
Profit attributable to shareholders		1,187	2,716	5,360	
Dividends					
Interim – proposed/paid		490	618	618	
Final – proposed		–	–	1,378	
		490	618	1,996	
		HK¢	HK¢	HK¢	
Earnings per share	6				
'A' shares		77.5	175.0	346.4	
'B' shares		15.5	35.0	69.3	
		2003	2002		
		Interim HK¢	Interim HK¢	Final HK¢	Total HK¢
Dividends per share					
'A' shares		32.0	40.0	90.0	130.0
'B' shares		6.4	8.0	18.0	26.0

CONSOLIDATED BALANCE SHEET

At 30th June 2003 – unaudited

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	Note	30th June 2003 HK\$M	31st December 2002 HK\$M (restated)
ASSETS			
Non-current assets			
Fixed assets	7	67,760	66,975
Jointly controlled companies		5,343	5,845
Associated companies		16,707	17,983
Investment securities and long-term receivables		331	338
Deferred expenditure		195	217
Deferred tax assets		61	59
Retirement benefit assets		131	128
		90,528	91,545
Current assets			
Properties for sale		2,666	2,442
Stocks and work in progress		850	932
Trade and other receivables	8	1,820	2,146
Held-to-maturity securities – unlisted		3	2
Short-term deposits and bank balances		702	472
		6,041	5,994
Current liabilities			
Trade and other payables	9	7,480	7,630
Taxation		409	306
Bank overdrafts and short-term loans		1,347	1,683
Long-term loans and bonds due within one year		2,353	3,107
		11,589	12,726
Net current liabilities			
		(5,548)	(6,732)
Total assets less current liabilities			
		84,980	84,813
Non-current liabilities			
Perpetual capital securities		4,642	4,642
Long-term loans and bonds		5,962	5,324
Deferred tax liabilities		838	730
Deferred liabilities		110	107
Retirement benefit liabilities		116	114
		11,668	10,917
Minority interests		4,858	4,861
NET ASSETS			
		68,454	69,035
CAPITAL AND RESERVES			
Share capital		919	920
Reserves	10	67,535	68,115
SHAREHOLDERS' FUNDS			
		68,454	69,035

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003 – unaudited

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Operating activities			
Cash generated from operations	1,942	2,041	4,462
Interest paid	(451)	(462)	(1,007)
Interest received	43	19	85
Profits tax paid	(123)	(71)	(298)
	1,411	1,527	3,242
Dividends received from jointly controlled and associated companies and other investments	1,070	552	1,245
Net cash from operating activities	2,481	2,079	4,487
Investing activities			
Purchase of fixed assets	(1,021)	(880)	(2,099)
Proceeds from fixed asset disposals	332	410	605
Purchase of shareholdings in and loans to jointly controlled companies	(56)	(32)	(420)
Purchase of shareholdings in and loans to associated companies	(140)	–	(3)
Sale of shareholdings in and repayment of loans by jointly controlled companies	740	2,088	2,434
Sale of shareholdings in and repayment of loans by associated companies	–	199	200
Sale of shareholdings in and repayment of loans by investment securities	10	9	10
Purchase of investment securities	–	(35)	(35)
(Increase)/decrease in long-term receivables	(1)	10	23
Deferred expenditure	(39)	(21)	(62)
Net cash (used in)/generated from investing activities	(175)	1,748	653
Net cash inflow before financing	2,306	3,827	5,140
Financing activities			
Loans drawn and refinancing	1,097	300	862
Repayment of loans	(1,551)	(2,829)	(3,290)
Repayment of loans to minority interests	(116)	(42)	(175)
Repurchase of Company's shares	(60)	–	(540)
Dividends paid – to shareholders	(1,378)	(1,179)	(1,797)
– to minority interests	(69)	(50)	(87)
Net cash used in financing activities	(2,077)	(3,800)	(5,027)
Increase in cash and cash equivalents	229	27	113
Cash and cash equivalents at 1st January	464	349	349
Currency adjustment	–	6	2
Cash and cash equivalents at end of the period	693	382	464
Represented by:			
Unlisted held-to-maturity securities maturing within three months	3	65	2
Bank balances and short-term deposits maturing within three months	702	317	472
Bank overdrafts	(12)	–	(10)
	693	382	464

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003 – unaudited

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	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M (restated)	2002 HK\$M (restated)
At 1st January			
– as originally stated	69,266	72,825	72,825
– change in accounting policy for deferred taxation (notes 2 and 5)	(231)	(187)	(187)
– as restated	69,035	72,638	72,638
Goodwill reinstated			
– on disposal of subsidiary and associated companies	–	3	22
– upon impairment	3	–	93
Decrease in property valuation arising during the year	–	–	(5,367)
Share of deficit on revaluation of investment properties held by jointly controlled companies	–	–	(41)
Revaluation surplus on investment properties transferred to operating profit on disposal	(70)	(337)	(452)
Exchange differences on cash flow hedges			
– recognised during the period	(193)	(529)	(600)
– transferred to the profit and loss account	(13)	(198)	(333)
Revaluation (deficit)/surplus on investment securities recognised during the period	(57)	185	49
Exchange differences	–	21	3
Net losses not recognised in the consolidated profit and loss account	(330)	(855)	(6,626)
Profit for the period	1,187	2,716	5,360
Dividends paid	(1,378)	(1,179)	(1,797)
Repurchase of Company's shares			
– shares repurchased and cancelled	(1)	–	(11)
– premium paid on repurchases	(59)	–	(529)
At end of the period	68,454	73,320	69,035
Represented by:			
Balance after proposed dividend	67,964	72,702	67,657
Proposed dividend	490	618	1,378
	68,454	73,320	69,035

1. Segment Information

(a) Primary reporting format – business segments by division:

Six months ended 30th June 2003	The Company and its subsidiaries			Jointly controlled companies	Associated companies	Group	Profit attributable to Swire Pacific shareholders
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M	Profit before taxation HK\$M	HK\$M
Property							
Property investment	2,193	1,576	(94)	12		1,494	1,126
Property trading	350	103		(1)		102	144
Sale of investment properties	119	90				90	90
Hotels and restaurants				(1)	7	6	1
Provision for development properties						–	–
	2,662	1,769	(94)	10	7	1,692	1,361
Aviation							
Aviation services and airline catering							
Cathay Pacific Group					(500)	(500)	(582)
Hong Kong Dragon Airlines					(47)	(47)	(50)
Aircraft engineering					106	106	86
Cargo handling					119	119	60
	–	–	–	–	(322)	(322)	(486)
Beverages	2,306	90	(12)	112	–	190	113
Marine Services							
Ship repair, land engineering and harbour towage				25		25	18
Container handling				35	144	179	148
Shipowning and operating	569	128	(10)	13		131	127
	569	128	(10)	73	144	335	293
Trading & Industrial							
Car distribution	1,217	48	(3)			45	32
Shoe and apparel distribution	387	23		2		25	18
Waste services				38		38	33
Beverages can supply				21		21	20
Paint supply				3		3	6
Other activities	115	(11)				(11)	(11)
	1,719	60	(3)	64	–	121	98
Head Office	15	(87)	(103)	–	–	(190)	(192)
Inter-segment elimination	(31)						
Total	7,240	1,960	(222)	259	(171)	1,826	1,187

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

(b) Secondary reporting format – geographical segments:

	Turnover			Operating profit/(loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2002 HK\$M
Hong Kong	3,391	3,938	7,700	1,605	2,009	3,615
Asia (excluding Hong Kong)	1,612	1,642	3,324	48	42	77
North America	1,668	1,370	3,200	179	98	301
Shipowning and operating	569	456	991	128	162	352
	7,240	7,406	15,215	1,960	2,311	4,345

The activities of the Swire Pacific group are based mainly in Hong Kong. Shipowning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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1. Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

Six months ended 30th June 2002	The Company and its subsidiaries			Jointly controlled companies	Associated companies	Group	Profit attributable to Swire Pacific shareholders HK\$M (restated)
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M	Profit before taxation HK\$M	
Property							
Property investment	2,355	1,723	(189)	11		1,545	1,232
Property trading	129	11		52		63	58
Sale of investment properties	410	315				315	314
Hotels and restaurants				(9)	36	27	21
Provision for development properties						–	–
	2,894	2,049	(189)	54	36	1,950	1,625
Aviation							
Airline services and airline catering							
Cathay Pacific Group					618	618	580
Hong Kong Dragon Airlines					36	36	30
Aircraft engineering					126	126	108
Cargo handling					102	102	61
	–	–	–	–	882	882	779
Beverages	2,365	114	(23)	64	–	155	90
Marine Services							
Ship repair, land engineering and harbour towage				14		14	11
Container handling				11	124	135	115
Shipowning and operating	456	162	(5)	14		171	168
	456	162	(5)	39	124	320	294
Trading & Industrial							
Car distribution	1,224	5	(4)			1	(22)
Shoe and apparel distribution	325	26		7		33	25
Waste services				37		37	32
Beverages can supply				7		7	7
Paint supply				4		4	4
Other activities	158	66		2		68	67
	1,707	97	(4)	57	–	150	113
Head Office	12	(111)	(74)	–	–	(185)	(185)
Inter-segment elimination	(28)						
Total	7,406	2,311	(295)	214	1,042	3,272	2,716

1. Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

	The Company and its subsidiaries			Jointly controlled companies	Associated companies	Group	Profit attributable to Swire Pacific shareholders
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M	Profit before taxation HK\$M	HK\$M (restated)
Year ended 31st December 2002							
Property							
Property investment	4,693	3,338	(330)	22		3,030	2,419
Property trading	565	125		54		179	155
Sale of investment properties	555	409				409	407
Hotels and restaurants				(36)	72	36	23
Provision for development properties				(398)		(398)	(398)
	5,813	3,872	(330)	(358)	72	3,256	2,606
Aviation							
Airline services and airline catering							
Cathay Pacific Group					1,805	1,805	1,677
Hong Kong Dragon Airlines					107	107	86
Aircraft engineering					242	242	209
Cargo handling					229	229	143
	-	-	-	-	2,383	2,383	2,115
Beverages	4,956	333	(41)	140	-	432	276
Marine Services							
Ship repair, land engineering and harbour towage				24		24	21
Container handling				35	295	330	282
Shipowning and operating	993	352	(12)	25		365	355
	993	352	(12)	84	295	719	658
Trading & Industrial							
Car distribution	2,500	(131)	(7)			(138)	(174)
Shoe and apparel distribution	674	43	(1)	(25)		17	7
Waste services				89		89	75
Beverages can supply				14		14	13
Paint supply				19		19	18
Other activities	309	66		1		67	65
	3,483	(22)	(8)	98	-	68	4
Head Office	127	(190)	(156)	-	-	(346)	(299)
Inter-segment elimination	(157)						
Total	15,215	4,345	(547)	(36)	2,750	6,512	5,360

2. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared on a basis consistent with the principal accounting policies adopted in the 2002 annual accounts, with the exception of changes in accounting policies to comply with the Statement of Standard Accounting Practice ("HK SSAP") 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1st January 2003.

On adoption of the revised HK SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, provisions for retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary, jointly controlled and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised HK SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Opening revenue reserves at 1st January 2002 and 2003 have been reduced by HK\$187 million and HK\$231 million respectively which represent the unprovided net deferred tax liabilities for subsidiary, jointly controlled and associated companies. The effect of this change in accounting policy on the balance sheet as at 31st December 2002 and the profit and loss account for the year then ended is set out in note 5.

The condensed consolidated accounts have been prepared in accordance with HK SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

3. Operating profit

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Operating profit has been arrived at after charging:			
Cost of stocks sold	2,771	2,710	5,755
Depreciation of fixed assets	258	256	523
Staff costs	899	871	1,766
Operating lease rentals			
Land and buildings	55	46	94
Other equipment	10	15	19
Amortisation of deferred expenditure	30	29	74
Impairment losses on			
Fixed assets	-	-	93
Goodwill	-	-	41
Investment securities	-	29	35
Restructuring costs for Mainland China motor business	-	50	58
and after crediting:			
Gross rental income	2,157	2,324	4,625
Less: Outgoings	444	464	992
Net rental income	1,713	1,860	3,633
Charter hire income	569	456	991
Profit on sale of development properties	103	11	125
Profit on sale of fixed assets	88	314	416
Profits on sale of jointly controlled companies	-	68	88

4. Net finance charges

	Six months ended 30th June		Year ended 31st December
	2003 HK\$M	2002 HK\$M	2002 HK\$M
Interest charged on:			
Bank loans and overdrafts	52	46	141
Other loans and bonds	393	413	808
Deferred into properties under development for sale			
- subsidiary companies	(28)	(14)	(38)
- jointly controlled companies	(25)	(38)	(67)
Capitalised on			
- investment properties	(125)	(87)	(205)
- vessels	(2)	(5)	(7)
	265	315	632
Interest income on:			
Short-term deposits and bank balances	(6)	(6)	(12)
Other loans	(37)	(14)	(73)
	(43)	(20)	(85)
	222	295	547

5. Taxation

	Six months ended 31st June		Year ended 31st December
	2003 HK\$M	2002 HK\$M (restated)	2002 HK\$M (restated)
The Company and its subsidiary companies:			
Hong Kong – profits tax	171	166	277
– deferred taxation	98	19	34
Overseas – profits tax	55	44	111
– deferred taxation	8	24	58
Jointly controlled companies:			
Profits tax	29	40	61
Deferred taxation	(60)	(23)	(37)
Associated companies:			
Profits tax	99	68	209
Deferred taxation	75	36	59
	475	374	772

(a) Hong Kong profits tax is calculated at 17.5% (2002: 16.0%) on the estimated assessable profits for the period. Overseas taxation is calculated at tax rates applicable in countries in which the group is assessable for tax.

(b) The change in accounting policy in accordance with the HK SSAP 12 (revised) "Income taxes" has been applied retrospectively and the comparatives have been restated.

The adjustments to the balance sheet at 31st December 2002 are as follows:

	HK\$M
Increase in jointly controlled companies	328
Decrease in associated companies	(5)
Increase in deferred tax assets	52
Increase in deferred tax liabilities	(692)
Decrease in minority interests	86
Decrease in revenue reserve	(231)

The profit for the year ended 31st December 2002 has been reduced by HK\$44 million, with HK\$49 million charged to taxation and HK\$5 million credited to minority interests.

6. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders for the period ended 30th June 2003 of HK\$1,187 million (30th June 2002: HK\$2,716 million; 31st December 2002: HK\$5,360 million) by the weighted average number of 930,580,476 'A' shares and 3,003,486,271 'B' shares in issue during the period (30th June 2002: 940,111,885 'A' shares and 3,059,301,271 'B' shares; 31st December 2002: 938,809,367 'A' shares and 3,043,155,572 'B' shares).

7. Fixed assets

	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M
Cost or valuation:				
At 31st December 2002	63,540	3,887	4,101	71,528
Translation differences	3	3	(1)	5
Additions	560	106	482	1,148
Disposals	(102)	(105)	(27)	(234)
At 30th June 2003	64,001	3,891	4,555	72,447
Depreciation:				
At 31st December 2002	610	2,614	1,329	4,553
Translation differences	–	1	–	1
Charge for the period	28	155	75	258
Disposals	(3)	(95)	(27)	(125)
At 30th June 2003	635	2,675	1,377	4,687
Net book value:				
At 30th June 2003	63,366	1,216	3,178	67,760
At 31st December 2002	62,930	1,273	2,772	66,975

8. Trade and other receivables

Trade and other receivables of HK\$1,820 million includes trade debtors of HK\$1,114 million. The aged analysis of these is as follows:

	30th June 2003 HK\$M	31st December 2002 HK\$M
Under three months	1,000	888
Between three and six months	87	60
Over six months	27	25
	1,114	973

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

9. Trade and other payables

Trade and other payables of HK\$7,480 million includes trade creditors of HK\$431 million. The aged analysis of these is as follows:

	30th June 2003 HK\$M	31st December 2002 HK\$M
Under three months	427	391
Between three and six months	2	9
Over six months	2	8
	431	408

10. Reserves

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
At 31st December 2002							
– as originally stated	44,644	22,892	342	32	183	253	68,346
– change in accounting policy for deferred taxation (notes 2 and 5)	(231)	–	–	–	–	–	(231)
– as restated	44,413	22,892	342	32	183	253	68,115
Profit for the period	1,187	–	–	–	–	–	1,187
Repurchase of Company's shares							
– premium paid on repurchase	(59)	–	–	–	–	–	(59)
– transfer between reserves	(1)	–	–	1	–	–	–
2002 final dividend	(1,378)	–	–	–	–	–	(1,378)
Goodwill reinstated upon impairment	3	–	–	–	–	–	3
Revaluation surplus on investment properties transferred to operating profit on disposal	–	(70)	–	–	–	–	(70)
Exchange differences on cash flow hedges							
– recognised during the period	–	–	–	–	–	(193)	(193)
– transferred to the profit and loss account	–	–	–	–	–	(13)	(13)
Revaluation deficit on investment securities recognised during the period	–	–	–	–	(57)	–	(57)
At 30th June 2003	44,165	22,822	342	33	126	47	67,535

The revenue reserve includes HK\$490 million representing the proposed interim dividend for the period (31st December 2002: HK\$1,378 million representing the proposed final dividend for 2002).

11. Contingencies and commitments

	30th June 2003 HK\$M	31st December 2002 HK\$M
Outstanding commitments for capital expenditure at the end of the period:		
Contracted for but not provided for in the accounts	1,823	2,129
Authorised by Directors but not contracted for	566	499
Guarantees have been given in respect of bank loans and other liabilities outstanding at the end of the period amounting to:		
Jointly controlled companies	1,214	1,211
Third parties	137	143
	1,351	1,354

12. Related party transactions

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. The counterparty was John Swire & Sons Limited ("JS&S") until 30th June 2002 and has been John Swire & Sons (HK) Limited, a wholly-owned subsidiary of JS&S, since 1st July 2002. Service fees are calculated as 2.5% (2002: 2.5%) of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies.

The following is a summary of the significant transactions between the group and related parties which were carried out in the normal course of the group's business:

Notes	For the six months ended 30th June							
	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M	2003 HK\$M	2002 HK\$M
(a) Revenue from sales of goods and rendering of services	15	15	4	5	-	-	-	-
(a) Purchases of goods and services	89	95	17	15	4	5	-	-
(b) Rental revenue	2	7	4	3	4	4	20	21
(c) Interest income	2	4	8	10	-	-	-	-
(c) Interest charges	3	4	-	-	-	-	-	-

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

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 than those charged to/by and contracted with other third party 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) Quasi-equity loans advanced to jointly controlled and associated companies are non-interest bearing whilst other loans advanced to and loans due to jointly controlled companies bear interest at market rates. These loans have no fixed settlement dates.

Corporate governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Directors' interests

At 30th June 2003, 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), Cathay Pacific Airways Limited and John Swire & Sons Limited:

Swire Pacific Limited	Capacity		Total No. of Shares	Percentage of Issued Capital (%)	Remarks
	Beneficial Interest (Personal)	Trust Interest			
- 'A' shares					
J W J Hughes-Hallett	4,500	–	4,500	0.0005	–
P A Johansen	10,000	–	10,000	0.0011	–
Sir Adrian Swire	–	1,364,006	1,364,006	0.1466	See Note 1
D M Turnbull	1,266	–	1,266	0.0001	–
- 'B' shares					
D Ho	100,000	–	100,000	0.0033	–
J W J Hughes-Hallett	158,000	–	158,000	0.0053	–
P A Johansen	–	200,000	200,000	0.0067	See Note 2
C Lee	750,000	20,500,000	21,250,000	0.7075	See Note 3
Sir Adrian Swire	4,813,169	20,810,916	25,624,085	0.8531	See Note 1

John Swire & Sons Ltd.	Capacity			Total No. of Shares	Percentage of Issued Capital (%)	Remarks
	Beneficial Interests		Trust Interest			
	Personal	Family				
- Ordinary Shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	See Note 4
P A Johansen	8,000	–	–	8,000	0.01	See Note 4
Sir Adrian Swire	2,292,152	2,815,062	37,699,197	42,806,411	42.81	See Note 5
- 8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	See Note 4
Sir Adrian Swire	1,187,958	843,411	11,668,415	13,699,784	45.67	See Note 5

Cathay Pacific Airways Limited	Beneficial Interest (Personal)	Percentage of Issued Capital (%)
- Ordinary Shares		
J W J Hughes-Hallett	12,000	0.0004

Notes:

- All the Swire Pacific Limited 'A' and 'B' shares held by Sir Adrian Swire under "Trust Interest" are held by him as trustee only and he has no beneficial interest in those shares.
- P A Johansen is a beneficiary of trusts which hold the 200,000 Swire Pacific Limited 'B' shares listed under "Trust Interest".
- C Lee is a beneficiary of a trust which holds the 20,500,000 Swire Pacific Limited 'B' shares listed under "Trust Interest".
- Sir Adrian Swire has a residual beneficial interest in 4,000 Ordinary Shares in John Swire & Sons Limited held by each of Baroness Dunn and P A Johansen and in 1,200 Preference Shares held by Baroness Dunn. These holdings are therefore duplicated in the personal interest of Sir Adrian Swire.
- Neither Sir Adrian Swire nor his wife, who are trustees of trusts which hold the Ordinary and Preference Shares in John Swire & Sons Limited listed under "Trust Interest" has any beneficial interest in those shares.

Included in the personal beneficial interest of Sir Adrian Swire are 18,426 Ordinary Shares and 2,453 Preference Shares held by other shareholders in which he has a residual beneficial interest.

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 Swire Pacific Limited or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' and other interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that at 30th June 2003 the Company had been notified of the following interests in the Company's shares:

Substantial Shareholders	'A' shares	Percentage of Issued Capital (%)	'B' shares	Percentage of Issued Capital (%)	Remarks
John Swire & Sons Limited	40,765,128	4.38	2,012,783,265	67.01	See Note 1
Brandes Investment Partners, L.P.	114,907,665	12.35	–	–	See Note 2
Franklin Resources, Inc.	103,228,390	11.10	–	–	See Note 2
Templeton Global Advisors Ltd.	74,837,200	8.04	–	–	See Note 3

Other Shareholders	'A' shares	Percentage of Issued Capital (%)	Remarks
The Capital Group Companies, Inc.	46,080,776	4.95	See Note 4
J.P. Morgan Chase & Co.	64,614,748	6.95	See Note 5

Notes:

1. The shares held by John Swire & Sons Limited are held in the capacity of beneficial owner.
2. These notifications were filed under the repealed Securities (Disclosure of Interests) Ordinance and the capacities in which they are held were not given.
3. The shares held by Templeton Global Advisors Ltd. are held in the capacity of investment manager and are duplications of those held by Franklin Resources, Inc.
4. These shares are held by The Capital Group Companies, Inc. in the capacity of investment manager.
5. The shares held by J.P. Morgan Chase & Co. are held in the following capacities:

No. of Shares	Capacity
1,451,500	Beneficial Owner
10,494,189	Investment Manager
52,669,059	Lending Pool

At 30th June 2003, the John Swire & Sons Limited Group owned directly or indirectly interests in shares of Swire Pacific Limited representing 29.37% of the issued capital and 52.82% of the voting rights.

Share capital

During the period under review, Swire Pacific Limited made the following purchases of its 'A' shares on the Hong Kong stock exchange. These purchases were made for the benefit of the Company and the shareholders taking into account relevant factors and circumstances at the time. All the shares purchased were cancelled.

Month	Number purchased	Highest price paid HK\$	Lowest price paid HK\$	Total cost HK\$
January	1,932,500	31.90	29.35	60,382,400