

Delivering Value



INFORMATION FOR INVESTORS

Registered Office

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

Registrars

Computershare Hong Kong Investor Services Limited
19th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Website: <http://www.computershare.com.hk>

Depository

The Bank of New York
ADR Division
101 Barclay Street
22nd Floor
New York, NY10286
U.S.A.

Website : www.adrbny.com

E-mail : ADR@bankofny.com

(Toll free) : 1-888-BNY-ADRS (1-888-269-2377)

Fax : 1-212-571-3050

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.

Investor Relations

E-mail: corporateaffairs@swirepacific.com

Public Affairs

E-mail : publicaffairs@swirepacific.com

Tel : (852) 2840-8098

Fax : (852) 2526-9365

Website : <http://www.swirepacific.com>

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

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FINANCIAL HIGHLIGHTS

	Note	Six months ended 30th June		Year ended 31st December
		2004 HK\$M	2003 HK\$M	2003 HK\$M
Turnover		8,491	7,240	17,568
Operating profit		2,585	1,960	4,585
Profit attributable to shareholders		2,952	1,187	4,922
Cash generated from operations		2,112	1,942	5,333
Net cash inflow before financing		4,104	2,306	6,348
Shareholders' funds and minority interests		75,033	73,312	73,307
Consolidated net borrowings		7,829	13,505	10,174
<hr/>				
		HK¢	HK¢	HK¢
Earnings per share	1			
'A' shares		192.8	77.5	321.4
'B' shares		38.6	15.5	64.3
<hr/>				
		HK¢	HK¢	HK¢
Dividends per share				
'A' shares		58.0	32.0	134.0
'B' shares		11.6	6.4	26.8
<hr/>				
		HK\$	HK\$	HK\$
Shareholders' funds per share				
'A' shares		45.58	44.71	44.47
'B' shares		9.12	8.94	8.89
Gearing ratio – percentage	2	10	18	14
Interest cover – times	3	3.92	8.83	9.88
Cash interest cover – times	4	3.32	4.88	5.90
Dividend cover – times	5	3.32	2.42	2.40

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. In the first half of 2004 finance charges include a non-recurring net charge of HK\$459 million in respect of the Taikoo Shing land premium.
- 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.

CHAIRMAN'S STATEMENT

Consolidated Results

The profit attributable to shareholders for the first half of 2004 was HK\$2,952 million. This result was significantly higher than the figure of HK\$1,187 million reported in the first half of 2003, at the time of the SARS outbreak.

Your directors have today declared interim dividends of HK¢58.0 (2003: HK¢32.0) per 'A' share and HK¢11.6 (2003: HK¢6.4) per 'B' share payable on 5th October 2004 to shareholders registered at the close of business on 20th September 2004. The share registers will be closed from 15th September to 20th September 2004, both dates inclusive.

Operating results

The Property Division produced strong operating profits in the first half with sales of investment property augmenting recurrent rental income. Although rental income from the office portfolio fell, both retail rents and contributions from hotels improved. The increase in operating profits was partly absorbed by a provision of HK\$500 million for interest on land premium relating to the Taikoo Shing arbitration, resulting in attributable profits increasing 9% over the same period in 2003 to HK\$1,483 million.

The Aviation Division reported an attributable profit of HK\$976 million. This compares to a loss of HK\$486 million in the first half of 2003 which was adversely impacted by SARS. For comparison purposes, a profit of HK\$779 million was recorded in the first half of 2002. Strong traffic growth was partly tempered by significantly increased fuel costs.

The Beverages, Marine Services and Trading & Industrial Divisions' combined profits attributable to Swire Pacific grew 34% to HK\$674 million with container terminal operations, Swire Pacific Offshore, Taikoo Motors, Swire Resources and Swire Coca-Cola operations in Mainland China and Taiwan accounting for the majority of the increase.

Finance

The group's financial position remains strong with gearing of 10% at 30th June 2004, and interest cover of 3.92 for the half year. Committed but undrawn facilities totalled HK\$4,988 million. Since 30th June, Swire Properties has agreed to make a payment on account of the Taikoo Shing land premium in an amount of HK\$2,027 million.

During the half year the Company purchased 16,075,000 shares in Cathay Pacific Airways, at a total cost of HK\$225 million, increasing its ownership interest to 46.5%.

Prospects

Profits from investment property sales are likely to be lower in the second half. Net rental income for the full year will also be less than in 2003, but there are increasingly clear signs of a pick-up in demand for office space signalling a brighter outlook for 2005. The Aviation Division is enjoying strong demand and prospects for continued growth are good, although concerns remain over persistently high fuel prices. Good performances are also expected from the other divisions in the second half and, overall, your company's prospects for the full year are encouraging.

James Hughes-Hallett

Chairman

Hong Kong, 12th August 2004

Property Division

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Turnover			
Gross rental income derived from			
Offices	808	997	1,920
Retail	1,094	1,035	2,123
Residential	100	125	236
Other income (Note)	42	36	88
Property investment	2,044	2,193	4,367
Property trading	274	350	2,365
Sale of investment properties	766	119	833
Total turnover	3,084	2,662	7,565
Operating profit derived from			
Property investment	1,450	1,576	3,173
Property trading	98	103	213
Sale of investment properties	654	90	558
Total operating profit	2,202	1,769	3,944
Share of profits, before taxation, from jointly controlled and associated companies	73	17	66
Attributable profit	1,483	1,361	3,123

Note: Other income is mainly estate management fees.

Investment property portfolio – gross floor area ('000 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	841	183	–	585	73
Total completed	12,020	6,136	1,811	3,383	690
Under and pending development	3,202	3,195	–	7	–
Total	15,222	9,331	1,811	3,390	690

Hong Kong investment property: Gross rental income for the half year to 30th June 2004 amounted to HK\$2,002 million, compared with HK\$2,157 million for the corresponding period in 2003. Income from the office portfolio decreased by 19%, a reflection of the combination of low demand and abundant supply. At 30th June 2004 the vacancy rate in the office portfolio was similar to the end of 2003, at around 20%, with vacancy in Island East somewhat higher than in Hong Kong Central, but there has been a welcome pick-up in demand and rental levels in recent months.

Retail rental income increased slightly compared with the same period in 2003. Retail sales have continued to grow, fuelled both by domestic consumption and by surging tourist arrivals from the Mainland.

Construction of Three Pacific Place, comprising 630,000 square feet of office space, has recently been completed and receipt of an occupation permit is expected shortly.

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Demolition work has been completed at 16 Westlands Road and site investigation work will commence shortly. Building plans have been approved for the construction of an office building of approximately 1,550,000 square feet, but no decision has yet been taken on when to proceed with this project.

Hong Kong property trading: The residential market was active during the period, with sales volumes and prices increasing sharply. Swire Properties' remaining inventory at The Orchards, Les Saisons and Seaview Crescent is now sold out with only two units at Tung Chung Crescent and 105 units at Ocean Shores remaining to be sold.

Sale of investment properties: 13 apartments and the two penthouses at The Albany were sold in the first half of 2004. 13 units remain to be sold.

Hotels: The increase in inbound visitors has had a positive impact on occupancies and room rates at the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place. At the Mandarin Oriental Miami results continue to improve and a small operating profit was achieved in the first half.

Mainland China: Swire Properties has signed a revised joint venture agreement to increase its stake in the Taikoo Hui mixed-use commercial development in Guangzhou to 97%. It is expected that work on the project will commence shortly.

USA: Construction is well underway at The Carbonell, a 284-unit condominium tower on Brickell Key, Miami. 274 units have been sold to date, with completion scheduled for July 2005. At Courts Brickell Key, which was completed in late 2002, three units remain to be sold. Construction at Jade Residences, where only two units are unsold, is almost complete.

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. In July 2003 the Court of Final Appeal refused to grant Swire Properties leave to appeal on a point of law. Following a fresh hearing held in February 2004, the arbitrator determined that the valuation dates for the purpose of quantifying the amount of land premium on the office towers should be the dates on which

occupation permits were issued for each of the buildings, and that interest should be calculated at two-thirds of HIBID from those valuation dates.

Swire Properties and the Lands Department have been engaged in discussions over the past few months attempting to settle land premium figures for the Cityplaza office towers at the respective valuation dates. Those discussions continue, by mutual agreement. In the event that a settlement cannot be reached, the amount of land premium will be determined by a panel of experts.

An amount of HK\$4,500 million was provided in the Swire Pacific group accounts as at 31st December 2000. Of this amount HK\$250 million related to the Horizon Gardens residential scheme and HK\$4,250 million related to the Cityplaza office towers. Outstanding issues on Horizon Gardens have now been fully resolved. Land premium of HK\$151 million was paid in March 2001 and the interest thereon has now been determined to be HK\$58 million. The provision of HK\$250 million previously charged to the profit and loss account was therefore overstated, and the remaining balance of HK\$41 million has been credited to the profit and loss account in the period to 30th June 2004.

In respect of the three Cityplaza office towers, whilst the valuation dates, interest rate and period for calculating premium interest have now been determined, the quantum of premium remains to be settled in accordance with the procedure outlined above. The amount of HK\$4,250 million accrued previously is considered to remain more than adequate to cover Swire Pacific's total cash exposure. Swire Properties has agreed with the Lands Department to make a payment on account of premium to Government in an amount of HK\$2,027 million. The quantum of premium interest payable in respect of this amount from the relevant valuation dates to 30th June 2004 at the rate determined by the arbitrator is estimated to be HK\$500 million, and this amount has been charged to the profit and loss account in the period to 30th June 2004. The balance of HK\$1,723 million remaining from the provision made in 2000 will be retained until the final quantum of premium and premium interest is known, and the exact allocation of any further cash payment between revaluation reserve and current year profit and loss account will only be determined at that time.

Aviation Division

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Share of profits/(losses), before taxation, from associated companies			
Cathay Pacific Group*	848	(500)	696
Hong Kong Aircraft Engineering Group	121	106	186
Hong Kong Dragon Airlines	37	(47)	11
Hong Kong Air Cargo Terminals	169	119	283
	1,175	(322)	1,176
Attributable profit/(loss)	976	(486)	844

* 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.

Cathay Pacific Airways

Key Operating Highlights

		Six months ended 30th June		Change
		2004	2003	
Revenue passenger kilometres ("RPK")	Million	26,835	17,277	+55.3%
Revenue passengers carried	'000	6,404	4,019	+59.3%
Passenger load factor	%	76.1	64.4	+11.7% pts
Passenger yield	HK cents	45.7	42.8	+6.8%
Cargo carried	'000 tonnes	470	406	+15.8%
Cargo and mail load factor	%	68.7	69.2	-0.5% pt
Cargo and mail yield	HK\$	1.72	1.72	-
Cost per available tonne kilometre ("ATK")	HK\$	2.07	2.09	-1.0%
Cost per ATK without fuel	HK\$	1.62	1.70	-4.7%
Aircraft utilisation	Hours per day	11.7	11.1	+5.4%
On-time performance	%	91.2	91.7	-0.5% pt

Cathay Pacific Airways: The Cathay Pacific group made a profit of HK\$1,771 million during the first six months of 2004. This was in marked contrast to the HK\$1,241 million loss recorded in the same period last year at the time of the SARS outbreak.

Robust demand for passenger travel, particularly on long haul services, led to record first-half passenger revenue. Passenger yield increased by 6.8% to HK\$45.7, reflecting the recovery in business travel as well as currency gains from the weaker U.S. dollar.

Demand for cargo services out of Hong Kong remained buoyant throughout the period due to continued growth in re-exports from Southern China. Cargo volumes increased on the major trunk routes to Europe, Japan and the United States. Cargo yield was stable at HK\$1.72.

Higher revenues were tempered by a sharp increase in fuel price which increased by 16.9% on average compared to last year. Temporary fuel surcharges were introduced for both cargo and passenger services, but these only partly offset the additional costs.

In July Cathay Pacific introduced a second daily service to New York with the launch of a non-stop flight. Additional flights were also introduced to a number of destinations in Asia, Australia and the Middle East. New freighter services will soon be launched to Munich. The airline also commenced codeshare services to Moscow with Aeroflot – Russian Airlines, and to Barcelona and Madrid from Amsterdam with oneworld partner Iberia.

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Cathay Pacific placed new aircraft orders for one Boeing B747-400 freighter, two B777-300s and six Airbus A330-300 passenger aircraft for delivery from 2005 to 2007. The airline's operating fleet is expected to exceed 100 widebody aircraft by 2006 once orders for additional freighters and long haul passenger aircraft are finalised.

AHK Air Hong Kong (AHK): AHK operates overnight express cargo services to four destinations in the Asia region and commenced a five times weekly service to Taipei in March with a wet-leased regional freighter.

AHK recorded a 34.2% increase in interim profit compared to the same period last year. Capacity, following an expansion of the network, rose by 43.6%. Load factor increased by 4.7 percentage points while yield decreased by 0.5%. The company will take delivery of six new A300-600 freighter aircraft in late 2004 and early 2005.

Hong Kong Aircraft Engineering Company (HAECO): HAECO recorded an interim profit of HK\$232 million, representing a 22% increase from the same period in 2003. The workload in the base maintenance facility has been high and the increase in the number of flights through Hong Kong International Airport led to an increase in line maintenance revenue.

Airlines typically enjoy higher aircraft utilisation during the second half of the year, and hence the market for base maintenance is expected to be a little softer in the second half of the year.

The contribution from HAECO's jointly controlled companies, Hong Kong Aero Engine Services Limited (HAESL) and Taikoo (Xiamen) Aircraft Engineering Company Limited, fell slightly to HK\$119 million, due principally to a change in the mix of work performed at HAESL.

Hong Kong Dragon Airlines (Dragonair): Dragonair recorded a satisfactory interim profit in 2004. The airline carried 2.1 million passengers in the first six months of 2004 with passenger load factor increasing by 10.9 percentage points to 61.3%. However, passenger yield decreased by 8.0% due to increased promotional activities.

Cargo operations have been strong in 2004. The airline carried 147,680 tonnes of cargo representing growth of 22.3% over the same period last year. Cargo yield increased by 12.8%. Cargo load factor decreased by 8.6 percentage points to 74.1%.

In April, the airline commenced passenger services to Tokyo. One A330 joined the fleet in March and as a result Dragonair had a fleet of 27 aircraft as at the end of June. One B747-200 freighter aircraft and two A320s will be delivered in the second half of 2004.

Hong Kong Air Cargo Terminals (Hactl): Hong Kong Air Cargo Terminals continued to report very good results with tonnage growth of 16.4% for the first half of 2004.

Cathay Pacific Catering Services Group: The airline catering group recorded a satisfactory interim profit due to improved sales volume. However margins were still under pressure due to competition and higher food costs. The flight kitchens in both Taipei and Cebu performed well in the first half of 2004.

Hong Kong Airport Services (HAS): HAS recorded a healthy interim profit as business volumes returned to normal levels.

Beverages Division

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Turnover*	2,526	2,306	5,136
Operating profit	121	90	364
Share of profits, before taxation, from jointly controlled companies	117	112	205
Attributable profit	154	113	363

* Turnover does not include the Mainland China operations which are all jointly controlled companies. Total turnover from Mainland China operations was HK\$2,239 million in the first half of 2004 (2003: first half HK\$1,781 million; full year HK\$3,798 million).

Segment information

	Turnover			Attributable Profit		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2003 HK\$M
Hong Kong	626	584	1,351	37	24	127
Taiwan	501	401	997	20	3	42
USA	1,399	1,321	2,788	55	49	142
Mainland China	–	–	–	58	49	86
Head office – costs	–	–	–	(16)	(12)	(34)
	2,526	2,306	5,136	154	113	363

	Six months ended 30th June 2004				
	Total	Hong Kong	Taiwan	USA	Mainland China
Sales volume (million cases)	224.4	21.7	22.1	38.1	142.5
Franchise population (million)	422.5	6.8	22.6	5.8	387.3
Number of plants	12	1	2	2	7
Number of employees	13,303	1,172	899	1,748	9,484

The Beverages division made an attributable profit of HK\$154 million for the half year, compared with a profit of HK\$113 million for the SARS-affected same period last year. Growth in profits has been seen across all territories, driven by a 21% increase in overall volumes. Gross margins were affected by higher materials costs and competitive pricing, particularly in Mainland China and Hong Kong.

Hong Kong has enjoyed good volume growth in the face of intense competitive pricing pressure. Growth has been assisted by the introduction of three major new non-carbonated products.

Sales volume in **Taiwan** grew 19%, fuelled by product extensions and marketing campaigns that have stimulated new

demand for the core brands. Increased volumes and new distribution initiatives helped reduce unit production and distribution costs and more than compensated for an increase in material prices.

Similarly, more effective merchandising and pricing strategies in the **USA** compensated for higher material and transportation costs which have been impacted by higher oil prices. Coupled with volume growth of 3%, attributable profits grew 12% over the prior year. The mid-calorie Coca-Cola, C2, will be launched in the second half.

Mainland China sales volume grew by 30%, benefitting from the introduction of a range of package and flavour extensions on existing brands and from the establishment of Nestea as a

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significant presence in the tea category following its launch at the end of 2003. Margins have been under pressure due to higher material and transportation costs as well as lower

prices. However, the current sales momentum, along with a new product and promotions programme, should enable further profit growth in the second half of the year.

Marine Services Division

Swire Pacific Offshore

Turnover
Operating profit
Attributable profit

Share of profits, before taxation, from jointly controlled and associated companies

Ship repair, land engineering and harbour towage
Container terminal operations
Offshore oil support services

Attributable profit

Fleet size (number of vessels)

Swire Pacific Offshore (including jointly controlled company)
Hongkong Salvage & Towage

Total

Container terminal throughput ('000 TEUs)

Modern Terminals
Shekou Container Terminals

Total

The division reported attributable profits for the first half year of HK\$343 million, compared with HK\$293 million for the same period in 2003.

Swire Pacific Offshore reported a 29% increase in profits helped by fleet expansion and profits on disposal of three older vessels. However, the level of offshore exploration in the first half of the year was relatively weak, resulting in reduced fleet utilisation and day rates, particularly for larger deep-water vessels. Recovery in the medium term is anticipated, with the consistently firm oil price encouraging further exploration. Having taken delivery of six new vessels over the last 18 months, and with four more anchor handling tugs being

delivered over the next year, the company is well positioned to take advantage of any pick-up in demand.

Global coverage continues to widen with recent contracts secured for work in new locations including Cuba, Pakistan and Angola.

Hongkong United Dockyards Group reported improved operating profits for all divisions although these were offset by a reduction in capital profits from the sale of vessels and market development losses incurred by the group's harbour towage subsidiary, Australian Maritime Services, acquired in mid 2003.

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Swire Pacific Offshore			
Turnover	643	569	1,218
Operating profit	160	128	309
Attributable profit	164	127	306
Share of profits, before taxation, from jointly controlled and associated companies			
Ship repair, land engineering and harbour towage	22	25	36
Container terminal operations	186	179	378
Offshore oil support services	13	13	23
	221	217	437
Attributable profit	343	293	646
	Six months ended 30th June		Year ended 31st December
	2004	2003	2003
Fleet size (number of vessels)			
Swire Pacific Offshore (including jointly controlled company)	60	61	62
Hongkong Salvage & Towage	28	25	26
Total	88	86	88
Container terminal throughput ('000 TEUs)			
Modern Terminals	1,965	1,935	3,991
Shekou Container Terminals	1,002	634	1,527
Total	2,967	2,569	5,518

Modern Terminals' throughput for the first half of 2004 was steady but revenue dropped slightly due to a higher proportion of transshipment business. This, coupled with increased depreciation following the commencement of operations at CT9, reduced profits from Hong Kong interests. However, this has been compensated by increased contributions from investments in container terminals in Mainland China.

It is expected that throughput in Hong Kong and overall profit will remain stable in the second half of the year.

Shekou Container Terminals (I and II): Driven by very strong economic growth in Southern China and further new berths, Shekou Container Terminals recorded strong volume growth of 58% in the first half of 2004. Tariff increases have also helped in improving the financial performance, which saw revenue and post-tax profit increases of 88% and 87% respectively. The outlook for the second half of the year remains good.

Trading & Industrial Division

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Turnover			
Taikoo Motors group	1,579	1,217	2,570
Swire Resources group	538	387	857
Other subsidiaries	133	115	247
	2,250	1,719	3,674
Operating profits/(losses)			
Taikoo Motors group	68	48	106
Swire Resources group	47	23	55
Other subsidiaries and head office costs	15	(11)	(36)
	130	60	125
Attributable profits/(losses)			
Taikoo Motors group	51	32	72
Swire Resources group	36	18	43
Other subsidiaries and head office costs	17	(11)	(23)
	104	39	92
Share of profits/(losses), before taxation, from jointly controlled companies			
Swire SITA group	44	38	101
CROWN Beverage Cans group	24	21	44
ICI Swire Paints	11	3	17
Swire Resources group	7	5	12
Write-off of sports footwear franchise	–	(3)	(6)
	86	64	168
Attributable profit	177	98	238

The division reported a half year attributable profit of HK\$177 million compared with HK\$98 million for the same period last year. Although year on year comparisons are distorted by the

SARS outbreak in the second quarter of 2003, the underlying growth in sales and profit was robust in all territories in which the division operates.

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The Taikoo Motors group in Taiwan reported an attributable profit of HK\$51 million in the first half of 2004 compared to HK\$32 million in the same period last year. VW and Audi vehicle sales volumes were 12% ahead of last year although margins remained under pressure from the strong Euro. Kia sales volumes were 89% ahead of last year due to favourable market reaction to the new sub-compact "EuroStar". Sales of Volvo trucks and buses were slow in the first half of the year but the forward order book is firm.

The Kwun Tong Car Centre in Hong Kong was sold for a book profit of HK\$16 million, completing the disposal of the division's car trading interests in Hong Kong and Mainland China.

Swire Resources, the division's sportswear distribution and retail company, had a very strong first half with sales and profit ahead of the same period last year by 39% and 122% respectively. The company is distributor for 15 brands in Hong Kong and four brands in Mainland China with 75 shops in Hong Kong and 41 in Mainland China. Sales of sports accessories and apparel are growing at a much faster rate than the company's traditional footwear lines. Prospects for the second half of 2004 are encouraging.

Taikoo Sugar reported a loss of HK\$2.2 million in the first half of the year compared to a loss of HK\$2.5 million in the same period last year. Sales in Hong Kong were flat and retail margins were under pressure, but good sales growth was achieved in Mainland China.

Swire Duro reported a loss of HK\$2.8 million in the first half of 2004 compared to a loss of HK\$3.9 million in the same period last year.

Swire SITA Waste Services' profit was ahead of the same period last year due to reduced losses from its waste-to-energy incinerator operation in Kaohsiung, Taiwan. Incineration fees remain low but waste volumes have notably increased. The Hong Kong transfer stations and landfills reported a slight increase in profit.

The CROWN Beverage Cans group reported an improvement in profit in the first half of 2004 due to continuing strong demand from the beverage industry in Mainland China, despite higher aluminium price. The company's Hanoi can forming operation also reported improved earnings on the back of robust sales growth.

ICI Swire Paints returned an improved profit in the first half of the year. Sales in Hong Kong were flat, but increased substantially in Mainland China with volume growth of 63% boosted by the launch of a new mid-tier, mass market brand. The company has also stepped up promotion of its premium Dulux brands in second-tier cities. Prospects in the second half of 2004 are encouraging, although the pace of sales growth is expected to slow.

Cash Flow Summary

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Net cash generated by businesses and investments:			
Cash generated from operations	2,112	1,942	5,333
Cash from asset realisations*	2,173	1,081	3,838
Dividends received	1,446	1,070	1,563
Capital expenditure and investments**	(1,061)	(1,256)	(3,130)
Tax and net interest paid	(566)	(531)	(1,256)
	4,104	2,306	6,348
Cash paid to shareholders and net funding by external debt:			
Share repurchases	–	(60)	(60)
Dividends paid	(1,607)	(1,447)	(1,999)
Decrease in borrowings	(1,890)	(570)	(4,352)
	(3,497)	(2,077)	(6,411)
Increase/(decrease) in cash and cash equivalents	607	229	(63)

* 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 subsidiary, jointly controlled and associated companies and investment securities.

Cash from asset realisations was derived mainly from the sale of residential properties in particular units in The Orchards, Ocean Shores and The Albany. Other receipts include the proceeds received from the disposal of the Kwun Tong Car Centre and three vessels of Swire Pacific Offshore.

Capital expenditure and investments are mainly in respect of construction costs for Three Pacific Place, the purchase of offshore support vessels and purchase in shares of Cathay Pacific.

The repayments of a HK\$500 million fixed rate note and other bank loans were funded by cash from operations and asset realisations.

Net Debt and Gearing

Shareholders' funds and minority interests at 30th June 2004 totalled HK\$75,033 million (31st December 2003: HK\$73,307 million). At 30th June 2004, net borrowings were HK\$7,829 million, compared to HK\$10,174 million at 31st December 2003.

The group's gearing ratio was 10%, compared to 14% at 31st December 2003. 88% of the group's gross borrowings were on a fixed rate basis and 12% were on a floating basis.

Analysis of Gross Borrowings

Loan maturity profile

	HK\$M	
Within 1 year	2,934	33%
1 – 2 years	1,367	15%
2 – 5 years	13	–
Over 5 years	4,642	52%
	8,956	100%

Currency profile

	HK\$M	
Hong Kong Dollar	5,113	57%
United States Dollar	3,457	39%
New Taiwan Dollar	360	4%
Others	26	–
	8,956	100%

CREDIT ANALYSIS

Sources of Finance

At 30th June 2004, committed loan facilities and debt securities amounted to HK\$13,536 million, of which HK\$4,988 million or 37% remained undrawn. In addition, the group has undrawn uncommitted facilities totalling HK\$3,391 million. Sources of funds at 30th June 2004 comprised:

	Available HK\$M	Drawn HK\$M	Undrawn HK\$M
Committed facilities			
Perpetual Capital			
Securities	4,642	4,642	–
Bonds	2,321	2,321	–
Fixed/Floating Rate Notes	500	500	–
Bank and other loans	6,073	1,085	4,988
	<u>13,536</u>	<u>8,548</u>	<u>4,988</u>
Uncommitted facilities			
Money market and others	<u>3,799</u>	<u>408</u>	<u>3,391</u>

Contingent Liabilities

Guarantees given in respect of bank loans and other liabilities to jointly controlled companies and third parties at 30th June 2004 amounted to HK\$1,373 million compared to HK\$1,375 million at 31st December 2003.

Derivative Transactions

Derivative transactions in the name of Swire Pacific and its subsidiary companies entered into or matured during the first half of 2004 are summarised below:

- Fixed rate of interest swaps (Swire pays) for floating rate receipts (Swire receives) on a principal of HK\$250 million were entered into for the purpose of hedging interest rate exposure.
- A floating rate of interest swap (Swire pays) for fixed rate payment (Swire receives) on a principal of HK\$500 million matured.

All other derivative transactions listed on page 38 of the 2003 Annual Report remain outstanding as at 30th June 2004. 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 2004 and at the end of 2003. If the attributable portion of the net debt in jointly controlled and associated companies were to be added to Swire Pacific net debt gearing would rise to 19%.

	Total net debt		Portion of net debt attributable to Swire Pacific		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2004 HK\$M	31st December 2003 HK\$M	30th June 2004 HK\$M	31st December 2003 HK\$M	30th June 2004 HK\$M	31st December 2003 HK\$M
Property Division	2,153	2,245	675	697	334	337
Aviation Division						
Cathay Pacific	10,251	11,111	4,767	5,151	–	–
Hactl	1,808	2,076	446	512	–	–
Dragonair	2,091	1,601	334	256	–	–
Other Aviation Division companies	183	(51)	25	(93)	8	8
Beverages Division	(541)	(575)	(284)	(278)	–	–
Marine Services Division	2,781	2,104	892	665	500	500
Trading & Industrial Division	(442)	(325)	(160)	(124)	–	–
	<u>18,284</u>	<u>18,186</u>	<u>6,695</u>	<u>6,786</u>	<u>842</u>	<u>845</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30th June 2004 – unaudited

	Note	Six months ended 30th June		Year ended 31st December	
		2004 HK\$M	2003 HK\$M	2003 HK\$M	
Turnover	3	8,491	7,240	17,568	
Cost of sales		(4,406)	(3,778)	(9,929)	
Gross profit		4,085	3,462	7,639	
Other revenue		108	14	36	
Distribution costs		(1,009)	(936)	(1,907)	
Administrative expenses		(512)	(486)	(996)	
Other operating expenses		(87)	(94)	(187)	
Operating profit	4	2,585	1,960	4,585	
Finance charges		(676)	(238)	(512)	
Finance income		16	16	48	
Net finance charges	5	(660)	(222)	(464)	
Share of profits less losses of jointly controlled companies		309	259	530	
Share of profits less losses of associated companies		1,363	(171)	1,522	
Profit before taxation		3,597	1,826	6,173	
Taxation	6	434	475	872	
Profit after taxation		3,163	1,351	5,301	
Minority interests		211	164	379	
Profit attributable to shareholders		2,952	1,187	4,922	
Dividends					
Interim – proposed/paid		888	490	490	
Final – proposed		–	–	1,562	
		888	490	2,052	
		HK€	HK€	HK€	
Earnings per share	7				
'A' shares		192.8	77.5	321.4	
'B' shares		38.6	15.5	64.3	
		2004	2003		
		Interim HK€	Interim HK€	Final HK€	Total HK€
Dividends per share					
'A' shares		58.0	32.0	102.0	134.0
'B' shares		11.6	6.4	20.4	26.8

CONSOLIDATED BALANCE SHEET

at 30th June 2004 – unaudited

	Note	30th June 2004 HK\$M	31st December 2003 HK\$M
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	8	65,306	65,473
Jointly controlled companies		3,221	4,311
Associated companies		18,153	17,677
Investment securities and long-term receivables		290	296
Deferred expenditure		109	126
Deferred tax assets		95	12
Retirement benefit assets		162	154
		87,336	88,049
Current assets			
Properties for sale	9	1,994	1,822
Stocks and work in progress		928	861
Trade and other receivables	10	2,431	2,485
Held-to-maturity securities – unlisted		46	32
Short-term deposits and bank balances		987	374
		6,386	5,574
Current liabilities			
Trade and other payables	11	8,292	8,205
Taxation		241	281
Bank overdrafts and short-term loans – unsecured		613	1,885
Long-term loans and bonds due within one year		2,321	2,821
		11,467	13,192
Net current liabilities		(5,081)	(7,618)
Total assets less current liabilities		82,255	80,431
Non-current liabilities			
Perpetual capital securities		4,642	4,642
Long-term loans and bonds		1,380	1,325
Deferred tax liabilities		916	891
Deferred liabilities		137	127
Retirement benefit liabilities		147	139
		7,222	7,124
Minority interests		5,254	5,231
NET ASSETS		69,779	68,076
CAPITAL AND RESERVES			
Share capital		919	919
Reserves	12	68,860	67,157
SHAREHOLDERS' FUNDS		69,779	68,076

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June 2004 – unaudited

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Operating activities			
Cash generated from operations	2,112	1,942	5,333
Interest paid	(353)	(424)	(860)
Interest received	11	16	48
Profits tax paid	(224)	(123)	(444)
	1,546	1,411	4,077
Dividends received from jointly controlled and associated companies and other investment securities	1,446	1,070	1,563
Net cash from operating activities	2,992	2,481	5,640
Investing activities			
Purchase of fixed assets	(516)	(1,021)	(1,857)
Proceeds from fixed asset disposals	895	332	1,041
Purchase of shareholding in an existing subsidiary company	–	–	(2)
Purchase of shareholdings in and loans to jointly controlled companies	(304)	(56)	(973)
Purchase of shareholdings in and loans to associated companies	(225)	(140)	(257)
Sale of shareholdings in and repayment of loans by jointly controlled companies	1,229	740	2,748
Sale of shareholdings in and repayment of loans by associated companies	42	–	7
Sale of shareholdings in and repayment of loans by investment securities	1	10	42
Decrease/(increase) in long-term receivables	6	(1)	–
Deferred expenditure	(16)	(39)	(41)
Net cash generated from/(used in) investing activities	1,112	(175)	708
Net cash inflow before financing	4,104	2,306	6,348
Financing activities			
Loans drawn and refinancing	431	1,097	1,235
Repayment of loans	(2,178)	(1,551)	(5,321)
Repayment of loans to minority interests	(143)	(116)	(266)
Repurchase of Company's shares	–	(60)	(60)
Dividends paid – to shareholders	(1,562)	(1,378)	(1,868)
– to minority interests	(45)	(69)	(131)
Net cash used in financing activities	(3,497)	(2,077)	(6,411)
Increase/(decrease) in cash and cash equivalents	607	229	(63)
Cash and cash equivalents at 1st January	401	464	464
Cash and cash equivalents at end of the period	1,008	693	401
Represented by:			
Unlisted held-to-maturity securities maturing within three months	46	3	32
Bank balances and short-term deposits maturing within three months	987	702	374
Bank overdrafts	(25)	(12)	(5)
	1,008	693	401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2004 – unaudited

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
At 1st January	68,076	68,947	68,947
Decrease in property valuation arising during the year	–	–	(2,666)
Share of deficit on revaluation of investment properties held by jointly controlled companies	–	–	(69)
Exchange differences on cash flow hedges			
– recognised during the period	77	(193)	(617)
– deferred tax recognised	(19)	–	42
Revaluation deficit on investment securities recognised during the period	(16)	(57)	(27)
Exchange differences	39	–	(11)
Net gains/(losses) not recognised in the consolidated profit and loss account	81	(250)	(3,348)
Profit for the period	2,952	1,187	4,922
Revaluation (surplus)/deficit on investment properties			
– transferred to operating profit on disposal	(408)	(70)	(484)
– transferred to finance charges (note 12(b))	500	–	–
Exchange differences on cash flow hedges transferred to the profit and loss account	98	(13)	(41)
Goodwill reinstated			
– on disposal of subsidiary, jointly controlled and associated companies	42	–	2
– upon impairment	–	3	6
Dividends paid	(1,562)	(1,378)	(1,868)
Repurchase of Company's shares			
– shares repurchased and cancelled	–	(1)	(1)
– premium paid on repurchases	–	(59)	(59)
At end of the period	69,779	68,366	68,076

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Segment Information

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

	The Company and its subsidiaries			Jointly controlled companies	Associated companies	Group	Profit attributable to 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
Six months ended 30th June 2004							
Property							
Property investment	2,044	1,450	(40)	10		1,420	1,089
Property trading	274	98		9		107	75
Interest on land premium			(459)			(459)	(379)
Sale of investment properties	766	654				654	652
Hotels				7	47	54	46
	3,084	2,202	(499)	26	47	1,776	1,483
Aviation							
Airline services and airline catering							
Cathay Pacific Group					848	848	745
Hong Kong Dragon Airlines					37	37	28
Aircraft engineering					121	121	104
Cargo handling					169	169	99
	-	-	-	-	1,175	1,175	976
Beverages							
Hong Kong	626	47				47	37
Taiwan	501	27	(2)			25	20
USA	1,399	101	(4)			97	55
Mainland China		(38)		117		79	58
Central costs		(16)				(16)	(16)
	2,526	121	(6)	117	-	232	154
Marine Services							
Ship repair, land engineering and harbour towage				22		22	18
Container handling				45	141	186	161
Ship owning and operating	643	160	(4)	13		169	164
	643	160	(4)	80	141	377	343
Trading & Industrial							
Car distribution	1,579	68	1			69	51
Shoe and apparel distribution	538	47		7		54	40
Waste services				44		44	37
Beverage can supply				24		24	23
Paint supply				11		11	9
Other activities	133	15	2			17	17
	2,250	130	3	86	-	219	177
Head Office	23	(28)	(154)	-	-	(182)	(181)
Inter-segment elimination	(35)						-
Total	8,491	2,585	(660)	309	1,363	3,597	2,952

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
	2004 HK\$M	2003 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2003 HK\$M
Hong Kong	4,151	3,391	9,480	2,213	1,605	3,745
Asia (excluding Hong Kong)	2,221	1,612	3,639	88	48	171
North America	1,476	1,668	3,233	124	179	359
Ship owning and operating	643	569	1,216	160	128	310
	8,491	7,240	17,568	2,585	1,960	4,585

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

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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 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
Six months ended 30th June 2003							
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				(1)	7	6	1
Provision for development properties						–	–
	2,662	1,769	(94)	10	7	1,692	1,361
Aviation							
Airline 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							
Hong Kong	584	48				48	24
Taiwan	401	8	(4)			4	3
USA	1,321	92	(8)			84	49
Mainland China		(42)		112		70	49
Central costs		(16)				(16)	(12)
	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
Ship owning 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
Beverage 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

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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 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
Year ended 31st December 2003							
Property							
Property investment	4,367	3,173	(244)	22		2,951	2,305
Property trading	2,365	243		23		266	302
Sale of investment properties	833	558				558	535
Hotels				(18)	39	21	9
Provision for development properties		(30)				(30)	(28)
	7,565	3,944	(244)	27	39	3,766	3,123
Aviation							
Airline services and airline catering							
Cathay Pacific Group					696	696	521
Hong Kong Dragon Airlines					11	11	11
Aircraft engineering					186	186	156
Cargo handling					283	283	156
	-	-	-	-	1,176	1,176	844
Beverages							
Hong Kong	1,351	175	(1)			174	127
Taiwan	997	66	(7)			59	42
USA	2,788	225	(16)			209	142
Mainland China		(68)		205		137	86
Central costs		(34)				(34)	(34)
	5,136	364	(24)	205	-	545	363
Marine Services							
Ship repair, land engineering and harbour towage				36		36	23
Container handling				71	307	378	317
Ship owning and operating	1,218	309	(19)	23		313	306
	1,218	309	(19)	130	307	727	646
Trading & Industrial							
Car distribution	2,570	106				106	72
Shoe and apparel distribution	857	55	(1)	6		60	45
Waste services				101		101	84
Beverage can supply				44		44	40
Paint supply				17		17	20
Other activities	247	(36)	11			(25)	(23)
	3,674	125	10	168	-	303	238
Head Office	147	(157)	(187)	-	-	(344)	(292)
Inter-segment elimination	(172)						
Total	17,568	4,585	(464)	530	1,522	6,173	4,922

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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 2003 annual accounts.

The condensed consolidated accounts have been prepared in accordance with the Statement of Standard Accounting Practice 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. Turnover

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

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Gross rental income	2,000	2,157	4,277
Sales of development properties	274	350	2,365
Sales of investment properties	766	119	833
Rendering of other services	697	623	1,351
Sales of Goods	4,754	3,991	8,742
	8,491	7,240	17,568

4. Operating profit

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Operating profit has been arrived at after charging:			
Cost of stocks sold	3,227	2,742	7,542
Cost of investment properties sold	112	29	274
Depreciation of fixed assets	260	258	532
Staff costs	950	890	1,767
Operating lease rentals			
Land and buildings	68	55	113
Other equipment	15	10	19
Amortisation of deferred expenditure	33	30	113
and after crediting:			
Gross rental income	2,000	2,157	4,277
Less: Outgoings	427	444	934
Net rental income	1,573	1,713	3,343
Charter hire income	643	569	1,216
Profit on sale of development properties	98	103	243
Profit on sale of shares in associated company	18	–	–
Profit on sale of shares in jointly controlled company	26	–	–
Profit on sale of fixed assets	685	88	565

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

5. Net finance charges

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
Interest charged on:			
Bank loans and overdrafts	31	52	106
Other loans and bonds	263	366	719
Transferred from property valuation reserve (note 12(b))	500	–	–
Deferred into properties under development for sale			
– subsidiary companies	(16)	(28)	(37)
– jointly controlled companies	–	(25)	(27)
Capitalised on			
– investment properties	(102)	(125)	(246)
– vessels	–	(2)	(3)
	676	238	512
Interest income on:			
Short-term deposits and bank balances	(7)	(6)	(11)
Other loans	(9)	(10)	(37)
	(16)	(16)	(48)
	660	222	464

6. Taxation

	Six months ended 30th June		Year ended 31st December
	2004 HK\$M	2003 HK\$M	2003 HK\$M
The Company and its subsidiary companies:			
Current taxation			
Hong Kong profits tax	150	171	330
Overseas taxation	87	55	130
Under/(over)-provision in respect of previous years	11	–	(47)
Deferred taxation	(58)	106	133
Jointly controlled companies:			
Current taxation	33	29	77
Deferred taxation	19	(60)	(94)
Associated companies:			
Current taxation	150	99	268
Deferred taxation	42	75	75
	434	475	872

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) 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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

7. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders for the period ended 30th June 2004 of HK\$2,952 million (30th June 2003: HK\$1,187 million; 31st December 2003: HK\$4,922 million) by the weighted average number of 930,375,385 'A' shares and 3,003,486,271 'B' shares in issue during the period (30th June 2003: 930,580,476 'A' shares and 3,003,486,271 'B' shares; 31st December 2003: 930,477,088 'A' shares and 3,003,486,271 'B' shares).

8. Fixed assets

	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M
Cost or valuation:				
At 31st December 2003	61,699	3,979	4,657	70,335
Translation differences	10	16	22	48
Additions	504	88	89	681
Disposals	(726)	(118)	(77)	(921)
At 30th June 2004	61,487	3,965	4,691	70,143
Depreciation:				
At 31st December 2003	654	2,799	1,409	4,862
Translation differences	3	7	8	18
Charge for the period	26	148	86	260
Disposals	(153)	(83)	(67)	(303)
At 30th June 2004	530	2,871	1,436	4,837
Net book value:				
At 30th June 2004	60,957	1,094	3,255	65,306
At 31st December 2003	61,045	1,180	3,248	65,473

9. Properties for sale

At 30th June 2004, properties for sale pledged as security for the group's long-term loans amounted to HK\$1,470 million (31st December 2003: HK\$1,364 million).

10. Trade and other receivables

Trade and other receivables of HK\$2,431 million includes trade debtors of HK\$1,416 million. The aged analysis of these is as follows:

	30th June 2004 HK\$M	31st December 2003 HK\$M
Under three months	1,339	1,558
Between three and six months	56	54
Over six months	21	30
	1,416	1,642

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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

11. Trade and other payables

Trade and other payables of HK\$8,292 million includes trade creditors of HK\$743 million. The aged analysis of these is as follows:

	30th June 2004 HK\$M	31st December 2003 HK\$M
Under three months	741	615
Between three and six months	–	5
Over six months	2	6
	743	626

12. Reserves

	Revenue reserve (Note (a)) 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 2003	47,316	19,673	342	33	156	(363)	67,157
Profit for the period	2,952	–	–	–	–	–	2,952
2003 final dividend	(1,562)	–	–	–	–	–	(1,562)
Goodwill reinstated on disposal of jointly controlled and associated companies	42	–	–	–	–	–	42
Revaluation (surplus)/deficit on investment properties							
– transferred to operating profit on disposal	–	(408)	–	–	–	–	(408)
– transferred to finance charges (note (b))	–	500	–	–	–	–	500
Exchange differences on cash flow hedges							
– recognised during the period	–	–	–	–	–	77	77
– deferred tax recognised	–	–	–	–	–	(19)	(19)
– transferred to the profit and loss account	–	–	–	–	–	98	98
Revaluation deficit on investment securities recognised during the period	–	–	–	–	(16)	–	(16)
Exchange difference	39	–	–	–	–	–	39
At 30th June 2004	48,787	19,765	342	33	140	(207)	68,860

Notes:

(a) The revenue reserve includes HK\$888 million representing the proposed interim dividend for the period (31st December 2003: HK\$1,562 million representing the proposed final dividend for 2003).

(b) Following the Taikoo Shing land premium arbitration hearing in February 2004, the group has estimated the interest in connection with the land premium to be HK\$500 million. This amount has been transferred to the profit and loss account from the property valuation reserve against which a provision of HK\$4,250 million had previously been made.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

13. Contingencies and commitments

	30th June 2004 HK\$M	31st December 2003 HK\$M
Outstanding commitments for capital expenditure at the end of the period:		
Contracted for but not provided for in the accounts	1,788	1,787
Authorised by Directors but not contracted for	198	138
Guarantees have been given in respect of bank loans and other liabilities outstanding at the end of the period amounting to:		
Jointly controlled companies	1,217	1,210
Third parties	156	165
	1,373	1,375

14. Related party transactions

There are agreements for services, in respect of which John Swire & Sons (HK) Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Service fees are calculated as 2.5% (2003: 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:

		For the six months ended 30th June							
		Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
Notes		2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
	Revenue from sales of goods and rendering of services	15	15	6	4	-	-	-	-
(a)									
	Purchases of goods and services	91	89	23	17	6	4	-	-
(a)									
	Rental revenue	4	2	3	4	4	4	22	20
(b)									
	Interest income	4	2	4	8	-	-	-	-
(c)									
	Interest charges	-	3	-	-	-	-	-	-
(c)									

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”).

The Company has adopted a code of conduct regarding Directors’ securities transactions (“the Securities Code”) on terms no less exacting than the required standard of the Model Code set out in the Listing Rules (“the Model Code”). All Directors have complied with the required standard of the Model Code and the Securities Code.

Directors’ interests

At 30th June 2004, 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	1,500	11,500	0.0012	See Note 1
Sir Adrian Swire	–	794,473	794,473	0.0854	See Note 2
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 1
C Lee	750,000	20,905,000	21,655,000	0.7210	See Note 1
Sir Adrian Swire	4,813,169	15,741,913	20,555,082	0.6844	See Note 2

John Swire & Sons Limited	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 3
P A Johansen	8,000	–	–	8,000	0.01	See Note 3
Sir Adrian Swire	2,292,152	2,815,062	24,565,975	29,673,189	29.67	See Note 4
– 8% Cum. Preference Shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	See Note 3
Sir Adrian Swire	1,186,758	843,411	7,332,727	9,362,896	31.21	See Note 4

Cathay Pacific Airways Limited

– Ordinary Shares

	Beneficial interest (personal)	Percentage of issued capital (%)
J W J Hughes-Hallett	12,000	0.0004

Notes

1. All the Swire Pacific Limited ‘A’ and ‘B’ shares held by these Directors under “Trust Interest” are held by them as beneficiaries of trusts.
2. 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.
3. 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.
4. 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, including those referred to in Note 3, in which he has a residual beneficial interest.

SUPPLEMENTARY INFORMATION

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 2004 the Company had been notified of the following interests in the Company's shares:

	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Remarks
Substantial Shareholders					
John Swire & Sons Limited	40,765,128	4.38	2,012,783,265	67.01	See Note 1
Franklin Resources, Inc.	103,228,390	11.10	–	–	See Note 2
Other Shareholders					
Aberdeen Asset Management Asia Limited	–	–	153,415,900	5.11	See Note 3
J.P. Morgan Chase & Company	105,284,567	11.32	–	–	See Note 4
State Street Corporation	49,738,435	5.35	–	–	See Note 5

Notes:

- The shares are held in the capacity of beneficial owner.
- This notification was filed under the repealed Securities (Disclosure of Interests) Ordinance and the capacities in which they are held were not given. A subsequent notification has been received from Templeton Global Advisors Ltd, which is a 100% owned subsidiary of Franklin Resources, Inc., declaring its interest in 64,830,700 'A' shares (representing 6.97% of the issued capital), held in the capacity of investment manager.
- These shares are held in the capacity of investment manager.
- The shares held by J.P. Morgan Chase & Company are held in the following capacities:

Capacity	No. of shares
Beneficial owner	1,068,732
Investment manager	34,505,760
Lending pool	69,710,075

- These shares are held by State Street Bank & Trust Company, which is a 100% owned subsidiary of State Street Corporation and the capacity in which they are held was not given.

The Company had not been notified of any short positions in the shares of the Company as at 30th June 2004.

At 30th June 2004, the John Swire & Sons Limited Group owned directly or indirectly interests in shares of Swire Pacific Limited representing 29.47% of the issued capital and 52.87% of the voting rights.

Financial assistance to affiliated companies and their proforma combined balance sheet

As at 30th June 2004, the group had loans to affiliated companies totalling HK\$10,387 million (before group provisions) and has given guarantees of HK\$1,217 million in respect of facilities granted to affiliated companies, financial assistance totalling HK\$11,604 million. These amounts exceed 8% of the group's total assets as at 30th June 2004. Affiliated companies include the group's jointly controlled and associated companies. Pursuant to Chapter 13 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the group and the group's attributable interest in those affiliated companies are presented below:

	30th June 2004	
	Proforma combined balance sheet HK\$M	The group's attributable interest HK\$M
Non-current assets	29,324	10,074
Current assets	4,406	1,444
Current liabilities	(3,366)	(1,174)
Non-current liabilities	(4,598)	(1,542)
Minority interests	(321)	(156)
Shareholders' advances	(27,322)	(10,387)
	<u>(1,877)</u>	<u>(1,741)</u>

Share capital

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