Additional information is provided below to reconcile reported and underlying profit attributable to the Company's shareholders. These reconciling items principally adjust for the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively.

	Note	Six months ended 30th June 2010 HK$M	Six months ended 30th June 2009 HK$M	Year ended 31st December 2009 HK$M
Reported attributable profit		**7,178**	1,278	15,390
Adjustments re investment properties:				
Revaluation of investment properties	(a)	**(6,079)**	53	(14,483)
Deferred tax on revaluation movements	(b)	**1,205**	454	2,794
Realised profit on sale of investment properties	(c)	**130**	–	27
Depreciation of investment properties occupied by the Group	(d)	**10**	2	13
Non-controlling interests' share of revaluation movements less deferred tax		**19**	(66)	88
Impairment of hotels held as part of mixed-use developments less deferred tax	(e)	**–**	128	137
Underlying attributable profit		**2,463**	1,849	3,966
Adjustment to reverse fair value loss/(gain) on put option in respect of non-controlling interest in Sanlitun Village	(f)	**59**	–	(107)
Underlying attributable profit after adjusting for Sanlitun Village put option		**2,522**	1,849	3,859

Notes:

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

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

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the income statement.

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

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

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

The Property Division comprises the Group's interest in the Swire Properties Limited group ("Swire Properties").

Attributable profit from the Property Division for the first half of 2010 was HK$7,178 million compared to HK$1,278 million in the same period in 2009. These figures include net property valuation gains of HK$6,079 million and losses of HK$53 million respectively (before deferred tax).

Gross rental income increased by 9% to HK$3,902 million during the period, principally reflecting strong demand in the Hong Kong office and retail markets.

An operating profit of HK$545 million was recorded on the sale of six houses at Peel Rise on the Peak, some agricultural land in the northern New Territories and a small number of office units in Quarry Bay.

The trading and development profit of HK$39 million reflects the profit recognised on the sale of four units at the Island Lodge residential development, plus a profit of HK$50 million accrued during the course of redevelopment of a property at 53 Stubbs Road, partly offset by operating losses in the USA where only one sale of a residential unit at Asia was recorded. Swire Properties has been appointed as developer of 53 Stubbs Road (see below under Property Trading and Development – Hong Kong) by the owner, Swire Pacific Limited. The intercompany profit on 53 Stubbs Road has been eliminated on consolidation in the Swire Pacific Group accounts.

Investment Properties

Hong Kong

In the office portfolio, gross rental income for the first half of 2010 increased by 7% over the same period in 2009, to HK$2,121 million, reflecting strong demand as the market continued to recover. Office rental reversions remained generally positive. Office vacancy levels at 30th June 2010 were 2%.

In the retail portfolio, gross rental income for the first half of 2010 increased by 8% over the same period in 2009, to HK$1,465 million. Occupancy levels at the Group's wholly-owned malls were virtually 100%. Retail sales at the malls were 18% higher than in the same period in 2009, reflecting the continued strong recovery in consumer demand.

The Pacific Place design improvement project is progressing well and continues to be received positively by both tenants and customers, as evidenced by favourable increases in sales and footfall.

Foundation works are being undertaken at 28 Hennessy Road, formerly known as the Tai Sang Commercial Building, with practical completion expected in 2012. The building is expected to comprise 145,513 square feet of office space.

Conditions in the office and retail markets are expected to remain strong in the second half of 2010.

Mainland China

At Sanlitun Village, gross rental income for the first half of 2010 increased by 37% over the same period in 2009, to HK$164 million. The increase reflected improved occupancy rates in The Village South and the opening of The Village North in October 2009. At 30th June 2010, The Village South was 92% occupied while The Village North was 73% leased.

The movement in the fair value of the put option in respect of the non-controlling interest in Sanlitun Village during the period resulted in a net finance charge of HK$59 million.

Results from Sanlitun Village are expected to continue to improve in the second half of 2010 as a result of investments to enhance footfall and circulation.

At TaiKoo Hui, a 3.8 million square foot mixed-use development in central Guangzhou, 83% of the retail space has been pre-let to the owners of a number of leading international and national brands. 50% of the office space has also been pre-let. The retail portion is expected to be completed towards the end of the year, followed by the remainder of the development in 2011.

Site clearance and resettlement works are at their final stages at the Dazhongli Project in the Jing An district of Shanghai. This 3.5 million square foot mixed-use development is now expected to open in phases from 2014. The timetable reflects the need to accommodate the construction of a metro station adjacent to the site and the requirement to suspend works during the 2010 Expo in Shanghai.

A phased opening of the retail and office portions of the 1.9 million square foot mixed-use development at Jiang Tai, in the Chaoyang district of Beijing is expected in the second half of 2011. The project has been officially named INDIGO. 9% of the retail space has been pre-let.

Valuation of Investment Properties

The portfolio of investment properties was valued at 30th June 2010 (98% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation (before associated deferred tax) was HK$160,135 million compared to HK$154,408 million at 31st December 2009.

The valuation at 30th June 2010 principally reflects improved rental rates for the Hong Kong investment property portfolio.

Financial Information Reviewed by Auditors

Valuation of Investment Properties	HK$M
At 1st January 2010	154,408
Translation differences	133
Additions	1,465
Disposals	(634)
Net transfers from property, plant and equipment and leasehold land	455
Other net transfers to properties under development for sale	(897)
Net fair value gains	5,205
At 30th June 2010	160,135
Add: Initial leasing costs	84
At 30th June 2010 (including initial leasing costs)	160,219
At 1st January 2010 (including initial leasing costs)	154,493

Hotels

Hong Kong

Swire Properties wholly-owns and manages two hotels in Hong Kong. The Upper House, a 117-room luxury hotel at Pacific Place which opened in October 2009, performed well during the period with its Café Gray restaurant receiving strong patronage.

EAST, a 345-room hotel at Cityplaza opened in January 2010 and has also performed strongly, gaining excellent press coverage and significant popularity with business travellers.

The JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and Novotel Citygate in Tung Chung, in each of which Swire Properties has a 20% interest, all experienced a strong improvement in business in comparison with the first half of 2009.

Mainland China

At The Opposite House, a 99-room luxury hotel at Sanlitun Village, occupancy and room rates improved in the first half of 2010, reflecting the growing reputation of the hotel and improvement in the Beijing hotel market.

USA

The 326-room Mandarin Oriental Hotel in Miami, in which Swire Properties has a 75% interest, benefited from the gradual recovery in the economic climate in the US, although the market remains difficult.

UK

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. The hotels in Cheltenham and Exeter are closed for refurbishment. Occupancy and room rates at the Bristol and Brighton hotels are holding up despite difficult economic conditions in the UK.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				**Commitments**
(HK$M)	**Six months ended 30th June 2010**	Six months ending 31st December 2010	2011	2012	2013 & beyond	**at 30th June 2010**
Property project						
Hong Kong projects	**644**	539	1,067	382	63	**2,051**
Mainland China projects	**1,320**	2,969	2,017	861	2,006	**7,853**
UK hotels	**61**	112	59	–	–	**171**
USA hotels	**18**	14	–	–	–	**14**
Total	**2,043**	3,634	3,143	1,243	2,069	**10,089***

* Including the Group's share of the capital expenditure and capital commitments of its jointly controlled companies, of which the Group is committed to funding HK$450 million (31st December 2009: HK$268 million).

Property Trading and Development

Hong Kong

Eight of the 184 units at Island Lodge in North Point remain to be sold.

Construction work at the 206,306 square foot residential development at 2A-2E Seymour Road, in which Swire Properties has a controlling interest, is progressing on schedule, with completion expected in 2012.

Construction work at the 75,805 square foot residential development at 63 Seymour Road (previously referred to as 51-53 Seymour Road) is on schedule, with completion expected in 2012. Swire Properties wholly-owns two adjoining residential development sites, 25A-35 Seymour Road and 92-102 Caine Road, with aggregate developable space of 361,323 square feet. Preliminary works are progressing, with planned completions in 2014 and 2015.

At the 151,944 square foot residential development at Sai Wan Terrace, in which Swire Properties has a controlling interest, construction work has commenced, with completion expected in 2013.

The 17,663 square foot residential development at 5 Star Street, Wanchai is due to be completed in the second half of 2010. 19 of the 25 units have been pre-sold.

Swire Properties has acquired a 50% interest in 146-148 Argyle Street, an 88,555 square foot residential development project in Kowloon. Swire Properties will lead the design and construction of the development, with completion expected in late 2013.

During the period, Swire Properties entered into an agreement with Swire Pacific Limited to redevelop a property owned by Swire Pacific Limited at 53 Stubbs Road. The 12-storey residential building of 68,242 square feet is expected to be completed in 2012. Swire Properties is entitled to reimbursement of redevelopment costs and a fee for undertaking the redevelopment.

USA

Sales of 80 of the 123 units have been closed at the Asia residential development in Miami since completion in March 2008, and a further 19 units have been leased. The real estate market in South Florida continues to suffer from difficult economic conditions and tight credit availability. Swire Properties has provided vendor financing in a small number of transactions.

Martin Cubbon

AVIATION DIVISION

	Six months ended 30th June 2010 HK$M	Six months ended 30th June 2009 HK$M	Year ended 31st December 2009 HK$M
Hong Kong Aircraft Engineering group*			
Turnover	**342**	–	–
Operating profit	**27**	–	–
Attributable profit	**28**	–	–
Gain on remeasurement of previously held interest in HAECO	**2,547**	–	–
Attributable profit on sale of interest in Hactl	**825**	–	–
Share of post-tax profits from associated companies			
Cathay Pacific group**	**2,082**	277	1,349
Hong Kong Aircraft Engineering group*	**152**	191	314
Hong Kong Air Cargo Terminals***	**26**	77	234
	2,260	545	1,897
Attributable profit	**5,653**	520	1,821

* The interest in the Hong Kong Aircraft Engineering ("HAECO") group was accounted for as an associated company until the acquisition of a controlling interest on 7th June 2010.

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

*** The interest in Hong Kong Air Cargo Terminals was accounted for as an investment from 12th February 2010 until its disposal on 31st May 2010. Refer to note 4 to the interim financial information for details.

Key Operating Highlights

Cathay Pacific and Dragonair

		Six months ended 30th June 2010	Six months ended 30th June 2009	Change
Available tonne kilometres ("ATK")	*Million*	**11,436**	11,035	**+3.6%**
Passengers carried	*'000*	**12,954**	11,938	**+8.5%**
Passenger load factor	*%*	**84.0**	78.5	**+5.5%pt**
Passenger yield	*HK¢*	**58.4**	49.7	**+17.5%**
Cargo and mail carried	*Tonnes '000*	**872**	701	**+24.4%**
Cargo and mail load factor	*%*	**78.0**	66.2	**+11.8%pt**
Cargo and mail yield	*HK$*	**2.26**	1.66	**+36.1%**
Cost per ATK	*HK$*	**3.14**	2.57	**+22.2%**
Cost per ATK without fuel	*HK$*	**2.01**	1.98	**+1.5%**
Aircraft utilisation	*Hours per day*	**11.8**	11.1	**+6.3%**
On-time performance	*%*	**82.5**	88.3	**-5.8%pt**

Key Operating Highlights (continued)

HAECO group

		Six months ended 30th June 2010	2009	Change
Base maintenance manhours sold – HAECO	*Million*	**1.39**	1.20	**+16%**
Base maintenance manhours sold – TAECO	*Million*	**1.33**	1.83	**-27%**
Line maintenance movements handled – HAECO	*Average per day*	**262**	248	**+6%**
HAECO group total headcount	*At 30th June*	**12,493**	12,589	**-1%**

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

The Aviation Division reported an attributable profit of HK$5,653 million in the first half of 2010, compared to HK$520 million in the same period in 2009. This mainly reflects improved results by the Cathay Pacific group and the inclusion of two substantial non-recurring items.

In May 2010, the Swire Pacific Group sold its interest in Hong Kong Air Cargo Terminals ("Hactl"), generating a profit on disposal attributable to the Group of HK$825 million. Concurrently, Cathay Pacific Airways Limited ("Cathay Pacific") disposed of its 10% interest in Hactl. The sale of the interests in Hactl by the Group and by Cathay Pacific followed an undertaking given by Cathay Pacific to the Airport Authority of Hong Kong in 2008 that it would dispose of its entire interest in Hactl following the award of a franchise to operate a new air cargo terminal at Hong Kong International Airport.

In June 2010, Swire Pacific acquired the remaining 15% interest which Cathay Pacific had in HAECO, for a consideration of HK$2,620 million. As a result, Swire Pacific's interest in HAECO increased from 45.96% to 60.96%, giving Swire Pacific majority control of HAECO. In accordance with the Hong Kong Code on Takeovers and Mergers, Swire Pacific subsequently made a mandatory unconditional general offer for the shares in HAECO which it did not own, at the same price per share (HK$105) as that at which Cathay Pacific's remaining interest in HAECO had been acquired. Shareholders holding 14.89% of the issued share capital of HAECO accepted the general offer.

Cathay Pacific group

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

The Cathay Pacific group reported a profit of HK$6,840 million for the first half of 2010. This compares to a profit of HK$812 million in the first half of 2009. Turnover for the period increased by 33.7% to HK$41,337 million.

In the first half of the year the Cathay Pacific group experienced a continuing and significant recovery in its core business following the extremely challenging conditions experienced for much of the previous year. The turnround in business that began in the last quarter of 2009 continued into 2010 and gained momentum. Both the passenger and cargo businesses of Cathay Pacific and Dragonair performed well, with revenues continuing to increase despite uncertainty over the stability of the global economy.

Cathay Pacific and Dragonair were once again affected in the first half of 2010 by an increase in the price of fuel, their most significant cost component. Fuel costs increased by 51.1% compared to the same period in 2009. Managing the risk associated with fuel price changes is a key objective.

The disposal of Cathay Pacific's 10% shareholding in Hactl was completed in May, realising cash of HK$640 million and a profit of HK$328 million. In June Cathay Pacific also sold its remaining 15% interest in HAECO, realising cash of HK$2,620 million and a profit of HK$1,837 million. The profit on disposal of the stake in HAECO has been eliminated on consolidation in the Swire Pacific Group accounts.

Cathay Pacific remains the subject of antitrust investigations and proceedings by competition authorities in various jurisdictions and continues to cooperate with these authorities and, where applicable, defend itself vigorously. These investigations are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full liabilities but holds a provision of HK$26 million in respect of such liabilities in its accounts.

Passenger Services

Cathay Pacific and Dragonair

Cathay Pacific and Dragonair carried a total of 13.0 million passengers in the first half of 2010, an increase of 8.5% compared with the same period in 2009. Revenue from passenger services increased by 25.7% to HK$27,411 million and yield increased by 17.5% to HK¢58.4, mainly due to a significant increase in demand from premium class travellers. Demand in economy class remained robust.

Capacity, which had been reduced during 2009 in response to the economic downturn, was gradually restored by both Cathay Pacific and Dragonair. By the end of the first half of 2010, capacity had almost been restored to pre-downturn levels.

Two new routes were launched. The Milan route was launched in March. Loads on the four-times-weekly service have been encouraging, particularly in business class. A three times-weekly service to Moscow was launched in July.

Business on the Taiwan route, particularly traffic from Taiwan to Mainland China, continued to be affected by cross-Strait direct flights. An increase in the number of direct flights from 270 to 370 per week progressively from June will have a further impact.

Cargo Services

Cathay Pacific and Dragonair

The cargo business was very robust for the whole of the first half of the year, with strong demand in all key markets. The cargo load factor increased by 11.8 percentage points compared with the first half of 2009, hitting a record of 78.0%. In the first six months the amount of freight carried by both airlines increased by 24.4% to 872,000 tonnes. Cargo revenue increased by 63.1% to HK$11,844 million. Yield increased by 36.1% to HK$2.26.

A number of charter flights and additional scheduled services were mounted, when aircraft and aircrew resources allowed. A round-the-world freighter service was launched in July, flying eastwards to Chicago, then on to Amsterdam and Dubai, and then back to Hong Kong. This is the first time that Cathay Pacific has operated transatlantic flights.

A new cargo joint venture with Air China is expected to begin operations in October, enabling Cathay Pacific to exploit air cargo opportunities in the important Yangtze River Delta region. As part of the joint venture arrangements, Cathay Pacific will sell four Boeing 747-400BCF converted freighters and two spare engines to the joint venture, with one of the aircraft being transferred later this year.

AHK Air Hong Kong ("AHK")

AHK operates express cargo services for DHL Express (the 40% minority shareholder) to 11 Asian cities from the Hong Kong hub with a fleet of eight Airbus A300-600F freighters and three wet-leased aircraft.

During the first half of 2010, AHK recorded a lower profit compared with the first half of 2009 due to a reduction in yield since the second half of 2009.

Fleet Size

Cathay Pacific and Dragonair

During the first half of 2010, the two airlines took delivery of five new aircraft, comprising four Boeing 777-300ER extended range passenger aircraft and one Airbus A320-200 passenger aircraft. A further one Airbus A330-300 and one A320-200 will be received in the second half of the year.

In 2011 Cathay Pacific will take delivery of 15 new aircraft including the first six of a total of 10 new-generation Boeing 747-8F freighters which are on firm order.

The five Boeing 747-400 BCF converted freighters which were parked in the desert during the economic downturn had all been brought back into service by July. Six passenger aircraft remain parked in the desert, comprising four Airbus A340-300s and two Boeing 747-400s.

In August 2010, Cathay Pacific announced that it had entered into a letter of intent with Airbus Company in relation to the acquisition of 30 Airbus A350-900 aircraft from Airbus Company and that it was in negotiation with The Boeing Company to exercise existing purchase rights in respect of an additional six Boeing 777-300ER extended range aircraft.

Air China

Air China, in which Cathay Pacific holds 19.2% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrears and consequently the 2010 interim results include Air China's results for the six months ended 31st March 2010.

The Cathay Pacific group recorded a satisfactory profit from Air China's results as its results for the first quarter of 2010 improved significantly with strong demand and write-backs on its fuel hedging portfolio.

Other Operations

Cathay Pacific Catering Services group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, operates six inflight catering facilities in Asia and North America. CPCS reported a higher profit in the first half of 2010 than in the first half of 2009 mainly as a result of an increased number of meals, improved yield and effective cost management.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport. With competitive pressure on handling rates and increasing headcount and rental costs, the results of HAS in the first half of 2010 were below expectations.

Outlook

If present trends continue, the Cathay Pacific group expects its financial results to continue to be strong in the second half of 2010. That said, conditions can change very rapidly in the airline industry. The group's results would be adversely affected, and very quickly so, by a significant further increase in fuel prices or any return to the recessionary economic conditions of 2008 and much of 2009.

Cathay Pacific remains confident in its long-term future. It is in a challenging and unpredictable industry and it has to be mindful of the many things – economic fluctuations, rising fuel prices, even volcanic eruptions – that can quickly have an impact on its business. Nevertheless, Cathay Pacific has a number of things working in its favour, including a capable, supportive and committed team, a superb international network, effective management of costs, its quality service and product offering, a strong relationship with Air China, and its position in Hong Kong – one of the world's great cities and a premier international aviation hub. These core strengths can be expected to support the continued success of Cathay Pacific.

Hong Kong Aircraft Engineering Company ("HAECO")

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

The HAECO group's profit attributable to shareholders in the first half of 2010 was HK$338 million, a reduction of 21% compared to the same period in 2009.

Following the recovery in the aviation market that began in the last quarter of 2009, demand for HAECO's services in Hong Kong strengthened. However, performance at TAECO continues to be adversely affected by weak demand for passenger to freighter conversions of Boeing aircraft and reduced demand for airframe heavy maintenance. Results from HAESL fell slightly due to reduced work scope per engine. The group's new joint ventures in Mainland China continued to sustain start-up losses.

Significant Developments

Taikoo Engine Services (Xiamen) Company Limited completed the modification to its facilities and inducted its first engine in June 2010.

Taikoo Sichuan Aircraft Engineering Services Company Limited will open its first hangar in Chengdu in August 2010.

HAESL's component repair extension is expected to commence operations in the first quarter of 2011.

TAECO's sixth hangar in Xiamen is expected to open in mid-2011.

HAECO's acquisition of an additional 2% shareholding interest in TAECO is expected to be completed in August, bringing its total interest to 58.55%.

Outlook

Demand for HAECO's services in Hong Kong is expected to remain firm in the second-half as long as the current aviation market recovery continues. However, TAECO's business in Xiamen is likely to continue to be weak, with substantial unsold capacity. Start-up losses at the new joint ventures in Mainland China are expected to continue in the second-half while HAESL's results are expected to be satisfactory. Overall, 2010 will be, as expected, a challenging year.

Tony Tyler
John R Slosar
Augustus Tang

BEVERAGES DIVISION

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Turnover	**3,995**	4,036	8,399
Operating profit	**297**	264	619
Share of post-tax profits from jointly controlled and associated companies	**79**	233	381
Attributable profit	**266**	371	753

Segment Information

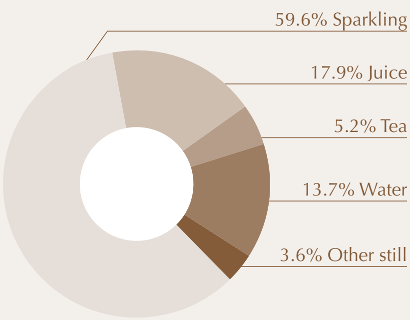
	Turnover			Attributable Profit/(Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M	2009 HK$M
Hong Kong	**864**	896	1,904	**61**	69	179
Taiwan	**711**	694	1,489	**9**	19	46
USA	**1,793**	1,792	3,560	**111**	112	247
Mainland China*	**627**	654	1,446	**56**	184	274
Central items	**–**	–	–	**29**	(13)	7
	3,995	4,036	8,399	**266**	371	753

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. The division also has jointly controlled interests in six franchises in Mainland China, the total turnover of which was HK$5,455 million in the first half of 2010 (2009 first-half: HK$5,430 million; full-year: HK$11,256 million). The division has an associated interest in a manufacturing company which supplies still beverages to all Coca-Cola franchises in Mainland China, the turnover of which (excluding sales to the seven franchises) was HK$1,911 million in the first half of 2010 (2009 first-half: HK$1,003 million; full-year: HK$3,084 million). The sales volume for Mainland China shown in the table below represents the sales of the seven franchises only.

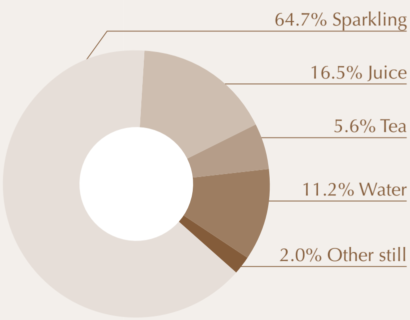
Sales Volume by Territory (million unit cases)

	Hong Kong	Taiwan	USA	Mainland China	Total
Six months ended 30th June 2010	**27.7**	**29.2**	**40.7**	**329.2**	**426.8**
Six months ended 30th June 2009	28.6	29.1	40.8	328.1	426.6

Breakdown of Total Volume by Category (%)



Six months ended 30th June 2010



Six months ended 30th June 2009

The Beverages Division made an attributable profit of HK$266 million in the first half of 2010, compared with HK$371 million in the same period last year. The results for the first half of 2010 include profit on sale of long-term investments of HK$40 million.

Overall sales volume was consistent with the same period last year. Growth in Mainland China was lower than expected due primarily to poor weather and increased competition. Margins declined due to competitive pricing pressure, a less favourable sales mix and increased sugar costs, especially in Mainland China.

Hong Kong

Attributable profit for the first half of 2010 was HK$61 million, representing a 12% decline from the same period last year.

Sales volume fell by 3% compared to a total beverage market decline of 4%. Sales through supermarkets were depressed as consumers bought fewer bulky items (such as packs of canned beverages) after the introduction of a plastic bag levy. Cooler than normal weather adversely affected sales of beverages for immediate consumption during the spring and early summer.

Margins weakened due to competitive pricing and a less favourable sales mix. The effect on margins of increased sugar costs was partially offset by reductions in other raw material costs and tight controls on variable costs.

Taiwan

Attributable profit for the first half of 2010 was HK$9 million, representing a 53% decline from the same period last year.

Sales volume was consistent with the same period in 2009. The launch of a new light-weight Bonaqua Lohas water bottle and Sokenbicha, a Japanese-style blended tea, offset a fall in Minute Maid juice sales.

Margins were reduced due to pricing pressure and a less favourable sales mix.

USA

Attributable profit for the first half of 2010 was HK$111 million, representing a 1% decline from the same period last year.

Sales volume was in line with the same period last year. However, the pricing of beverages sold through retailers was under severe pressure, resulting in a fall in margins despite more favourable raw material costs and tight controls on operating costs.

Mainland China

Attributable profit for the first half of 2010 was HK$56 million, representing a 70% decline from the same period last year.

Sales volume growth was lower than expected, reflecting lower than planned sales over the Chinese New Year holiday and cooler than normal weather. Consequently stocks in the trade remained high through to the early part of the second quarter. Sales volumes fell in the more economically developed coastal provinces of Guangdong, Zhejiang and Jiangsu, where competition is strongest. However, volumes continued to grow in the inland provinces, especially Anhui and Henan, where government stimulus spending is boosting local economies. Early summer sales volume was depressed by heavy rain and floods in several provinces and by increased promotion of competitive products.

Margins declined due to a significantly weaker sales mix, higher labour costs, increased sugar and sweetener costs and the effect of promotional expenditure.

Outlook

Strong summer promotional activity, new product launches and packaging innovations in several key markets are planned for the critical peak season. These should help to recover some of the shortfall in the first-half result.

Commodity prices have fallen from their recent peaks and this should contribute to improved margins in the second half of the year, although sugar and sweetener costs in Mainland China remain high and competitive pressure on pricing is expected to remain intense in all markets.

Geoff L Cundle

MARINE SERVICES DIVISION

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Swire Pacific Offshore group			
Turnover	**1,514**	2,063	3,892
Operating profit	**420**	892	1,594
Attributable profit*	**410**	888	1,559

* Including post-tax profits from the jointly controlled companies shown below.

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Share of post-tax profits from jointly controlled companies			
Swire Pacific Offshore group	**–**	3	3
HUD group	**39**	41	78
	39	44	81
Attributable profit	**449**	929	1,637

	At 30th June		At 31st December
	2010	2009	2009
Fleet size (number of vessels)			
Swire Pacific Offshore group	**71**	69	70
HUD group	**17**	18	17
Total	**88**	87	87

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure				**Commitments**
(HK$M)	**Six months ended 30th June 2010**	Six months ending 31st December 2010	2011	2012	2013	**at 30th June 2010**
Vessels	**463**	1,084	2,108	1,412	104	**4,708**
Other fixed assets	**6**	45	7	–	–	**52**
Total	**469**	1,129	2,115	1,412	104	**4,760**

The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore energy industry. The division also has jointly controlled interests, through the Hongkong United Dockyards ("HUD") group, in ship repair and harbour towage services in Hong Kong. The attributable profit for the division of HK$449 million was 52% lower than that of the same period in 2009.

Swire Pacific Offshore group ("SPO")

SPO reported an attributable profit of HK$410 million for the first half of 2010, a decrease of 54% compared to the same period in 2009.

In the first half of 2010, SPO took delivery of one new V-class 8,810 brake horse power ("BHP") anchor handling tug supply ("AHTS") vessel. As a result, the total fleet size at 30th June 2010 increased to 71.

Market conditions for the first half of 2010 were poor. The offshore sector continued to be adversely affected by the combined effect of the deferral of project spending by oil companies and the large influx of newly built vessels, which has resulted in surplus capacity.

Overall fleet utilisation in the first half of 2010 was 78%, 13 percentage points lower than in the first half of 2009. Average charter rates decreased by 18% from the first half of 2009.

Total capital expenditure on new vessels and equipment during the first half of 2010 was HK$469 million, compared to HK$202 million in the first half of 2009.

The outlook for the second half of 2010 remains difficult as the market continues to digest its surplus capacity.

Nevertheless, recovery in the medium-term is expected with the consistently firm oil price encouraging further exploration by oil companies.

Charter rates for the second half of 2010 are expected to decrease by approximately 10% as a number of fixed contracts expire and new contracts are entered into at lower rates. However, overall fleet utilisation may improve as market activity picks-up. At 30th June 2010 53% of SPO's fleet capacity was pre-booked for charters in the second half of the year.

At 30th June 2010, SPO had 17 vessels on order and a total capital expenditure commitment of HK$4,760 million (31st December 2009: HK$2,711 million). An order was placed in August 2010 to construct a wind farm turbine installation vessel for approximately

SPO – Fleet Growth

Vessel class	Brake horse power	**Vessels in operation 30th June 2010**	Vessels on order to be received in: 2010	2011	2012
Anchor Handling Tug Supply Vessels					
J-class	2,600-4,200	**11**	–	–	–
T-class	3,600	**4**	–	–	–
P-class	4,800	**8**	4	4	–
S-class	5,440	**4**	–	–	–
6000 series	6,000-6,500	**2**	–	–	–
UT704	7,040-9,000	**2**	–	–	–
R-class	7,200	**8**	–	–	–
V-class	8,810	**8**	2	–	–
W-class	10,800	**8**	–	–	–
B-class	12,240	**6**	–	–	–
D-class	18,250	**–**	–	1	3
Platform Supply Vessels					
A-class	6,310	**5**	–	–	–
Ice Breaking Supply Vessels					
E-class	23,170	**2**	–	–	–
Seismic and Hydrographic Survey Vessels					
Survey	2,600-6,400	**3**	–	1	–
Accommodation Barges					
I-class		**–**	–	2	–
Wind Farm Turbine Installation Vessel*		**–**	–	–	1
		71	6	8	4

* Order placed in August 2010.

HK$1,820 million. Of the 18 vessels currently on order, six will be delivered in the second half of 2010, eight will be delivered in 2011 and four will be delivered in 2012.

The new deliveries expected during the second half of 2010 comprise four P-class 4,800 BHP and two V-class 8,810 BHP AHTS vessels. The two accommodation barges are now expected to be delivered in mid-2011.

Hongkong United Dockyards ("HUD") group

Attributable profit from the HUD group for the first half of 2010 was HK$39 million, compared to HK$41 million for the same period in 2009. The results for the first half of 2009 included a HK$5 million profit on sale of a tug.

The salvage and towage division's profits were slightly below those of the same period in 2009. Although the shipping industry started to recover in early 2010, this was initially manifested in more containers being loaded on ships rather than in more ship movements. As a result, a recovery was not seen in tug movements until late in the half-year. The level of sea-going activity fell significantly compared to the first half of 2009.

The ship repair division's profit was higher than in the same period in 2009, reflecting the completion of several significant projects at higher than normal margins.

The salvage and towage division expects the number of tug movements within Hong Kong in the second half of 2010 to be higher than in the first half of the year. The division will continue to tender for sea-going work. Lower profit margins are expected for the ship repair division in the second half of 2010 as the profitability of ship repair projects returns to more normal levels.

Orders for two new 5,000 BHP tugs were placed in June, with the tugs expected to be delivered in late 2011.

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Turnover			
Swire Resources group	**970**	903	1,835
Taikoo Motors group	**1,609**	977	2,158
Taikoo Sugar	**273**	169	401
Other subsidiary companies	**1**	5	5
	2,853	2,054	4,399
Operating profits/(losses)			
Swire Resources group	**62**	32	74
Taikoo Motors group	**52**	6	53
Taikoo Sugar	**2**	5	10
Other subsidiary companies and central items	**(5)**	(16)	(11)
	111	27	126
Attributable profits/(losses)			
Swire Resources group*	**67**	34	100
Taikoo Motors group	**40**	5	33
Taikoo Sugar	**2**	4	9
Other subsidiary companies and central items	**(5)**	(13)	(5)
	104	30	137

* Including the attributable profits from jointly controlled and associated companies within the Swire Resources group shown below.

Attributable profits from jointly controlled and associated companies			
Swire Resources group	**18**	9	41
Akzo Nobel Swire Paints	**53**	62	141
CROWN Beverage Cans group	**40**	37	72
	111	108	254
Attributable profit	**197**	129	350

The Trading & Industrial Division reported an attributable profit of HK$197 million in the first half of 2010, a 53% increase from the same period in 2009.

Swire Resources group

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

Attributable profit for the first half of 2010 was HK$67 million, nearly double that of the same period in 2009, reflecting improved performance in all parts of the business but particularly from the group's multibrand store chains in Hong Kong and the Columbia brand.

Turnover in Hong Kong was 8% higher than in the comparative period in 2009, reflecting improved customer sentiment, colder weather in Hong Kong than in the corresponding period of 2009 (which benefited apparel sales) and higher demand from tourists, particularly those from Mainland China. Gross margins improved as the better trading environment permitted a reduction in the level of sales promotion activity. Occupancy costs continued to increase.

Turnover in Mainland China increased by 6%. Gross margins improved due to fewer sales promotions and increased local purchasing.

The outlook for the remainder of the year is positive.

Taikoo Motors group

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

Attributable profit in the first half of 2010 was HK$40 million, compared to HK$5 million in the same period in 2009.

Taikoo Motors sold 4,985 vehicles in the first half of 2010, 66% more than in the same period in 2009. Overall car registrations in Taiwan increased by 23% over the same period in 2009 to 125,536, of which 25% (2009 first-half: 23%) was attributable to imported cars.

Sales of Volkswagen cars increased by 70% to 3,695. Volkswagen's share of the Taiwan import market was 12% (2009 first-half: 10%). The Škoda brand (which Taikoo Motors has been representing since January) has started promisingly, although time will be required to establish it in the market.

Commercial vehicle sales recovered strongly from the difficult conditions of 2009. Heavy truck registrations in Taiwan increased by 151% compared to the same period in 2009, with sales of Volvo trucks increasing by 88 to 121. The group sold 25 buses in the period (2009: first-half: three).

Harley-Davidson sales were strong, with 215 motorcycles being sold in the first half of 2010 compared to 156 in the first half of 2009. The business is now maturing and is expected to be profitable over the whole of 2010.

The market for motor vehicles in Taiwan is expected to continue to improve in the second half of 2010. Taikoo Motors is well placed to benefit.

Taikoo Sugar

Taikoo Sugar packages and sells sugar products in Hong Kong and Mainland China. The company reported an attributable profit of HK$2 million for the first half of 2010, a 50% decrease from the same period in 2009.

The Hong Kong business performed well, as volume increases offset the adverse effect on margins of higher sugar costs. In Mainland China, Taikoo Sugar sold 9.9 million pounds of sugar in the first half of 2010 compared to 5.9 million pounds in the same period of 2009, as the company significantly widened its sales territory. Profitability was adversely affected by higher sugar costs and promotional expenditure incurred with a view to expanding the business.

Sugar costs are expected to remain high in the Mainland China market in the second half of 2010.

Akzo Nobel Swire Paints

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

Attributable profit for the first half of 2010 was HK$53 million, compared to HK$62 million in the same period in 2009.

Sales volume in Mainland China in the first half of 2010 was 87 million litres, an increase of 40% over the same period in 2009. However, increased advertising and selling costs incurred in building brand awareness and expanding the distribution network resulted in a fall in profit.

The Hong Kong market contributed an attributable profit of HK$4 million, in line with the comparative period.

The business is expected to perform steadily for the remainder of the year despite an expected fall in demand due to measures taken by the Chinese Government to cool the property market.

CROWN Beverage Cans group

CROWN Beverage Cans group consists of joint ventures with Crown Holdings Inc., which manufacture aluminium beverage cans in Mainland China and Vietnam.

The group contributed an attributable profit of HK$40 million for the first half of 2010, compared to HK$37 million in the same period in 2009.

The business in Mainland China performed in line with the comparative period of 2009.

The plant in Vietnam performed strongly with improved trading margins leading to a 28% growth in attributable profit.

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

J B Rae-Smith

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally adjust for the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred taxation respectively. Further analysis compares the impact of other significant non-recurring items in the current and prior periods.

	Note	Six months ended 30th June		Year ended 31st December
		2010 HK$M	2009 HK$M	2009 HK$M
Underlying Profit				
Profit attributable to the Company's shareholders per accounts		**13,947**	3,231	19,917
Adjustments re investment properties:				
Revaluation of investment properties	(a)	**(6,466)**	48	(14,506)
Deferred tax on revaluation movements	(b)	**1,269**	455	2,799
Realised profit on sale of investment properties	(c)	**130**	–	27
Depreciation of investment properties occupied by the Group	(d)	**10**	2	13
Non-controlling interests' share of revaluation movements less deferred tax		**19**	(66)	88
Impairment of hotels held as part of mixed-use developments less deferred tax	(e)	**–**	128	137
Underlying profit attributable to the Company's shareholders		**8,909**	3,798	8,475
Other significant non-recurring items				
Gain on remeasurement of previously held interest in HAECO		**(2,547)**	–	–
Profit on sale of interest in Hactl		**(825)**	–	–
Profit on sale of shareholdings in other investments		**(40)**	–	(46)
Profit on sale of investment properties		**(577)**	–	(53)
Profit on sale of properties previously occupied by the Group		**–**	(110)	(110)
Impairment of stand-alone hotels less deferred tax		**–**	46	61
Impairment of properties held for development		**–**	29	29
Adjusted profit		**4,920**	3,763	8,356
Underlying Equity				
Equity attributable to the Company's shareholders per accounts		**163,854**	136,295	152,503
Deferred tax on revaluation of investment properties		**19,680**	16,136	18,300
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**822**	236	512
Revaluation of investment properties occupied by the Group		**850**	1,149	1,421
Cumulative depreciation of investment properties occupied by the Group		**66**	77	84
Underlying equity attributable to the Company's shareholders		**185,272**	153,893	172,820
Underlying non-controlling interests		**5,826**	1,492	877
Underlying equity		**191,098**	155,385	173,697

Notes:

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

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

(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the consolidated income statement. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated income statement.

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

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

Financing

Summary of Cash Flows

	Six months ended 30th June 2010 HK$M	Six months ended 30th June 2009 HK$M	Year ended 31st December 2009 HK$M
Net cash used by businesses and investments			
Cash generated from operations	**2,701**	3,900	8,740
Dividends received	**718**	537	890
Tax paid	**(278)**	(154)	(580)
Net interest paid	**(769)**	(716)	(1,360)
Cash used in investing activities	**(3,076)**	(2,666)	(5,637)
	(704)	901	2,053
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(3,770)**	(2,259)	(3,253)
Increase/(decrease) in borrowings	**5,814**	(868)	(814)
Capital contributions from non-controlling interests	**11**	–	12
Security deposits uplifted	**85**	85	169
	2,140	(3,042)	(3,886)
Increase/(decrease) in cash and cash equivalents	**1,436**	(2,141)	(1,833)

Cash used in investing activities during the first half of 2010 included the acquisition of additional shares in the HAECO group, capital expenditure on property projects by subsidiary companies, investments in jointly controlled companies, as well as stage payments for offshore support vessels under construction. This was partly offset by the proceeds of the disposal of the Group's interest in Hactl.

Changes in Financing

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

	Six months ended 30th June 2010 HK$M	Year ended 31st December 2009 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**34,502**	35,272
Loans drawn and refinancing	**7,292**	8,263
Repayment of loans and bonds	**(1,478)**	(9,077)
Changes in composition of Group	**1,324**	–
Other non-cash movements	**12**	44
At 30th June/31st December	**41,652**	34,502

During the first half of 2010, the Group raised HK$16,182 million. This comprised:

- a one-year bilateral term loan facility of HK$9,437 million, which was arranged specifically to finance the acquisition of additional shares in HAECO. HK$4,219 million of this facility has been cancelled following the closing of the general offer.
- a two-and-a-half-year bilateral revolving credit facility of HK$1,000 million
- four three-year bilateral revolving credit facilities totalling HK$2,500 million
- four five-year bilateral revolving credit facilities totalling HK$2,500 million
- an increase of RMB650 million in an existing five-year bilateral term loan facility to RMB2,650 million

Sources of Finance

At 30th June 2010, committed loan facilities and debt securities amounted to HK$62,746 million, of which HK$22,096 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$4,834 million. Sources of funds at 30th June 2010 comprised:

Financial Information Reviewed by Auditors

	Available HK$M	Drawn HK$M	Undrawn expiring within one year HK$M	Undrawn expiring after one year HK$M
Committed facilities				
Loans and bonds				
Fixed/floating rate bonds	16,771	16,771	–	–
Bank loans, overdrafts and other loans	43,640	21,544	8,380	13,716
Perpetual capital securities	2,335	2,335	–	–
Total committed facilities	62,746	40,650	8,380	13,716
Uncommitted facilities				
Bank loans, overdrafts and other loans	6,033	1,199	4,612	222
Total	68,779	41,849	12,992	13,938

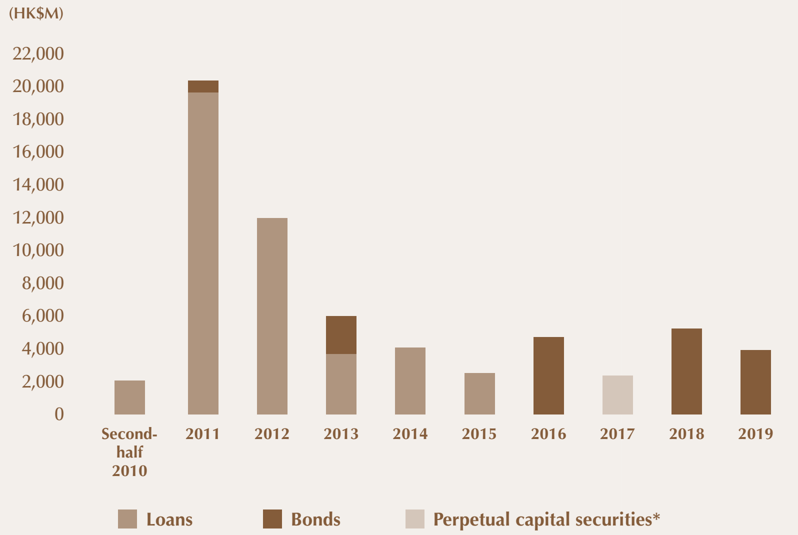
Note: The figures above are stated before unamortised loan fees of HK$197 million.

The Group had bank balances and short-term deposits of HK$3,957 million at 30th June 2010, excluding security deposits, compared to HK$2,395 million at 31st December 2009.

Maturity Profile and Refinancing

The maturity profile of the Group's available committed facilities is set out below:

Total Available Committed Facilities by Maturity (at 30th June 2010)



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

Financial Information Reviewed by Auditors
Gross Borrowings Maturity Profile

	30th June 2010		31st December 2009	
	HK$M		HK$M	
Within 1 year	**8,178**	**20%**	2,552	7%
1 – 2 years	**5,108**	**12%**	6,184	18%
2 – 5 years	**12,324**	**30%**	9,784	29%
After 5 years	**16,042**	**38%**	15,982	46%
Total	**41,652**	**100%**	34,502	100%

Currency Profile

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

	30th June 2010		31st December 2009	
	HK$M		HK$M	
Currency				
Hong Kong dollar	**34,523**	**83%**	28,983	84%
United States dollar	**2,176**	**5%**	1,238	3%
Renminbi	**4,764**	**12%**	4,107	12%
New Taiwan dollar	**130**	**–**	111	1%
Others	**59**	**–**	63	–
Total	**41,652**	**100%**	34,502	100%

Finance Charges

At 30th June 2010, 69% of the Group's gross borrowings were on a fixed rate basis and 31% were on a floating rate basis (31st December 2009: 68% and 32% respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Interest charges:			
Bank loans and overdrafts	**(161)**	(201)	(340)
Other loans and bonds	**(562)**	(451)	(990)
Fair value gains/(losses) on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**(2)**	(9)	(20)
– Interest rate swaps: fair value hedges	**4**	7	15
– Interest rate swaps: not qualifying as hedges	**–**	2	–
Adjustments to financial liabilities – fair value hedges	**5**	(1)	–
Amortised loan fees – loans at amortised cost	**(25)**	(11)	(26)
Other financing costs	**(22)**	(24)	(45)
Deferred into properties under development for sale	**48**	2	32
Finance charges capitalised	**84**	154	238
Fair value loss on put option over non-controlling interest in existing subsidiary company	**(59)**	–	–
	(690)	(532)	(1,136)
Interest income:			
Short-term deposits and bank balances	**9**	21	11
Other loans	**12**	20	78
Fair value gain on put option over non-controlling interest in existing subsidiary company	**–**	–	107
	21	41	196
Net finance charges	**(669)**	(491)	(940)

Gearing Ratios and Interest Cover

	Note	30th June **2010**	30th June 2009	31st December 2009
Gearing ratio	1			
– Per accounts		**22.0%**	23.2%	20.7%
– Underlying		**19.5%**	20.5%	18.2%
Interest cover – times	2			
– Per accounts		**19.4**	4.9	23.1
– Underlying		**11.9**	7.7	8.0
– Adjusted	#	**5.1**	7.6	8.0
Cash interest cover – times	3			
– Per accounts		**16.2**	3.7	18.0
– Underlying		**9.9**	5.8	6.3
– Adjusted	#	**4.3**	5.8	6.2

Notes:

1. Gearing represents the ratio of net debt to total equity (including non-controlling interests).
2. Interest cover is calculated by dividing operating profit by net finance charges.
3. Cash interest cover is calculated by dividing operating profit by the total of net finance charges and capitalised interest.

After deducting significant non-recurring items from underlying operating profit. (Refer to page 23 for the list of the significant non-recurring items.)

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2010 and 31st December 2009:

	Total net debt/(cash) of jointly controlled and associated companies		Portion of net debt/ (cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2010 HK$M	31st December 2009 HK$M	**30th June 2010 HK$M**	31st December 2009 HK$M	**30th June 2010 HK$M**	31st December 2009 HK$M
Property Division	**4,119**	4,123	**1,240**	1,181	**485**	486
Aviation Division						
Cathay Pacific group	**19,698**	26,131	**8,267**	10,967	**–**	–
HAECO group (note 1)	**336**	143	**53**	75	**–**	–
Hactl (note 2)	**–**	724	**–**	145	**–**	–
Other Aviation Division companies	**1**	7	**1**	4	**–**	–
Beverages Division	**2,530**	1,389	**914**	442	**–**	–
Marine Services Division	**732**	802	**366**	401	**500**	500
Trading & Industrial Division	**(2,567)**	(2,284)	**(990)**	(883)	**–**	–
	24,849	31,035	**9,851**	12,332	**985**	986

If the attributable portion of the net debt in jointly controlled and associated companies were to be added to the Group's net debt, gearing would rise to 28% and underlying gearing would rise to 25%.

Notes:

1. The HAECO group's net debt is included in the Swire Pacific Group consolidated statement of financial position at 30th June 2010. The net debt disclosed at 30th June 2010 represents the net debt of HAECO's jointly controlled and associated companies.
2. The Group disposed of its interest in Hactl on 31st May 2010.

Report on Review of Condensed Interim Financial Information to the Board of Directors of Swire Pacific Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 30 to 55, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 5th August 2010

Consolidated Income Statement

for the six months ended 30th June 2010 – unaudited

	Note	Six months ended 30th June 2010 HK$M	Six months ended 30th June 2009 HK$M	Year ended 31st December 2009 HK$M
Turnover	3	**12,836**	11,944	24,909
Cost of sales		**(6,758)**	(5,734)	(12,437)
Gross profit		**6,078**	6,210	12,472
Distribution costs		**(1,537)**	(1,447)	(2,969)
Administrative expenses		**(1,027)**	(950)	(1,850)
Other operating expenses		**(179)**	(176)	(320)
Profit on sale of interest in associated company	4	**1,238**	–	–
Gain on remeasurement of previously held interest in associated company on acquiring control	19	**2,547**	–	–
Other net gains	5	**657**	181	261
Change in fair value of investment properties		**5,205**	(1,178)	14,406
Impairment losses on hotel properties		**–**	(235)	(267)
Operating profit		**12,982**	2,405	21,733
Finance charges		**(690)**	(532)	(1,136)
Finance income		**21**	41	196
Net finance charges	7	**(669)**	(491)	(940)
Share of profits less losses of jointly controlled companies		**1,233**	1,154	624
Share of profits less losses of associated companies		**2,351**	616	2,154
Profit before taxation		**15,897**	3,684	23,571
Taxation	8	**(1,466)**	(459)	(3,407)
Profit for the period		**14,431**	3,225	20,164
Profit attributable to:				
The Company's shareholders		**13,947**	3,231	19,917
Non-controlling interests		**484**	(6)	247
		14,431	3,225	20,164
Dividends				
Interim – proposed/paid		**1,505**	903	903
Final – paid		**–**	–	3,310
		1,505	903	4,213

	Note	2010 HK$	2009 HK$	2009 HK$
Earnings per share for profit attributable to the Company's shareholders (basic and diluted)	9			
'A' shares		**9.27**	2.15	13.24
'B' shares		**1.85**	0.43	2.65

	2010 Interim HK¢	2009 Interim HK¢	2009 Final HK¢	2009 Total HK¢
Dividends per share				
'A' shares	**100.0**	60.0	220.0	280.0
'B' shares	**20.0**	12.0	44.0	56.0

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2010 – unaudited

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Profit for the period	**14,431**	3,225	20,164
Other comprehensive income			
Cash flow hedges			
– recognised during the period	**122**	267	365
– transferred to net finance charges	**2**	9	20
– transferred to operating profit – exchange differences	**(50)**	–	(8)
– transferred to initial cost of non-financial assets	**(158)**	37	75
– deferred tax	**12**	(52)	(68)
Net fair value changes on available-for-sale assets			
– net (losses)/gains recognised during the period	**(22)**	123	144
– net gains transferred to operating profit	**(44)**	–	(39)
Revaluation of property previously occupied by the Group			
– gain recognised during the period	**856**	–	–
– deferred tax	**(141)**	–	–
Share of other comprehensive income of jointly controlled and associated companies	**29**	106	424
Net translation differences on foreign operations	**136**	61	78
Other comprehensive income for the period, net of tax	**742**	551	991
Total comprehensive income for the period	**15,173**	3,776	21,155
Total comprehensive income attributable to:			
The Company's shareholders	**14,688**	3,781	20,892
Non-controlling interests	**485**	(5)	263
	15,173	3,776	21,155

Note:
Other than cash flow hedges and the revaluation of property previously occupied by the Group as highlighted above, items shown within other comprehensive income have no tax effect.

Consolidated Statement of Financial Position

at 30th June 2010 – unaudited

	Note	30th June 2010 HK$M	31st December 2009 HK$M (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**23,040**	16,731
Investment properties	10	**160,219**	154,493
Leasehold land and land use rights	10	**937**	52
Intangible assets	11	**3,760**	871
Properties held for development		**423**	441
Jointly controlled companies		**14,156**	9,048
Associated companies		**22,465**	23,454
Available-for-sale assets		**310**	392
Long-term receivables		**8**	9
Long-term security deposits		**127**	211
Derivative financial instruments	12	**483**	450
Deferred tax assets	15	**360**	270
Retirement benefit assets		**505**	210
		226,793	206,632
Current assets			
Properties for sale		**5,438**	3,272
Stocks and work in progress		**1,906**	1,428
Trade and other receivables	13	**5,692**	3,820
Derivative financial instruments	12	**11**	14
Cash and cash equivalents		**3,761**	2,322
Short-term deposits		**366**	242
		17,174	11,098
Current liabilities			
Trade and other payables	14	**9,788**	8,865
Provisions		**–**	7
Taxation payable		**523**	292
Derivative financial instruments	12	**33**	20
Bank overdrafts and short-term loans		**3,713**	1,083
Long-term loans and bonds due within one year		**4,465**	1,469
		18,522	11,736
Net current liabilities		**(1,348)**	(638)
Total assets less current liabilities		**225,445**	205,994
Non-current liabilities			
Perpetual capital securities		**2,335**	2,326
Long-term loans and bonds		**31,139**	29,624
Receipt in advance from an associated company	14	**74**	–
Derivative financial instruments	12	**227**	166
Deferred tax liabilities	15	**21,771**	20,303
Retirement benefit liabilities		**256**	226
		55,802	52,645
NET ASSETS		**169,643**	153,349
EQUITY			
Share capital	16	**903**	903
Reserves	17	**162,951**	151,600
Equity attributable to the Company's shareholders		**163,854**	152,503
Non-controlling interests	18	**5,789**	846
TOTAL EQUITY		**169,643**	153,349

Consolidated Statement of Cash Flows

for the six months ended 30th June 2010 – unaudited

	Note	Six months ended 30th June 2010 HK$M	Six months ended 30th June 2009 HK$M	Year ended 31st December 2009 HK$M
Operating activities				
Cash generated from operations		**2,701**	3,900	8,740
Interest paid		**(788)**	(758)	(1,449)
Interest received		**19**	42	89
Profits tax paid		**(278)**	(154)	(580)
		1,654	3,030	6,800
Dividends received from jointly controlled and associated companies and available-for-sale assets		**718**	537	890
Net cash from operating activities		**2,372**	3,567	7,690
Investing activities				
Purchase of property, plant and equipment		**(1,100)**	(983)	(2,228)
Additions of investment properties		**(1,368)**	(906)	(2,300)
Purchase of intangible assets		**(7)**	(6)	(19)
Proceeds from disposals of property, plant and equipment		**34**	27	131
Proceeds from disposals of investment properties		**190**	–	80
Purchase of shares in existing subsidiary companies		**(134)**	–	–
Net cash (outflow)/inflow on purchase of shares in new subsidiary companies		**(18)**	–	14
Purchase of shares in jointly controlled companies		**(255)**	(199)	(282)
Purchase of shares in associated companies		**(46)**	(45)	(1,161)
Net cash outflow on purchase of additional shares in HAECO	19	**(2,079)**	–	(1,904)
Loans to jointly controlled companies		**(192)**	(599)	(741)
Repayment of loan from a jointly controlled company		**–**	(3,500)	(3,500)
Loans to associated companies		**–**	(13)	(33)
Purchase of available-for-sale assets		**(1)**	–	–
Proceeds from disposal of interest in an associated company		**1,341**	–	–
Repayment of loans by jointly controlled companies		**119**	3,472	4,184
Repayment of loans by associated companies		**386**	–	200
Proceeds from disposals of available-for-sale assets		**69**	–	1,948
Net decrease in deposits maturing after more than three months		**2**	89	–
Initial leasing costs incurred		**(17)**	(3)	(26)
Net cash used in investing activities		**(3,076)**	(2,666)	(5,637)
Net cash (outflow)/inflow before financing		**(704)**	901	2,053
Financing activities				
Loans drawn and refinancing		**7,292**	3,841	8,263
Repayment of loans and bonds		**(1,478)**	(4,709)	(9,077)
		5,814	(868)	(814)
Security deposits uplifted		**85**	85	169
Capital contributions from non-controlling interests		**11**	–	12
Dividends paid to the Company's shareholders		**(3,310)**	(2,227)	(3,130)
Dividends paid to non-controlling interests		**(460)**	(32)	(123)
Net cash generated from/(used in) financing activities		**2,140**	(3,042)	(3,886)
Increase/(decrease) in cash and cash equivalents		**1,436**	(2,141)	(1,833)
Cash and cash equivalents at 1st January		**2,322**	4,146	4,146
Currency adjustment		**3**	–	9
Cash and cash equivalents at end of the period		**3,761**	2,005	2,322
Represented by:				
Bank balances and short-term deposits maturing within three months		**3,761**	2,010	2,322
Bank overdrafts		**–**	(5)	–
		3,761	2,005	2,322

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2010 – unaudited

	Note	Attributable to the Company's shareholders: Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2010		**903**	**149,262**	**2,338**	**152,503**	**846**	**153,349**
Profit for the period		**–**	**13,947**	**–**	**13,947**	**484**	**14,431**
Other comprehensive income		**–**	**–**	**741**	**741**	**1**	**742**
Total comprehensive income for the period		**–**	**13,947**	**741**	**14,688**	**485**	**15,173**
Dividends paid	17,18	**–**	**(3,310)**	**–**	**(3,310)**	**(460)**	**(3,770)**
Changes in composition of Group		**–**	**(27)**	**–**	**(27)**	**4,918**	**4,891**
At 30th June 2010		**903**	**159,872**	**3,079**	**163,854**	**5,789**	**169,643**

	Attributable to the Company's shareholders: Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2009	903	132,433	1,405	134,741	1,447	136,188
Profit for the period	–	3,231	–	3,231	(6)	3,225
Other comprehensive income	–	–	550	550	1	551
Total comprehensive income for the period	–	3,231	550	3,781	(5)	3,776
Dividends paid	–	(2,227)	–	(2,227)	(32)	(2,259)
At 30th June 2009	903	133,437	1,955	136,295	1,410	137,705

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Income Statement

Six months ended 30th June 2010	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	3,912	30	3,942	3,354	(667)	26	11	2,724	2,339	2,335
Change in fair value of investment properties	–	–	–	4,818	–	967	11	5,796	4,874	4,855
Property trading and development	51	248	299	39	(1)	–	–	38	35	35
Hotels	215	–	215	(96)	(12)	(4)	57	(55)	(47)	(47)
	4,178	**278**	**4,456**	**8,115**	**(680)**	**989**	**79**	**8,503**	**7,201**	**7,178**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	2,082	2,082	2,082	2,082
HAECO group										
– as subsidiary company	342	–	342	27	(1)	24	–	50	45	28
– as associated company	–	–	–	–	–	–	152	152	152	152
Gain on remeasurement of previously held interest in HAECO	–	–	–	2,547	–	–	–	2,547	2,547	2,547
Hactl	–	–	–	–	–	–	26	26	26	18
Sale of interest in Hactl	–	–	–	1,238	–	–	–	1,238	1,238	825
Others	–	–	–	–	–	1	–	1	1	1
	342	**–**	**342**	**3,812**	**(1)**	**25**	**2,260**	**6,096**	**6,091**	**5,653**
Beverages										
Hong Kong	864	–	864	74	–	–	–	74	67	61
Taiwan	711	–	711	10	(1)	1	–	10	10	9
USA	1,793	–	1,793	157	–	–	–	157	111	111
Mainland China	627	–	627	27	(19)	79	(1)	86	72	56
Central items	–	–	–	29	–	–	–	29	29	29
	3,995	**–**	**3,995**	**297**	**(20)**	**80**	**(1)**	**356**	**289**	**266**
Marine Services										
Swire Pacific Offshore group	1,514	–	1,514	420	1	–	–	421	410	410
HUD group	–	–	–	–	–	39	–	39	39	39
	1,514	**–**	**1,514**	**420**	**1**	**39**	**–**	**460**	**449**	**449**
Trading & Industrial										
Swire Resources group	970	–	970	62	1	5	13	81	67	67
Taikoo Motors group	1,609	–	1,609	52	–	–	–	52	40	40
Taikoo Sugar	223	50	273	2	–	–	–	2	2	2
Akzo Nobel Swire Paints	–	–	–	–	–	55	–	55	53	53
CROWN Beverage Cans group	–	–	–	–	–	40	–	40	40	40
Other activities	1	–	1	(5)	–	–	–	(5)	(5)	(5)
	2,803	**50**	**2,853**	**111**	**1**	**100**	**13**	**225**	**197**	**197**
Head Office										
Net income/(expenses)	4	6	10	(110)	30	–	–	(80)	(69)	(69)
Change in fair value of investment properties	–	–	–	387	–	–	–	387	323	323
	4	**6**	**10**	**277**	**30**	**–**	**–**	**307**	**254**	**254**
Inter-segment elimination	**–**	**(334)**	**(334)**	**(50)**	**–**	**–**	**–**	**(50)**	**(50)**	**(50)**
Total	**12,836**	**–**	**12,836**	**12,982**	**(669)**	**1,233**	**2,351**	**15,897**	**14,431**	**13,947**

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Six months ended 30th June 2009	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	3,611	27	3,638	2,754	(566)	33	6	2,227	1,939	1,945
Change in fair value of investment properties	–	–	–	(1,183)	–	820	(18)	(381)	(507)	(441)
Property trading	148	–	148	84	(1)	(34)	–	49	4	4
Hotels	60	–	60	(322)	(14)	(5)	38	(303)	(230)	(230)
	3,819	**27**	**3,846**	**1,333**	**(581)**	**814**	**26**	**1,592**	**1,206**	**1,278**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	277	277	277	277
HAECO group	–	–	–	–	–	–	191	191	191	191
Hactl	–	–	–	–	–	–	77	77	77	52
Others	–	–	–	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**545**	**545**	**545**	**520**
Beverages										
Hong Kong	896	–	896	88	–	–	–	88	76	69
Taiwan	694	–	694	28	(2)	1	–	27	24	19
USA	1,792	–	1,792	156	–	–	–	156	112	112
Mainland China	654	–	654	5	(16)	194	38	221	210	184
Central items	–	–	–	(13)	–	–	–	(13)	(13)	(13)
	4,036	**–**	**4,036**	**264**	**(18)**	**195**	**38**	**479**	**409**	**371**
Marine Services										
Swire Pacific Offshore group	2,063	–	2,063	892	1	3	–	896	891	888
HUD group	–	–	–	–	–	41	–	41	41	41
	2,063	**–**	**2,063**	**892**	**1**	**44**	**–**	**937**	**932**	**929**
Trading & Industrial										
Swire Resources group	903	–	903	32	–	2	7	41	34	34
Taikoo Motors group	977	–	977	6	(1)	–	–	5	5	5
Taikoo Sugar	136	33	169	5	–	–	–	5	4	4
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	62	62	62
CROWN Beverage Cans group	–	–	–	–	–	37	–	37	37	37
Other activities	5	–	5	(16)	3	–	–	(13)	(13)	(13)
	2,021	**33**	**2,054**	**27**	**2**	**101**	**7**	**137**	**129**	**129**
Head Office										
Net income/(expenses)	5	6	11	(116)	105	–	–	(11)	–	–
Change in fair value of investment properties	–	–	–	5	–	–	–	5	4	4
	5	**6**	**11**	**(111)**	**105**	**–**	**–**	**(6)**	**4**	**4**
Inter-segment elimination	**–**	**(66)**	**(66)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**11,944**	**–**	**11,944**	**2,405**	**(491)**	**1,154**	**616**	**3,684**	**3,225**	**3,231**

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Year ended 31st December 2009	External turnover HK$M	Inter-segment turnover HK$M	Total turnover HK$M	Operating profit HK$M	Net finance charges HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Profit before taxation HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	7,473	53	7,526	5,607	(1,045)	48	16	4,626	4,106	4,098
Change in fair value of investment properties	–	–	–	14,383	–	7	53	14,443	11,689	11,601
Property trading	643	–	643	70	(3)	(26)	–	41	23	23
Hotels	172	–	172	(474)	(26)	(30)	95	(435)	(332)	(332)
	8,288	**53**	**8,341**	**19,586**	**(1,074)**	**(1)**	**164**	**18,675**	**15,486**	**15,390**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	1,349	1,349	1,349	1,349
HAECO group	–	–	–	–	–	–	314	314	314	314
Hactl	–	–	–	–	–	–	234	234	234	156
Others	–	–	–	–	–	2	–	2	2	2
	–	**–**	**–**	**–**	**–**	**2**	**1,897**	**1,899**	**1,899**	**1,821**
Beverages										
Hong Kong	1,904	–	1,904	215	–	–	–	215	198	179
Taiwan	1,489	–	1,489	64	(3)	1	–	62	58	46
USA	3,560	–	3,560	338	–	–	–	338	247	247
Mainland China	1,446	–	1,446	(5)	(31)	326	54	344	316	274
Central items	–	–	–	7	–	–	–	7	7	7
	8,399	**–**	**8,399**	**619**	**(34)**	**327**	**54**	**966**	**826**	**753**
Marine Services										
Swire Pacific Offshore group	3,892	–	3,892	1,594	2	3	–	1,599	1,559	1,559
HUD group	–	–	–	–	–	78	–	78	78	78
	3,892	**–**	**3,892**	**1,594**	**2**	**81**	**–**	**1,677**	**1,637**	**1,637**
Trading & Industrial										
Swire Resources group	1,835	–	1,835	74	1	2	39	116	100	100
Taikoo Motors group	2,158	–	2,158	53	–	–	–	53	33	33
Taikoo Sugar	322	79	401	10	–	–	–	10	9	9
Akzo Nobel Swire Paints	–	–	–	–	–	141	–	141	141	141
CROWN Beverage Cans group	–	–	–	–	–	72	–	72	72	72
Other activities	5	–	5	(11)	19	–	–	8	(5)	(5)
	4,320	**79**	**4,399**	**126**	**20**	**215**	**39**	**400**	**350**	**350**
Head Office										
Net income/(expenses)	10	158	168	(215)	146	–	–	(69)	(52)	(52)
Change in fair value of investment properties	–	–	–	23	–	–	–	23	18	18
	10	**158**	**168**	**(192)**	**146**	**–**	**–**	**(46)**	**(34)**	**(34)**
Inter-segment elimination	**–**	**(290)**	**(290)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**24,909**	**–**	**24,909**	**21,733**	**(940)**	**624**	**2,154**	**23,571**	**20,164**	**19,917**

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

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2010	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	163,228	7,512	470	1,286	172,496
Property trading and development	6,182	331	–	93	6,606
Hotels	4,722	504	536	87	5,849
	174,132	**8,347**	**1,006**	**1,466**	**184,951**
Aviation					
Cathay Pacific group	–	–	20,529	–	20,529
HAECO group	10,696	3,777	–	817	15,290
Others	–	25	–	–	25
	10,696	**3,802**	**20,529**	**817**	**35,844**
Beverages	**5,009**	**1,233**	**654**	**398**	**7,294**
Marine Services					
Swire Pacific Offshore group	9,138	–	38	445	9,621
HUD group	–	(52)	–	–	(52)
	9,138	**(52)**	**38**	**445**	**9,569**
Trading & Industrial					
Swire Resources group	305	13	238	175	731
Taikoo Motors group	1,022	–	–	215	1,237
Taikoo Sugar	89	–	–	10	99
Akzo Nobel Swire Paints	–	408	–	–	408
CROWN Beverage Cans group	–	405	–	–	405
Other activities	89	–	–	–	89
	1,505	**826**	**238**	**400**	**2,969**
Head Office	**2,562**	**–**	**–**	**778**	**3,340**
	203,042	**14,156**	**22,465**	**4,304**	**243,967**

1. SEGMENT INFORMATION (continued)

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

At 31st December 2009	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	157,811	6,428	466	937	165,642
Property trading	3,914	87	–	103	4,104
Hotels	4,632	438	488	26	5,584
	166,357	**6,953**	**954**	**1,066**	**175,330**
Aviation					
Cathay Pacific group	–	–	17,476	–	17,476
HAECO group	–	–	3,656	–	3,656
Hactl	–	–	498	–	498
Others	–	24	–	–	24
	–	**24**	**21,630**	**–**	**21,654**
Beverages	**4,705**	**1,443**	**608**	**446**	**7,202**
Marine Services					
Swire Pacific Offshore group	8,914	–	38	573	9,525
HUD group	–	(91)	–	–	(91)
	8,914	**(91)**	**38**	**573**	**9,434**
Trading & Industrial					
Swire Resources group	349	8	224	133	714
Taikoo Motors group	880	–	–	264	1,144
Taikoo Sugar	83	–	–	8	91
Akzo Nobel Swire Paints	–	333	–	–	333
CROWN Beverage Cans group	–	378	–	–	378
Other activities	122	–	–	–	122
	1,434	**719**	**224**	**405**	**2,782**
Head Office	**997**	**–**	**–**	**331**	**1,328**
	182,407	**9,048**	**23,454**	**2,821**	**217,730**

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

The Beverages Division is considered to be a single reportable segment as the nature of its operations in different geographical locations is similar. The analysis of the consolidated income statement in note 1(a) presents the results of the Beverages Division by geographical location in order to provide further information to the user of the Interim Report.

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

2. BASIS OF PREPARATION

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

The accounting policies used in the preparation of the interim financial information are consistent with those described in the 2009 annual accounts except as noted in 2(b) below.

(b) The Group has adopted the following relevant revised Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations effective from 1st January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

* Except for certain amendments to HKAS 39 which were adopted in 2009.

The Improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17 Leases. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong, Mainland China and the UK and has reclassified the land element of its principal property leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease expense has been reclassified to depreciation. The effect of the adoption of the amendment on the consolidated statement of financial position at 1st January 2010 is to increase property plant and equipment by HK$2,182 million with a corresponding reduction in leasehold land and land use rights. The depreciation charge for the six months ended 30th June 2010 has increased by HK$9 million with a corresponding reduction in the amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the six months ended 30th June 2009 of HK$2 million and a corresponding reduction in the amortisation charge for that period. The consolidated statement of financial position at 31st December 2009 has been restated to reflect the reclassifications.

The revised HKAS 27 requires changes in a parent company's interest in subsidiaries that do not result in changes of control to be accounted for within equity, with no goodwill recognised. The revised HKAS 27 has also resulted in the renaming of "minority interests" as "non-controlling interests".

The revised HKFRS 3 has introduced a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the previously held interest in the acquiree should be remeasured at fair value at the acquisition date when the controlling interest is obtained, with any resulting gain or loss recognised in the income statement. The acquisition of additional interests in HAECO during the period (as detailed in note 19) has been accounted for in accordance with the revised HKFRS 3 and the revised HKAS 27. This has resulted in the remeasurement of the previously held interest in HAECO of 45.96% to fair value and the recognition of a gain of HK$2,547 million in the consolidated income statement.

2. BASIS OF PREPARATION (continued)

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

(c) The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2009 annual accounts.

3. TURNOVER

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

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Gross rental income from investment properties	**3,876**	3,571	7,392
Property trading	**51**	148	643
Hotels	**215**	60	172
Charter hire and related income	**1,514**	2,063	3,892
Rendering of services	**384**	46	91
Sales of goods	**6,796**	6,056	12,719
	12,836	11,944	24,909

4. PROFIT ON SALE OF INTEREST IN ASSOCIATED COMPANY

On 12th February 2010, Swire Aviation Limited ("Swire Aviation"), a 66.7%-owned subsidiary of the Company, notified the existing shareholders in Hong Kong Air Cargo Terminals Limited ("Hactl") of its intention to sell its 30% interest in Hactl. The Group ceased to equity account for its interest in Hactl from that date.

On 25th May 2010, Swire Aviation agreed to dispose of its 30% interest in Hactl to a consortium comprising the existing shareholders in Hactl (with the exception of Cathay Pacific) for a total cash consideration of HK$1,341 million. The transaction was completed on 31st May 2010 and Swire Aviation recorded a profit of HK$1,238 million, of which HK$825 million is attributable to the Group.

5. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Profit on sale of available-for-sale assets	**45**	–	46
Profit on sale of investment properties	**545**	–	21
Profit on sale of property, plant and equipment	**2**	108	106
Loss on sale of leasehold land	**–**	–	(5)
Net foreign exchange losses	**(49)**	(13)	(35)
Fair value gains/(losses) on derivative instruments transferred from cash flow hedge reserve			
– Cross-currency swaps	**53**	–	8
– Forward foreign exchange contracts	**(3)**	–	–

6. EXPENSES BY TYPE

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

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M (Restated)	2009 HK$M (Restated)
Cost of stocks sold	**4,452**	3,758	8,313
Write-down of properties held for development	**–**	29	29
Write-down of stocks and work in progress	**13**	21	12
Depreciation of property, plant and equipment (note 10)	**516**	427	868
Amortisation of			
– Leasehold land and land use rights (note 10)	**3**	1	2
– Intangible assets (note 11)	**10**	8	15
– Initial leasing costs	**15**	13	28
– Others	**2**	–	–
Staff costs	**2,065**	1,881	3,686
Operating lease rentals			
– Properties	**155**	146	297
– Other equipment	**20**	19	37
Direct operating expenses of investment properties that			
– Generated rental income	**586**	571	1,289
– Did not generate rental income	**67**	38	81

7. NET FINANCE CHARGES

Refer to page 27 for details of the Group's net finance charges.

8. TAXATION

	Six months ended 30th June		Year ended 31st December
	2010 HK$M	2009 HK$M	2009 HK$M
Current taxation			
Hong Kong profits tax	**(384)**	(247)	(418)
Overseas taxation	**(111)**	(96)	(176)
Over/(under) provisions in prior years	**13**	(2)	69
	(482)	(345)	(525)
Deferred taxation (note 15)			
Changes in fair value of investment properties	**(918)**	(85)	(2,674)
Origination and reversal of temporary differences	**(66)**	(29)	(208)
	(984)	(114)	(2,882)
	(1,466)	(459)	(3,407)

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

The Group's share of jointly controlled and associated companies' tax charges for the six months ended 30th June 2010 of HK$360 million (30th June 2009: HK$456 million; year ended 31st December 2009: HK$221 million) and HK$236 million (30th June 2009: HK$163 million; year ended 31st December 2009 : HK$246 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

9. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2010 of HK$13,947 million (30th June 2009: HK$3,231 million; 31st December 2009: HK$19,917 million) by the weighted average number of 905,578,500 'A' shares and 2,995,220,000 'B' shares in issue during the period (30th June and 31st December 2009: 905,578,500 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

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

	Property, plant and equipment HK$M	Leasehold land and land use rights HK$M	Total HK$M
Cost			
At 1st January 2010			
as originally stated	21,549	2,301	23,850
adjustment on adoption of amendment to HKAS 17	2,243	(2,243)	–
as restated	23,792	58	23,850
Translation differences	28	1	29
Changes in composition of Group	8,170	958	9,128
Additions	963	–	963
Disposals	(259)	–	(259)
Revaluation surplus (note a)	856	–	856
Net transfers to investment properties	(488)	–	(488)
At 30th June 2010	33,062	1,017	34,079
Accumulated depreciation/amortisation and impairment			
At 1st January 2010			
as originally stated	7,000	67	7,067
adjustment on adoption of amendment to HKAS 17	61	(61)	–
as restated	7,061	6	7,067
Translation differences	8	–	8
Changes in composition of Group	2,682	71	2,753
Charge for the period	516	3	519
Disposals	(212)	–	(212)
Net transfers to investment properties	(33)	–	(33)
At 30th June 2010	10,022	80	10,102
Net book value			
At 30th June 2010	23,040	937	23,977
At 1st January 2010 (restated)	16,731	52	16,783

10. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS (continued)

Notes:

(a) During the period, a property occupied by the Group (together with the associated leasehold land) was transferred to investment properties following the end of occupation by the Group. The valuation increase from its carrying amount to its fair value at the date of transfer of HK$856 million has been recognised in other comprehensive income and the properties revaluation reserve.

(b) Property, plant and equipment and leasehold land and land use rights are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2010.

(c) Property, plant and equipment includes costs of HK$2,257 million, including advance payments and deposits under contracts with third parties, in respect of assets under construction (31st December 2009: HK$1,858 million).

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

11. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Technical licences HK$M	Total HK$M
Cost				
At 1st January 2010	832	108	–	940
Translation differences	1	1	–	2
Changes in composition of Group	30	26	524	580
Additions	2,322	7	–	2,329
At 30th June 2010	3,185	142	524	3,851
Accumulated amortisation and impairment				
At 1st January 2010	–	69	–	69
Changes in composition of Group	–	10	2	12
Charge for the period	–	8	2	10
At 30th June 2010	–	87	4	91
Net book value				
At 30th June 2010	3,185	55	520	3,760
At 1st January 2010	832	39	–	871

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30th June 2010	
	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	460	–
Interest rate swaps – cash flow hedges	–	225
Interest rate swaps – fair value hedges	21	–
Forward foreign exchange contracts – cash flow hedges	13	31
Commodity swaps – not qualifying as hedges	–	4
Total	494	260
Less non-current portion:		
Cross-currency swaps – cash flow hedges	460	–
Interest rate swaps – cash flow hedges	–	225
Interest rate swaps – fair value hedges	21	–
Forward foreign exchange contracts – cash flow hedges	2	2
	483	227
Current portion	11	33

	31st December 2009	
	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	424	–
Interest rate swaps – cash flow hedges	–	159
Interest rate swaps – fair value hedges	26	–
Forward foreign exchange contracts – cash flow hedges	14	27
Total	464	186
Less non-current portion:		
Cross-currency swaps – cash flow hedges	424	–
Interest rate swaps – cash flow hedges	–	159
Interest rate swaps – fair value hedges	26	–
Forward foreign exchange contracts – cash flow hedges	–	7
	450	166
Current portion	14	20

13. TRADE AND OTHER RECEIVABLES

	30th June 2010 HK$M	31st December 2009 HK$M
Trade debtors	**2,253**	1,738
Amounts due from fellow subsidiary companies	**122**	13
Amounts due from jointly controlled companies	**166**	116
Amounts due from associated companies	**9**	9
Other receivables	**3,142**	1,944
	5,692	3,820

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

	30th June 2010 HK$M	31st December 2009 HK$M
Under three months	**2,039**	1,520
Between three and six months	**103**	137
Over six months	**111**	81
	2,253	1,738

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

14. TRADE AND OTHER PAYABLES

	30th June 2010 HK$M	31st December 2009 HK$M
Trade creditors	**1,730**	1,491
Amounts due to immediate holding company	**150**	119
Amounts due to jointly controlled companies	**43**	69
Amounts due to associated companies	**32**	43
Interest-bearing advances from jointly controlled companies	**13**	16
Interest-bearing advances from associated companies	**149**	149
Receipt in advance from an associated company	**85**	–
Advances from non-controlling interests	**330**	327
Rental deposits from tenants	**1,679**	1,654
Put option over non-controlling interest in existing subsidiary company	**756**	690
Other payables	**4,895**	4,307
	9,862	8,865
Less: non-current portion of receipt in advance from an associated company	**(74)**	–
	9,788	8,865

14. TRADE AND OTHER PAYABLES (continued)

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

	30th June 2010 HK$M	31st December 2009 HK$M
Under three months	**1,611**	1,356
Between three and six months	**111**	119
Over six months	**8**	16
	1,730	1,491

15. DEFERRED TAXATION

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

	HK$M
At 1st January 2010	20,033
Translation differences	(2)
Changes in composition of Group	267
Charged to income statement (note 8)	984
Charged to other comprehensive income	129
At 30th June 2010	21,411
Represented by:	
Deferred tax assets	(360)
Deferred tax liabilities	21,771
	21,411

16. SHARE CAPITAL

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 30th June 2010 and 31st December 2009	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 30th June 2010 and 31st December 2009	905,578,500	2,995,220,000	543	360	903

17. RESERVES

	Revenue reserve* HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Investment revaluation reserve HK$M	Properties revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2010	149,262	342	49	711	–	(353)	1,589	151,600
Profit for the period	13,947	–	–	–	–	–	–	13,947
Other comprehensive income								
Cash flow hedges								
– recognised during the period	–	–	–	–	–	122	–	122
– transferred to net finance charges	–	–	–	–	–	2	–	2
– transferred to operating profit – exchange differences	–	–	–	–	–	(51)	–	(51)
– transferred to initial cost of non-financial assets	–	–	–	–	–	(158)	–	(158)
– deferred tax	–	–	–	–	–	12	–	12
Net fair value changes on available-for-sale assets								
– Net losses recognised during the period	–	–	–	(22)	–	–	–	(22)
– Net gains transferred to operating profit	–	–	–	(39)	–	–	–	(39)
Revaluation of property previously occupied by the Group								
– gain recognised during the period	–	–	–	–	856	–	–	856
– deferred tax	–	–	–	–	(141)	–	–	(141)
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	(123)	–	97	55	29
Net translation differences on foreign operations	–	–	–	–	–	–	131	131
Total comprehensive income for the period	**13,947**	**–**	**–**	**(184)**	**715**	**24**	**186**	**14,688**
2009 final dividend	**(3,310)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,310)**
Changes in composition of Group	**(27)**	**–**	**–**	**–**	**–**	**–**	**–**	**(27)**
At 30th June 2010	**159,872**	**342**	**49**	**527**	**715**	**(329)**	**1,775**	**162,951**

* The revenue reserve includes HK$1,505 million representing the proposed interim dividend for the period (31st December 2009: HK$3,310 million representing the proposed final dividend for 2009).

18. NON-CONTROLLING INTERESTS

	HK$M
At 1st January 2010	846
Share of profits less losses for the period	484
Share of net fair value changes on available-for-sale assets	(5)
Share of cash flow hedges	1
Share of net translation differences on foreign operations	5
Share of total comprehensive income for the period	485
Dividends paid and payable	(460)
Contribution from non-controlling interests	11
Additional non-controlling interest arising on consolidation of HAECO	4,967
Acquisition of non-controlling interests in subsidiary companies	(60)
At 30th June 2010	5,789

19. BUSINESS COMBINATION

Acquisition of Shares in Hong Kong Aircraft Engineering Company ("HAECO")

On 7th June 2010, Swire Pacific announced that the Company and Cathay Pacific had entered into a sale and purchase agreement for the Company to acquire 24,948,728 shares in HAECO (representing a 15% interest) from Cathay Pacific at a price of HK$105 per share, which amounted to a total cash consideration of HK$2,620 million. The Group recognised a gain of HK$2,547 million on the remeasurement of its 45.96% equity interest in HAECO held prior to the acquisition date. The transaction enabled the Company to acquire majority control of HAECO and as a result to consolidate the HAECO group's financial results and cash flows.

On 7th June 2010, Swire Pacific also announced that, in accordance with the Hong Kong Code on Takeovers and Mergers, the Company would be required to make a mandatory unconditional general offer in cash for all of the issued HAECO shares which it did not own, at the same price per share as that payable by the Company to Cathay Pacific. On 28th June 2010, Swire Pacific dispatched the document containing the general offer to shareholders of HAECO. The general offer was open until 27th July 2010. Shareholders holding 24,766,659 shares (representing a 14.89% interest) accepted the general offer, with the result that Swire Pacific's total holding of HAECO shares represented 75.85% of HAECO's issued share capital.

Details of the purchase consideration for the acquisition of the shares in HAECO held by Cathay Pacific, the fair value of the interest in HAECO held by Swire Pacific before that acquisition, the consolidated net assets of HAECO at 7th June 2010 and the provisional amount of the goodwill to be recorded in the books of Swire Pacific are shown in the table on the next page. The provisional amount of the goodwill has been calculated as at 7th June 2010, the date on which the unconditional agreement for the acquisition of shares from Cathay Pacific was entered into and the Company gained control of HAECO. The final amount of the goodwill will be calculated having regard to the additional shares in HAECO acquired under the general offer and to the shares in HAECO disposed of in order to restore the percentage of shares in HAECO in public hands to 25% in compliance with the Hong Kong Stock Exchange Listing Rules.

19. BUSINESS COMBINATION (continued)

	HK$M
Purchase consideration – cash paid to Cathay Pacific	2,620
Fair value of previously held interest in HAECO	6,421
	9,041

	Fair value HK$M
Cash and cash equivalents	541
Short-term deposits	124
Property, plant and equipment	5,411
Leasehold land and land use rights	887
Intangible assets	568
Jointly controlled companies	3,860
Retirement benefit assets	279
Inventories	362
Receivables	836
Payables	(861)
Borrowings	(1,324)
Net current and deferred tax liabilities	(294)
Non-controlling interests	(1,495)
Net identifiable assets (100%)	8,894
Net identifiable assets acquired	5,422
Elimination of the Group's share of profit on disposal recorded by Cathay Pacific	1,297
Goodwill (provisional) *	2,322
	9,041

* including goodwill of HK$600 million previously classified under interest in associated companies.

	HK$M
Purchase consideration settled in cash	2,620
Cash and cash equivalents acquired	(541)
Net cash outflow on acquisition	**2,079**

The Group has chosen to recognise the non-controlling interest at its proportionate share of net assets for this acquisition.

The goodwill is attributable to HAECO's highly skilled workforce. It also represents the premium paid over the traded market price to obtain control of the business. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired receivables was HK$836 million and includes trade receivables with a fair value of HK$431 million. The contractual amount of the trade receivables due is HK$432 million, in respect of which a bad debt provision of HK$1 million has been made.

Acquisition-related costs incurred up to 30th June 2010 of HK$4 million have been recognised in the consolidated income statement.

19. BUSINESS COMBINATION (continued)

The acquired business contributed revenue of HK$342 million and net profit of HK$28 million to the Group for the period from 7th June 2010 to 30th June 2010. If the acquisition had occurred on 1st January 2010, consolidated revenue and consolidated net profit for the period ended 30th June 2010 would have been increased by HK$1,707 million and HK$178 million respectively.

20. CAPITAL COMMITMENTS

	30th June 2010 HK$M	31st December 2009 HK$M
Outstanding capital commitments at the end of the period in respect of:		
(a) Property, plant and equipment		
Contracted for	**2,831**	3,069
Authorised by Directors but not contracted for	**3,888**	725
(b) Investment properties		
Contracted for	**2,686**	2,983
Authorised by Directors but not contracted for	**1,432**	2,028
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	**961**	594
Authorised by Directors but not contracted for	**4,920**	5,073
	5,881	5,667

* of which the Group is committed to funding HK$601 million (31st December 2009: HK$268 million).

21. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of jointly controlled companies totalled HK$986 million (31st December 2009: HK$987 million).

(b) Contingent tax liabilities
Certain wholly-owned Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2003/04 inclusive as a consequence of queries raised by the Hong Kong Inland Revenue Department ("IRD"). These queries relate to the deductibility, in the assessment of profits tax, of interest on borrowings of those companies during the periods under review.

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

The IRD has issued Notices of Assessment demanding additional tax totalling HK$440 million in respect of its queries for the years under review. The companies involved have objected to these assessments and the IRD has agreed to grant unconditional holdover of the tax demanded in these assessments. In addition, the estimated interest which would (assuming the relevant companies are found liable to pay the tax demanded) be payable in respect of the Notices of Assessment totalled HK$189 million at 30th June 2010 (31st December 2009: HK$171 million).

21. CONTINGENCIES (continued)

On 30th March 2010, the IRD issued a notice of assessment in respect of the year 2003/4 to Lindfield Limited ("Lindfield"), a jointly controlled company in which the Group has a 50% equity interest, in an amount of HK$18 million. The assessment relates to the deductibility of interest for profits tax purposes. Lindfield has objected to the assessment and the IRD has granted unconditional holdover of the tax demanded in the assessment. Given the lack of information, Lindfield is not able to determine reliably the ultimate outcome of this assessment.

(c) Cathay Pacific Airways

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

On 24th December 2007, Cathay Pacific received a Statement of Objections from the European Commission with regard to its air cargo operations and, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 27th May 2010, the Korean Fair Trade Commission ("KFTC") announced it will fine several airlines, including Cathay Pacific, for their air cargo pricing practices. Cathay Pacific has yet to receive the written decision. The announcement says Cathay Pacific's fine will be KRW4.098 billion, which is approximately HK$26 million at the exchange rate current as of the date of the announcement. Cathay Pacific will review the KFTC's decision in detail with its legal counsel and explore the options available.

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

21. CONTINGENCIES (continued)

(c) Cathay Pacific Airways (continued)

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but holds a provision of HK$26 million in respect of such liabilities in its accounts. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

22. RELATED PARTY TRANSACTIONS

There are agreements for services ("Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Agreements commenced on 1st January 2008 and will last for three years until 31st December 2010. For the period ended 30th June 2010, service fees payable amounted to HK$86 million (2009: HK$89 million). Expenses of HK$70 million (2009: HK$80 million) were reimbursed at cost; in addition, HK$100 million (2009: HK$110 million) in respect of shared administrative services was reimbursed.

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

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

		For the six months ended 30th June							
		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M
Revenue from	(a)								
– Sales of beverage drinks		**–**	–	**8**	8	**–**	–	**–**	–
– Rendering of services		**3**	4	**168**	6	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**154**	159	**–**	–	**–**	–
Purchases of beverage cans	(a)	**60**	84	**–**	–	**–**	–	**–**	–
Purchases of other goods	(a)	**2**	3	**18**	19	**–**	–	**–**	–
Purchases of services	(a)	**–**	–	**4**	1	**5**	4	**–**	–
Rental revenue	(b)	**4**	–	**3**	4	**6**	6	**21**	22
Interest income	(c)	**3**	2	**2**	12	**–**	–	**–**	–
Interest charges	(c)	**–**	–	**–**	–	**–**	–	**–**	–

22. RELATED PARTY TRANSACTIONS (continued)

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/more favourable to the Group than those charged to/by and contracted with other customers/suppliers of the Group.

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

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

Period-end loan balances advanced to jointly controlled and associated companies are as follows:

	30th June 2010 HK$M	31st December 2009 HK$M
Loans due from jointly controlled companies less provisions	**8,455**	8,439
Loans due from associated companies less provisions	**258**	643

Supplementary Information

CORPORATE GOVERNANCE

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

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

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

The 2010 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

SHARE CAPITAL

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

DIRECTORS' PARTICULARS

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

1. M B Swire has been appointed as a Non-Executive Director of Cathay Pacific Airways Limited.
2. M C C Sze has been appointed as an Independent Non-Executive Director of YGM Trading Limited and Yangtzekiang Garment Limited, has resigned as a Non-Executive Director of Lee Kum Kee Co. Ltd. and has been appointed as a consultant to the Board of Lee Kum Kee Co. Ltd.

DIRECTORS' INTERESTS

At 30th June 2010, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited:

	Capacity					
	Beneficial interest					
Swire Pacific Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
'A' shares						
P N L Chen	–	2,000	–	2,000	0.0002	
P A Johansen	31,500	–	–	31,500	0.0035	
P A Kilgour	5,000	–	–	5,000	0.0006	
C D Pratt	41,000	–	–	41,000	0.0045	
M B Swire	58,791	–	211,747	270,538	0.0299	2
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P N L Chen	65,000	10,142	–	75,142	0.0025	
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	750,000	–	21,605,000	22,355,000	0.7464	1
C D Pratt	100,000	–	–	100,000	0.0033	
M B Swire	2,241,483	–	6,451,632	8,693,115	0.2902	2

	Capacity					
	Beneficial interest					
John Swire & Sons Limited	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Ordinary shares of £1						
Baroness Dunn	8,000	–	–	8,000	0.01	
M B Swire	2,759,273	–	19,222,920	21,982,193	21.98	2
8% cum. preference shares of £1						
Baroness Dunn	2,400	–	–	2,400	0.01	
M B Swire	837,101	–	5,655,441	6,492,542	21.64	2

	Capacity			
	Beneficial interest			
Cathay Pacific Airways Limited	Personal	Family	Total no. of shares	Percentage of issued capital (%)
Ordinary shares				
P N L Chen	9,000	–	9,000	0.00023
A N Tyler	5,000	–	5,000	0.00013

DIRECTORS' INTERESTS (continued)

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

Notes:
1. All the Swire Pacific Limited 'B' shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
2. M B Swire is a trustee of trusts which held 10,766,080 ordinary shares and 3,121,716 preference shares in John Swire & Sons Limited and 211,747 'A' shares and 5,550,900 'B' shares in Swire Pacific Limited included under "Trust interest" and does not have any beneficial interest in those shares.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th June 2010, the Company had been notified of the following interests and short position in the Company's shares:

	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Long position					
Substantial shareholders					
John Swire & Sons Limited	195,215,158	21.56	2,038,165,765	68.05	1
Commonwealth Bank of Australia	72,224,500	7.98	–	–	2
Aberdeen Asset Management plc	63,674,151	7.03	391,066,362	13.06	3
J.P. Morgan Chase & Company	54,564,504	6.03	–	–	4
The Northern Trust Company (ALA)	54,536,319	6.02	–	–	5
Short position					
J.P. Morgan Chase & Company	550,570	0.06	–	–	6

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS (continued)

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 195,215,158 'A' shares and 2,038,165,765 'B' shares of the Company as at 30th June 2010, comprising:
   (a) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (b) 39,580,356 'A' shares and 1,482,779,167 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (c) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 137,612,500 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 5,390,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited and 99,221,635 'B' shares held by Tai-Koo Limited.
2. The interest in these shares was attributable to wholly-owned controlled corporations of Commonwealth Bank of Australia.
3. Aberdeen Asset Management plc is interested in the 'A' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested. The interests in the 'B' shares were reported by Aberdeen Asset Management plc under Section 329 of the SFO. Details of the capacities in which the shares are held were not given.
4. The shares held by J.P. Morgan Chase & Company are held in the following capacities:

Capacity	No. of shares
Beneficial owner	1,267,232
Investment manager	5,640,520
Custodian Corporation/Lending agent	47,656,752

5. This notification was filed as a notice under Section 5(4) of the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules. Details of the capacities in which the shares are held were not given.
6. This short position is held in the capacity as beneficial owner, and includes holdings in the following categories of derivatives:

Categories of derivatives	No. of shares
Physically settled unlisted derivatives	250,570

At 30th June 2010, the Swire group owned interests in shares of the Company representing 40.07% of the issued capital and 57.25% of the voting rights.

Financial Calendar and Information for Investors

Financial Calendar 2010

Interim Report sent to shareholders	20th August
‘A’ and ‘B’ shares trade ex-dividend	14th September
Share registers closed	16th – 21st September
Payment of 2010 interim dividends	4th October
Annual results announcement	March 2011
Annual General Meeting	May 2011

Registered Office (with effect from 9th August 2010)

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Hong Kong

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Website: www.computershare.com

Depositary

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E-mail: shrrelations@bnymellon.com
Tel: Calls within USA – toll free: 1-888-BNY-ADRS
International callers: 1-201-680-6825

Stock Codes

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

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

Auditors

PricewaterhouseCoopers

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Request for Feedback

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

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