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Financial Highlights

	Note	Six months ended 30th June 2012 HK\$M	Six months ended 30th June 2011 HK\$M	Year ended 31st December 2011 HK\$M
Turnover		**19,389**	17,082	36,286
Operating profit		**11,224**	23,319	31,424
Profit attributable to the Company's shareholders		**8,441**	23,951	32,210
Cash generated from operations		**2,043**	4,402	9,204
Net cash (outflow)/inflow before financing		**(5,283)**	258	15,968
Total equity (including non-controlling interests)		**238,661**	230,463	232,476
Net debt		**44,121**	44,834	35,679
		HK$	HK$	HK$
Earnings per share	(a)			
'A' shares		**5.61**	15.92	21.41
'B' shares		**1.12**	3.18	4.28
		HK$	HK$	HK$
Dividends per share				
'A' shares		**1.00**	1.15	6.50
'B' shares		**0.20**	0.23	1.30
		HK$	HK$	HK$
Equity attributable to the Company's shareholders per share	(b)			
'A' shares		**133.30**	149.97	151.24
'B' shares		**26.66**	29.99	30.25

UNDERLYING PROFIT AND EQUITY

	Note	Six months ended 30th June 2012 HK\$M	Six months ended 30th June 2011 HK\$M	Year ended 31st December 2011 HK\$M
Underlying profit attributable to the Company's shareholders	(c)	**2,255**	4,602	17,292
		HK$	HK$	HK$
Underlying earnings per share	(a)			
'A' shares		**1.50**	3.06	11.49
'B' shares		**0.30**	0.61	2.30
		HK$	HK$	HK$
Underlying equity attributable to the Company's shareholders per share	(b), (c)			
'A' shares		**136.80**	153.26	154.73
'B' shares		**27.36**	30.65	30.95

Notes:

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

(b) Refer to the glossary on page 67 for the definition of equity and underlying equity attributable to the Company's shareholders per share.

(c) A reconciliation between the reported and underlying profit and equity attributable to the Company's shareholders is provided on page 30.

Chairman's Statement

CONSOLIDATED RESULTS

Our consolidated profit attributable to shareholders for the first half of 2012 was HK$8,441 million, HK$15,510 million lower than for the first half of 2011. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, decreased by HK$2,347 million to HK$2,255 million. Adjusted to exclude the effect of non-recurring items, underlying profit decreased by HK$2,132 million to HK$2,246 million.

This decrease in adjusted underlying profit reflects losses from the Cathay Pacific group and lower profits from the Property and Beverages Divisions. There were higher profits from Hong Kong Aircraft Engineering Company Limited ("HAECO") and from the Marine Services Division. Profits from the Trading & Industrial Division were little changed.

DIVIDENDS

The Directors have declared first interim dividends of HK$1.00 (2011: HK$1.15) per 'A' share and HK$0.20 (2011: HK$0.23) per 'B' share for the period ended 30th June 2012. The first interim dividends, which total HK$1,505 million (2011: HK$1,730 million), will be paid on 5th October 2012 to shareholders registered at the close of business on the record date, being Friday, 14th September 2012. Shares of the Company will be traded ex-dividend from Wednesday, 12th September 2012.

The register of members will be closed on Friday, 14th September 2012, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim dividends, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13th September 2012.

LISTING OF SWIRE PROPERTIES

In October 2011, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited for the spin-off and listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares, which took place in January 2012, was achieved through a distribution in specie by Swire Pacific of 18% of the shares in Swire Properties. Following the listing, Swire Pacific's shareholding in Swire Properties was reduced to 82%.

HALF-YEAR OPERATING PERFORMANCE

Attributable underlying profit from the Property Division decreased by HK$297 million to HK$1,918 million. The reduction in underlying profit from the Property Division in the first half of 2012 reflects the reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of the shares in Swire Properties on The Stock Exchange of Hong Kong Limited in January 2012. If 100% of the results of Swire Properties had been taken into account, the Property Division would have recorded an increase of HK$125 million in underlying profit in the first half of 2012 compared to the same period in 2011. The increase principally reflected positive rental reversions from the investment property portfolio and a first time rental contribution from the development at TaiKoo Hui in Mainland China. The hotel portfolio performed well, with encouraging results from the owned and managed hotels in Hong Kong and Beijing. The positive effect of these factors was partially offset by the absence of a contribution from Festival Walk following its sale in August 2011 and a property trading loss reflecting higher sales and marketing costs.

The Property Division's net investment property valuation gain, before deferred tax in Mainland China, in the first half of 2012 was HK$7,846 million, compared to a net gain in the first half of 2011 of HK$18,083 million.

The Aviation Division recorded an attributable loss of HK$70 million for the first half of 2012, compared to a profit of HK$1,528 million in the first half of 2011. Cathay Pacific's core business was significantly affected by the persistently high price of jet fuel, pressure on passenger yields and weak air cargo demand. These factors are common to the aviation industry as a whole, which meant that the results of Cathay Pacific's associated company, Air China, also showed a marked decline. The Cathay Pacific group contributed a loss of HK$421 million, compared with a profit of HK$1,221 million in the first half of 2011. Passenger revenue for the period increased by 9%, ahead of a 7% increase in capacity. However, the pressure on economy class yields that had begun in 2011 continued and there was also a reduction in premium class passenger numbers. Air cargo markets continued to be weak. There was a 10% reduction in the tonnage carried by Cathay Pacific and Dragonair and the group's cargo revenue decreased by 8% to HK$11,897 million.

The results of the HAECO group improved in the first half of 2012. Profit attributable to shareholders was HK$361 million in the first half of 2012, an increase of HK$43 million from the corresponding figure in 2011. HAECO experienced firm demand for its airframe maintenance services in the first half of 2012, and its line maintenance business benefited from an increase in aircraft movements at Hong Kong International Airport. Results from Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") were adversely affected by lower demand for its airframe maintenance services and increases in wage and other operating costs. Hong Kong Aero Engine Services Limited ("HAESL") performed well. However, the facilities of the group's joint ventures in Mainland China remained under-utilised despite higher output.

The Beverages Division recorded an attributable profit of HK$165 million in the first half of 2012, a decrease of 40% compared to the first half of 2011. The attributable profit of Swire Beverages fell by 31% to HK$209 million. The remainder of the reduction in attributable profit reflects an increase in the attributable loss from the joint venture with The Campbell Soup Company. Overall Swire Beverages sales volume grew by 1% to 472 million unit cases, compared with growth of 10% in the first half of 2011. Taiwan had a weak first half, with declining sales volumes resulting in a decrease in profit. There were increases in sales volumes and profit in Hong Kong. Sales volumes in Mainland China and the USA were also better but higher operating costs led to decreases in profits.

The Marine Services Division reported an attributable profit of HK$396 million, a 4% decrease from the same period in 2011. Excluding the profit of HK$69 million on disposal of five Swire Pacific Offshore ("SPO") vessels in the first half of 2011 and the profit of HK$14 million on disposal of three SPO vessels in the first half of 2012, the Marine Services Division reported an 11% increase in profit in the first half of 2012. The market for offshore supply vessels is experiencing a slower than expected recovery. Further improvement will continue to depend on the rate at which the current over-supply of vessels can be absorbed. SPO's overall fleet utilisation and average daily charter hire rates were higher in the first half of 2012. However, this was partially offset by an increase in total operating costs.

Attributable profit from the Trading & Industrial Division in the first half of 2012 decreased by 49% to HK$150 million. Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit increased slightly by HK$1 million. The increase reflected a combination of better results from Taikoo Motors and weaker results from Swire Resources.

FINANCE

In the first half of 2012, we raised HK$9,256 million of new finance. This principally comprised issues of ten-year US dollar denominated medium-term notes under Swire Pacific's US$3.5 billion medium-term note programme and under Swire Properties' newly established US$3 billion medium-term note programme. US$500 million of notes was issued under each programme.

Net debt at 30th June 2012 was HK$44,121 million, an increase of HK$8,442 million since 31st December 2011. The increase principally reflects investments in property projects in Mainland China and Hong Kong and in new vessels for SPO. Gearing increased by 3.1 percentage points to 18.5%. Cash and undrawn committed facilities totalled HK$21,701 million at 30th June 2012, compared with HK$20,339 million at 31st December 2011.

PROSPECTS

Demand for the Group's office space in Hong Kong is likely to be affected by uncertain market conditions. However, office rentals at Pacific Place and Island East are expected to be relatively resilient due to high occupancy levels and limited new supply. Tenants are expected to continue to relocate to Island East in order to reduce costs. The Hong Kong retail market is expected to benefit from low unemployment rates in Hong Kong and from tourism from Mainland China.

In Mainland China, the contribution from Sanlitun Village in Beijing is expected to continue to improve. The contribution from TaiKoo Hui is also expected to improve as more shops open and more office tenants move in.

Trading conditions in the second half of 2012 for the division's hotels are expected to be more challenging due to economic uncertainty. Profits from property trading are expected to be significant in the second half of 2012, with the securing of the occupation permit for and the completion of the sale of units in the AZURA development in Hong Kong.

Aviation will always be a volatile and challenging industry and the performance of the Cathay Pacific group will continue to be subject to factors, including economic fluctuations and fuel prices, which are beyond its control. The cost of fuel is the biggest challenge, although the recent reduction in the oil price will, if sustained, provide welcome relief. The Cathay Pacific group will continue to protect its business, managing short-term difficulties while remaining committed to its long-term strategy. The group's financial position remains strong and it is in a good position to deal with current challenges.

Against a background of increasing global economic uncertainty, the second half of 2012 is expected to be challenging for HAECO. Demand for HAECO's airframe maintenance and line maintenance services in Hong Kong is expected to remain firm. Forward bookings for TAECO's airframe maintenance services in the second half of the year are weak. HAESL's performance in the second half of 2012 is expected to be adversely affected by a reduction in demand for engine overhaul services. The joint ventures in Mainland China are expected to be affected by increased staff costs and competition.

The businesses of the Beverages Division are expected to continue to be affected by challenging trading conditions. In Mainland China, pressure on margins will continue as a result of competitive pressure on prices and increasing staff and tax costs.

Conditions in the offshore energy industry are expected to be positive for the second half of 2012 and beyond. Offshore exploration and production spending is expected to continue growing and accordingly to increase demand for SPO's vessels. There continues to be more exploration and production in deeper waters further offshore. This means more work for bigger vessels able to operate in harsher environments. SPO's charter hire and utilisation rates are expected to improve in the second half of 2012, the improvement in the former reflecting contributions from new vessels capable of commanding higher charter hire rates.

The outlook for the second half of 2012 for the businesses of the Trading & Industrial Division is stable despite the economic uncertainty.

Christopher Pratt
Chairman
Hong Kong, 10th August 2012

Review of Operations

PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, hotel interests, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 14.0 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 5.5 million square feet has already been completed. In the United States, Swire Properties is constructing a mixed-use commercial development, with a residential trading component, at Brickell CitiCentre in Miami, Florida, which, on completion over two phases of development, will comprise approximately 2.9 million square feet (5.5 million square feet including car park and circulation areas).

Swire Properties wholly owns and manages two hotels in Hong Kong, one hotel in Mainland China and four small hotels in the United Kingdom, and has 20% interests in four other hotels in Hong Kong. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental Hotel in Miami.

Swire Properties' trading portfolio comprises land, office premises and residential apartments under development in Hong Kong, Mainland China and Miami, Florida and the remaining units for sale at two completed developments in Hong Kong and Miami.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011# HK$M	2011 HK$M
Turnover			
Gross rental income derived from			
Offices	**2,460**	2,218	4,537
Retail	**1,761**	1,806	3,710
Residential	**169**	152	310
Other revenue*	**44**	47	94
Property investment	**4,434**	4,223	8,651
Property trading	**99**	99	213
Hotels	**374**	343	717
Total turnover	**4,907**	4,665	9,581
Operating profit/(loss) derived from			
Property investment	**3,269**	3,136	6,143
Valuation gains on investment properties	**7,043**	17,469	20,179
Sale of investment properties	**–**	–	638
Property trading	**(18)**	1	(50)
Hotels	**7**	(8)	(93)
Total operating profit	**10,301**	20,598	26,817
Share of post-tax profits from jointly controlled and associated companies	**811**	777	1,007
Attributable profit	**9,802**	19,935	24,999
Swire Pacific share of attributable profit	**8,038**	19,935	24,999

* Other revenue is mainly estate management fees.

The 2011 comparative figures have been restated from those in the Group's 2011 interim accounts to reflect certain adjustments made in preparing the listing document for Swire Properties Limited which was issued on 21st December 2011.

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

		Six months ended 30th June		Year ended 31st December
	Note	**2012 HK$M**	2011 HK$M	2011 HK$M
Reported attributable profit		**9,802**	19,935	24,999
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(7,846)**	(18,083)	(20,899)
Deferred tax on revaluation movements	(b)	**355**	307	523
Realised profit on sale of investment properties	(c)	**–**	–	7,977
Depreciation of investment properties occupied by the Group	(d)	**10**	13	27
Non-controlling interests' share of revaluation movements less deferred tax		**19**	43	46
Underlying attributable profit		**2,340**	2,215	12,673
Swire Pacific share of underlying attributable profit		**1,918**	2,215	12,673

Notes:

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

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

(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.

RESULTS SUMMARY

Attributable profit from the Property Division for the first half of 2012 was HK$8,038 million, compared to HK$19,935 million in the first half of 2011. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$7,846 million and HK$18,083 million respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$297 million to HK$1,918 million. The reduction in underlying profit from the Property Division in the first half of 2012 reflects the reduction in Swire Pacific's interest in Swire Properties from 100% to 82% as a result of the listing of the shares in Swire Properties on The Stock Exchange of Hong Kong Limited in January 2012. If 100% of the results of Swire Properties had been taken into account, the Property Division would have recorded an increase of HK$125 million in underlying profit in the first half of 2012 compared to the same period in 2011.

The increase in profit from property investment reflects higher net rental income from the office and retail portfolio in Hong Kong and Mainland China, which more than offset the absence of a rental contribution from Festival Walk, which was disposed of in August 2011.

Gross rental income amounted to HK$4,390 million in the first half of 2012, compared with HK$4,176 million in the first half of 2011. This reflected positive rental reversions and a first time contribution from the TaiKoo Hui development in Mainland China, offset in part by the absence of rental income from Festival Walk.

Profits on closings of nine residential units at the ASIA development in Miami in the first half of 2012 were more than offset by sales and marketing expenses incurred on the pre-sold residential properties at the AZURA and ARGENTA developments in Hong Kong. This resulted in an operating loss of HK$18 million from property trading activities.

The hotel portfolio performed well, with encouraging results from the owned and managed hotels in Hong Kong and Beijing.

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

	At 30th June 2012					At 31st December 2011
Location	**Offices**	**Retail**	**Hotels**	**Residential**	**Total**	Total
Completed						
Pacific Place	2,186	711	496	443	3,836	3,836
TaiKoo Place	6,180*	–	–	–	6,180	6,180
Cityplaza	1,633	1,105	200	–	2,938	2,938
Others	265	608	47	109	1,029	1,029
– Hong Kong	10,264	2,424	743	552	13,983	13,983
– Mainland China	2,021	3,343	169	–	5,533	5,062
– United States	–	–	259	–	259	259
– United Kingdom	–	–	208	–	208	196
Total completed	**12,285**	**5,767**	**1,379**	**552**	**19,983**	19,500
Under and pending development						
– Hong Kong	145	13	–	62	220	220
– Mainland China	905	1,119	1,153	98	3,275	3,728
– United States	963	520	200	108	1,791	1,791
Total	**14,298**	**7,419**	**2,732**	**820**	**25,269**	25,239

Gross floor area represents 100% of space owned by Group companies and the Group’s attributable share of space held by jointly controlled and associated companies.

* Includes 1.8 million square feet at the three techno-centres being Somerset House, Warwick House and Cornwall House.

INVESTMENT PROPERTIES

Hong Kong

Gross rental income from the office portfolio for the first half of 2012 increased by 7% compared with the first half of 2011, to HK$2,372 million. This reflected positive rental reversions for office space at Pacific Place and Island East. At 30th June 2012 the overall office occupancy rate (based on lettable area) was 98%.

In the retail portfolio, gross rental income for the first half of 2012 decreased by 25% compared with the first half of 2011, to HK$1,188 million. This principally reflected the absence of a contribution from Festival Walk in 2012. Disregarding the contribution from Festival Walk in the first half of 2011, gross rental income increased by HK$65 million. Occupancy levels at the Group's malls were effectively 100% during the period. Turnover rents derived from the Group's retail malls were 14% higher than in the first half of 2011, reflecting strong retail sales, particularly at the beginning of the year.

Curtain wall installation has been completed and interior fit-out work is progressing at 28 Hennessy Road. Completion is expected in the third quarter of 2012. The building will provide 145,390 square feet of office space.

Refurbishment of the 81,346 square foot office building at 8 Queen's Road East will be completed in phases during the first half of 2013. Window wall installation and interior work are in progress.

At The Mall at Pacific Place, the refurbishment of the façade is scheduled to be completed in 2013. Space previously occupied by a department store is being reconfigured. A beauty gallery has been created to house retailers of high quality cosmetic and skin care brands. An additional arcade has linked the two sides of The Mall in order to improve the flow of pedestrian traffic.

Demolition work at 23 Tong Chong Street in Quarry Bay has been completed and foundation works have started. The site will be developed into serviced apartments with an aggregate floor area of approximately 75,000 square feet. Completion is expected in late 2014.

OPUS HONG KONG, a prime 12-storey residential building, has been completed.

Current demand from financial services companies for office space for expansion in Central is relatively soft. However, at Pacific Place, new tenants have been found for most of the office space which will be vacated in the second half of 2012 and some existing tenants are taking space for expansion. The result is that rentals in Pacific Place have been relatively resilient despite increasing vacancies in Central generally. At 8 Queen's Road East, Swire Properties has signed a binding offer to lease the whole of the building for a ten-year term. Smaller businesses, currently based in Central, are showing interest in the development at 28 Hennessy Road.

With high occupancy, rentals at Island East have remained fairly robust, due in part to tenants wishing to reduce costs by relocating from other districts. Despite a softening of rentals in Central, relocations are expected to continue. However, general demand for office space in the second half of 2012 is likely to be affected by negative economic sentiment.

Despite slower growth in recent months, the Hong Kong retail market is expected to continue to benefit from low unemployment rates in Hong Kong and from tourists from Mainland China. Record rents paid by large US and European retailers at prime locations have put upward pressure on retail rents elsewhere.

Mainland China

In Mainland China, gross rental income for the first half of 2012 was HK$652 million, an increase of 186% compared to the same period in 2011.

At Sanlitun Village in Beijing, the increase in gross rental income reflected improved reversionary rents from Village South and higher occupancy rates at Village North. At 30th June 2012, occupancy rates were 93% at Village South and 92% at Village North.

Development work is being undertaken with a view to increasing footfall and circulation at Village South. Retail sales at Sanlitun Village are expected to be encouraging in the second half of 2012.

Retail sales at the TaiKoo Hui development in Guangzhou have been encouraging since the opening of the shopping mall in September 2011. The mall was almost 100% leased at 30th June 2012. Retail sales in the second half of 2012 are expected to increase as more shops open, more office tenants move in and the Mandarin Oriental Hotel commences business.

At 30th June 2012, tenants (including those who had signed letters of intent) had committed to lease 74% of the office space at TaiKoo Hui. HSBC, which has leased 29 floors (approximately 47% of the total office floor area), is the largest office tenant at TaiKoo Hui. In the second half of 2012, gross office rental income is expected to increase, as new tenants take up the majority of the remaining vacant units.

The shopping mall at the INDIGO development in Beijing started to open in March 2012. At 30th June 2012, tenants (including those who had signed letters of intent) had committed to lease 83% and 73% respectively of the retail and office space at INDIGO.

Retail and office rental income at INDIGO is expected to increase gradually in the second half of 2012 as more shops open and the remaining office space is handed over to tenants. INDIGO should benefit from the opening of EAST Beijing Hotel in the second half of 2012 and from the opening of the Beijing Metro Line 14, expected in 2014.

Site clearance and resettlement works at the Dazhongli project in Shanghai have largely been completed. Upon its scheduled completion in phases from 2016 onwards, Dazhongli will consist of a retail mall, two office towers and three hotels.

Site preparation, excavation and piling works at the Daci Temple project in Chengdu are in progress. This mixed-use development, which has retail, hotel, serviced apartment and office components, is expected to open in phases from 2014 onwards. The office tower at the Daci Temple project is intended to be developed for trading purposes.

USA

Brickell CitiCentre will be a 2.9 million square foot mixed-use development in Miami, Florida. It will incorporate a multi-level shopping centre with below ground parking spaces. Phase 1 of the development comprises the shopping centre, a hotel and serviced apartments, two office buildings and two residential towers. Construction work on this phase of the development began in June and is expected to be completed by the end of 2015.

VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 30th June 2012 (97% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$199,300 million compared to HK$191,515 million at 31st December 2011 and HK$201,414 million at 30th June 2011. The increase in the valuation of the investment property portfolio principally reflects improved rental rates for the Hong Kong portfolio.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment losses.

Financial Information Reviewed by Auditors

Investment Properties	HK$M
At 1st January 2012	**191,515**
Translation differences	**(224)**
Additions	**944**
Disposals	**(45)**
Net transfers to property, plant and equipment	**(7)**
Net fair value gains	**7,117**
At 30th June 2012	**199,300**
Add: Initial leasing costs	**281**
At 30th June 2012 (including initial leasing costs)	**199,581**
At 1st January 2012 (including initial leasing costs)	**191,805**

HOTELS

Hong Kong

Swire Properties wholly-owns and manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place and EAST, a 344-room hotel at Cityplaza.

The wholly-owned hotels performed well in the first half of 2012, with growth in profits and revenue per available room compared with the first half of 2011.

Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. The portfolio of non-managed hotels performed slightly better in the first half of 2012 than in the first half of 2011.

Mainland China

The Opposite House, a 99-room luxury hotel at Sanlitun Village in Beijing, experienced steady growth in room rates in the first half of 2012 and continued to be competitive in the Beijing market. EAST, Beijing is scheduled to open in the latter part of 2012.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental Hotel in Miami. The hotel market is improving in Miami. Total revenue and average room rates increased compared with the same period in 2011.

UK

Swire Properties owns four small hotels in Bristol, Exeter, Cheltenham and Brighton. Occupancy and room rates are satisfactory although trading conditions remain challenging. The Magdalen Chapter Hotel in Exeter reopened in June 2012 following a major refurbishment.

Outlook

Trading conditions in the second half of 2012 for the division's hotels are expected to be challenging due to economic uncertainty.

Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th June 2012 HK$M	Six months ending 31st December 2012 HK$M	2013 HK$M	2014 HK$M	2015 & beyond HK$M	**at 30th June 2012 HK$M**
Property project						
Hong Kong projects	**939**	663	593	663	4,408	**6,327**
Mainland China projects	**1,144**	1,500	2,862	2,123	1,405	**7,890**
USA projects	**32**	396	828	1,100	107	**2,431**
UK hotels	**27**	–	–	–	–	**–**
Total	**2,142**	2,559	4,283	3,886	5,920	**16,648***

* The capital commitments represent the Group's capital commitments plus the Group's share of the capital commitments of jointly controlled companies. The Group is committed to funding HK$1,685 million of the capital commitments of jointly controlled companies (31st December 2011: HK$1,828 million).

PROPERTY TRADING

Hong Kong

100 of the 126 units at the AZURA development on Seymour Road have been pre-sold. The property is expected to be handed over to buyers in the fourth quarter of 2012. Swire Properties holds an 87.5% interest in this development.

Superstructure work at the 75,805 square foot residential development at ARGENTA is progressing on schedule, with completion expected in mid-2013. Four of the total of 30 units in the development have been pre-sold.

Superstructure work at the 151,953 square foot residential development at Sai Wan Terrace, in which Swire Properties has an 80% interest, is progressing on schedule, with completion expected by the end of 2013.

Construction work at the 165,792 square foot Phase 1 of the residential development at 33 Seymour Road is progressing on schedule, with completion expected in 2014. Foundation work is progressing at the adjacent Phase 2 of this residential development (which was formerly known as 92-102 Caine Road). The Phase 2 site is to be redeveloped into a 195,531 square foot residential building, with completion expected in 2016.

Superstructure work is progressing at the 88,555 square foot residential development at 146-148 Argyle Street. Completion of this 50% joint venture project is expected by the end of 2013.

Two sites at Cheung Sha, Lantau Island are being developed into detached houses, providing an aggregate gross floor area of 64,412 square feet. The development is expected to be completed in 2015.

USA

Sales of 104 of the 123 units have been closed at the ASIA residential development in Miami since the development was completed in 2008, and a further four units have been leased.

The Miami residential market is continuing to improve, with buyers from Latin America putting upward pressure on prices.

Outlook

Profits from property trading are expected to be significant in the second half of 2012, with the securing of the occupation permit for and completion of the sale of units in the AZURA development in Hong Kong in the fourth quarter of the year.

Martin Cubbon

AVIATION DIVISION

The Aviation Division principally comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering ("HAECO") group. The Cathay Pacific group includes Cathay Pacific Airways ("Cathay Pacific"), its wholly-owned subsidiary Hong Kong Dragon Airlines ("Dragonair"), its 60%-owned subsidiary AHK Air Hong Kong ("Air Hong Kong"), an associate interest in Air China and an interest in the Air China Cargo jointly controlled entity. In addition, Cathay Pacific has interests in companies providing flight catering and ramp and cargo handling services. Cathay Pacific and HAECO are listed on the Hong Kong Stock Exchange.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
HAECO group			
Turnover	**2,899**	2,544	5,171
Operating profit	**316**	345	532
Attributable profit	**361**	318	615
Share of post-tax (loss)/profit from an associated company Cathay Pacific group	**(421)**	1,221	2,405
Attributable (loss)/profit	**(70)**	1,528	2,999

Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		
		2012	2011	**Change**
Available tonne kilometres ("ATK")*	*Million*	**12,944**	12,846	**+0.8%**
Available seat kilometres ("ASK")*	*Million*	**65,351**	61,136	**+6.9%**
Revenue Passengers carried	*'000*	**14,312**	13,176	**+8.6%**
Passenger load factor*	*%*	**80.1**	79.3	**+0.8%pt**
Passenger yield*	*HK¢*	**66.1**	65.3	**+1.2%**
Cargo and mail carried	*Tonnes '000*	**754**	836	**-9.8%**
Cargo and mail load factor*	*%*	**64.3**	68.4	**-4.1%pt**
Cargo and mail yield*	*HK$*	**2.41**	2.42	**-0.4%**
Cost per ATK*	*HK$*	**3.72**	3.35	**+11.0%**
Cost per ATK without fuel	*HK$*	**2.18**	1.94	**+12.4%**
Aircraft utilisation	*Hours per day*	**12.0**	12.3	**-2.4%**
On-time performance*	*%*	**76.8**	83.1	**-6.3%pt**

* Refer to Glossary on page 67 for definitions.

2012 FIRST HALF OVERVIEW

The Aviation Division reported an attributable loss of HK$70 million in the first half of 2012, compared to a profit of HK$1,528 million in the same period in 2011.

During the first half of 2012, the Group acquired an additional 0.03% interest in Cathay Pacific for a total cost of HK$16 million, increasing its interest in Cathay Pacific to 45.00%.

CATHAY PACIFIC GROUP

Results Summary

The Cathay Pacific group reported an attributable loss of HK$935 million for the first half of 2012, compared to a profit of HK$2,808 million in the first half of 2011. Turnover for the period increased by 4% to HK$48,861 million.

In May Cathay Pacific issued a trading statement to the Hong Kong Stock Exchange to the effect that its interim results would be disappointing. That proved to be the case. In the first half of 2012, Cathay Pacific's core business was significantly affected by the persistently high price of jet fuel, passenger yields coming under pressure and weak air cargo demand. These factors are common to the aviation industry as a whole. Airlines around the world are being adversely affected by the current business environment. Profits from Cathay Pacific's associated company, Air China, also showed a marked decline.

In response to these challenges, Cathay Pacific introduced measures designed to protect its business. These included schedule changes and capacity reductions; the withdrawal from service of older, less fuel-efficient aircraft, a recruitment freeze and the introduction of voluntary unpaid leave for cabin crew. At the same time the group kept its network intact and has not allowed cost reductions to compromise its brand or the quality of its service. Cathay Pacific also continued with its major investments in new aircraft and new products, inflight and on the ground, and with the building of its own cargo terminal at Hong Kong International Airport. Such investments will benefit the business in the long term.

Passenger revenue for the period increased by 9% compared with the first half of 2011. Capacity increased by 7%. The load factor rose by 0.8 of a percentage point and yield increased by 1%. The increase in passenger numbers over the period was ahead of the increase in capacity. However, there was a reduction in the number of premium class passengers over the course of the period.

Air cargo markets continue to be weak. In the first half of 2012, the tonnage carried by Cathay Pacific and Dragonair fell by 10% to 754,000 tonnes and there was a decrease in the group's cargo revenue of 8% to HK$11,897 million for the period.

Fuel is the group's most significant cost, accounting for 42% of total operating costs in the first half of 2012. Fuel prices remained historically high during the period (although they decreased significantly at the end of the period) and this had a major impact on operating results. During the period, the group's fuel costs (disregarding the effect of fuel hedging) increased by 7% compared to the same period in 2011. In the first half of 2012 hedging activities resulted in a realised profit of HK$391 million, a reduction of 59% compared to the same period in 2011.

Cathay Pacific remains the subject of antitrust investigations and proceedings by competition authorities in various jurisdictions and continues to cooperate with these authorities and, where applicable, defend itself vigorously. These investigations are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

Passenger Services

Cathay Pacific and Dragonair carried a total of 14.3 million passengers in the first half of 2012, an increase of 9% compared to the corresponding period in 2011. The load factor was 80.1% representing an increase of 0.8 of a percentage point compared with the first half of 2011. Premium class demand was strong at the start of the year. However, as employees of major corporations started to travel less in response to economic uncertainty, there was a reduction in the number of premium class passengers. The weakness of a number of key operating currencies relative to the Hong Kong dollar and the US dollar had a negative impact on revenues. Overall yield increased by 1% to HK66.1 cents. Revenue from passenger services in the first half of 2012 grew by 9% to HK$34,713 million. In April, Cathay Pacific introduced a new premium economy class, with significantly better seats and service than those in economy class. By the end of June the new seats had been installed in 15 long-haul aircraft. By the end of 2013 the new seats are scheduled to have been installed in 86 long-haul aircraft.

Capacity increased by 7% as new aircraft were added to the fleet and Dragonair added frequencies on routes to secondary cities in Mainland China. Dragonair also introduced or resumed flights to six destinations – Xi'an, Guilin, Clark, Jeju, Taichung and Chiang Mai (July) – and will introduce flights to Kolkata and Haikou later in the year. In response to high fuel prices, Cathay Pacific reduced frequencies on some long-haul routes in order to contain costs.

Cargo Services

Cathay Pacific and Dragonair

The group's cargo business was affected by continued weak demand in major markets. The tonnage carried by Cathay Pacific and Dragonair fell by 10% to 754,000 tonnes compared with the first half of 2011. The load factor fell by 4.1 percentage points to 64.3% compared to the corresponding period in 2011. Yield was down 0.4% to HK$2.41. Cargo revenue decreased by 10% to HK$10,441 million. Demand for shipments from the two key markets, Hong Kong and Mainland China, was well below expectations. Against the difficult economic background, cargo business to Europe and North America was poor. The group significantly reduced capacity (by reducing frequencies) on routes to both continents. New markets were explored and developed where demand warranted doing so. Freighter services to Zhengzhou in Mainland China and to Hyderabad in India were started in March and May respectively.

Air Hong Kong

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities with a fleet of eight Airbus A300-600F freighters, three Boeing 747-400BCF freighters dry-leased from Cathay Pacific and one wet-leased Boeing 727 freighter.

Air Hong Kong recorded a profit of HK$255 million in the first half of 2012, representing an increase compared with the first half of 2011.

Fleet Profile

Six Airbus A350-900 aircraft were ordered in January. In August, Cathay Pacific agreed to acquire 10 Airbus A350-1000 aircraft and to convert 16 previously ordered Airbus A350-900 aircraft into Airbus A350-1000 aircraft. In January, Dragonair agreed to lease two new Airbus A320-200s. These aircraft will be delivered in November and December 2012. Cathay Pacific and Dragonair will take delivery of 19 new aircraft in 2012, nine of which were delivered in the first half of the year. Three Boeing 747-400BCF freighters were dry-leased to Air Hong Kong in order to increase its capacity. All of the four leased Airbus A340-300s parked by Cathay Pacific during the financial crisis of 2008-2009 had been returned to their lessors by February 2012. Three of the Boeing 747-400BCF freighters have been withdrawn from service in order to reduce costs and one of these aircraft has since been retired from the fleet. The third of four Boeing 747-400BCF freighters being sold to Air China Cargo was transferred in July, leaving one aircraft remaining to be sold to the joint venture. Three out of the fleet of 21 Boeing 747-400 passenger aircraft will be retired in 2012. A further five will be retired in 2013 and one in 2014.

At 30th June 2012, the Cathay Pacific group had a total of 92 aircraft on order for delivery up to 2019.

Fleet Profile*

	Number as at 30th June 2012															
		Leased			Firm orders				Expiry of operating leases							
Aircraft type	Owned	Finance	Operating	**Total**	‘12	‘13	‘14 and beyond	**Total**	‘12	‘13	‘14	‘15	‘16	‘17 and beyond	Options	Purchase rights
Aircraft operated by Cathay Pacific:																
A330-300	11	14	9	**34**	4	5	8	**17**				2	1	6		
A340-300	6	5		**11**												
A350-900							38[(a)]	**38**							10[(b)]	
747-400	17		4	**21**					1			2	1			
747-400F	3	3		**6**												
747-400BCF	3[(c)]		4[(d)]	**7**						2	1			1		
747-400ERF		6		**6**												
747-8F		5		**5**	3	2		**5**								
777-200	5			**5**												
777-200F							8	**8**								
777-300	5	7		**12**												
777-300ER	4	10	14	**28**	1	8	13[(e)]	**22**						14		20[(f)]
Total	54	50	31	**135**	8	15	67	**90**	1	2	1	4	2	21	10	20
Aircraft operated by Dragonair:																
A320-200	5		8	**13**	2[(g)]			**2**				2	2	4		
A321-200	2		4	**6**								2	2			
A330-300	4	1	11	**16**						4	3	1	2	1		
Total	11	1	23	**35**	2			**2**		4	3	5	6	5		
Aircraft operated by Air Hong Kong:																
A300-600F	2	6		**8**												
747-400BCF			3	**3**									1	2		
Total	2	6	3	**11**									1	2		
Grand total	**67**	**57**	**57**	**181**	**10**	**15**	**67**	**92**	**1**	**6**	**4**	**9**	**9**	**28**	**10**	**20**

* Includes parked aircraft. This profile does not reflect aircraft movements after 30th June 2012.

(a) Including two aircraft on 12-year operating leases. In August 2012 the order for 16 of these aircraft was converted into an order for 16 Airbus A350-1000 aircraft.

(b) These options were exercised in August 2012 but in respect of 10 Airbus A350-1000 aircraft (instead of 10 Airbus A350-900 aircraft) to be delivered from 2018 to 2020.

(c) One aircraft was sold to Air China Cargo in July 2012. One aircraft was parked in May 2012.

(d) One aircraft was parked in July 2012.

(e) One aircraft firm order was moved forward from 2014 to 2013 in July 2012.

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

(g) Two aircraft on 10-year operating leases will be delivered in November 2012 and December 2012.

Air China

Air China, in which Cathay Pacific holds a 19.53% interest, is Mainland China's national flag carrier and a leading provider of passenger, cargo and other airline related services.

The Cathay Pacific group's share of Air China's profit is based on accounts drawn up three months in arrear and consequently the 2012 interim results include Air China's results for the six months ended 31st March 2012.

The Cathay Pacific group recorded a decrease in attributable profit from Air China in the first half of 2012. This primarily reflected reduced demand, increased fuel costs and unfavourable exchange rate movements.

Air China Cargo Joint Venture ("Air China Cargo")

Air China Cargo, in which Cathay Pacific owns an equity and an economic interest, is the leading provider of cargo services in Mainland China.

At 30th June 2012, Air China Cargo had a fleet of ten Boeing 747-400 freighters. It operates scheduled freighter services to 11 countries and regions. It flies to five cities in Mainland China and 15 cities outside Mainland China. Taking account of its rights to carry cargo in the bellies of the entire Air China passenger fleet, Air China Cargo has connections with a total of 143 destinations.

The Group recorded an increased loss from Air China Cargo in the first half of 2012. This was mainly due to weak demand in the air cargo markets.

Shanghai International Airport Services Co., Limited

In March, Cathay Pacific announced the formation of a new ground handling company, Shanghai International Airport Services Co., Limited. This joint venture between Cathay Pacific, Air China, the Shanghai Airport Authority and Shanghai International Airport Co. Ltd. will provide airport ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport.

Cargo Terminal

Cathay Pacific's commitment to its home base is demonstrated by construction of its HK$5.9 billion cargo terminal at Hong Kong International Airport. The facility, which will be one of the biggest and most sophisticated of its kind, is expected to open in early 2013.

Other Operations

Cathay Pacific Catering Services Group ("CPCS")

CPCS, a wholly-owned subsidiary of Cathay Pacific, is the principal flight kitchen in Hong Kong. CPCS reported an increase in profit in the first half of 2012 compared to the first half of 2011, mainly due to growth in the number of meals produced.

Hong Kong Airport Services ("HAS")

HAS, a wholly-owned subsidiary of Cathay Pacific, provides ramp and passenger handling and related services at Hong Kong International Airport. The financial results for the first half of 2012 deteriorated compared to those of the first half of 2011. The deterioration primarily reflected cost increases and competition.

Outlook

Aviation will always be a volatile and challenging industry and the group's performance will continue to be subject to factors, including economic fluctuations and fuel prices, which are beyond its control. The cost of fuel is the biggest challenge, although the recent reduction in the oil price will, if sustained, provide welcome relief. The Cathay Pacific group will continue to take whatever measures are necessary to protect its business, managing short-term difficulties while remaining committed to its long-term strategy. The group's financial position remains strong and it is in a good position to deal with current challenges. The group will continue to invest in the future, using its core strengths – a superb team, a strong international network, exceptional standards of customer service, a strong relationship with Air China and its position in Hong Kong – to ensure the continued success of the Cathay Pacific group.

John R Slosar

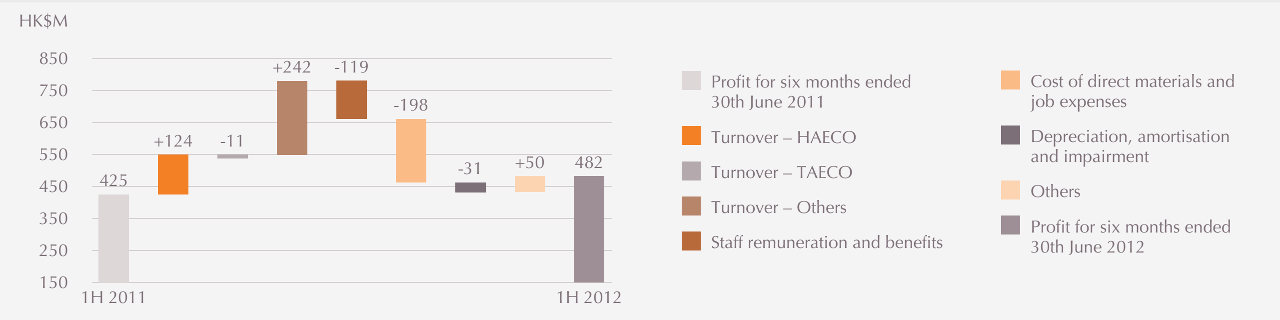
HONG KONG AIRCRAFT ENGINEERING COMPANY ("HAECO") GROUP

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

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Turnover			
HAECO	**1,765**	1,641	3,307
TAECO	**815**	826	1,581
Others	**319**	77	283
Net operating profit	**310**	341	525
Profit attributable to the Company's shareholders			
HAECO	**203**	195	381
TAECO	**46**	78	98
Share of profit / (loss) of:			
HAESL and SAESL	**256**	194	415
Other subsidiary and jointly controlled companies	**(23)**	(42)	(73)
Total	**482**	425	821
Swire Pacific share	**361**	318	615

HAECO Group – Movement in Attributable Profit



Key Operating Highlights

		Six months ended 30th June		
		2012	2011	**Change**
Airframe maintenance manhours sold – HAECO	*Million*	**1.60**	1.58	**+1.3%**
Airframe maintenance manhours sold – TAECO	*Million*	**1.77**	1.81	**-2.2%**
Line maintenance movements handled – HAECO	*Average per day*	**319**	299	**+6.7%**

Results Summary

The HAECO group's profit attributable to shareholders in the first half of 2012 was HK$482 million, an increase of 13% compared to the corresponding figure in 2011 of HK$425 million. HAECO experienced firm demand for its airframe maintenance services in the first half of 2012, and its line maintenance business benefited from an increase in aircraft movements at Hong Kong International Airport. Results from TAECO were adversely affected by lower demand for its airframe maintenance services and increases in wage and other operating costs. HAESL performed well. This reflected more work per engine handled and an increase in engine output. The facilities of the group's joint ventures in Mainland China remained under-utilised despite higher output. These joint ventures continued to lose money in the first half of 2012.

HAECO

Manhours sold by HAECO for airframe maintenance increased from 1.58 million in the first half of 2011 to 1.60 million in the first half of 2012. Demand for airframe maintenance remained firm. Approximately 75% of the work was for airlines based outside Hong Kong.

Line maintenance aircraft movements increased by 7% compared with the first half of 2011, with an average of 319 aircraft handled per day. This reflected growth in air traffic.

HAECO's operating expenses increased by 7% to HK$1,536 million, in line with the growth in revenue.

TAECO

TAECO recorded a 41% decrease in attributable profit in the first half of 2012 to HK$46 million, reflecting lower demand for its airframe maintenance services and increases in wage and other operating costs. Manhours sold for airframe maintenance decreased from 1.81 million in the first half of 2011 to 1.77 million in the first half of 2012. Two passenger to freighter conversions took place during the first half of the year, compared with one in the first half of 2011.

TAECO's operating expenses increased by 4% to HK$704 million.

HAESL and SAESL

HAESL recorded a 29% increase in profit to HK$207 million, reflecting more work per engine and an increase in engine output from 89 engines in the first half of 2011 to 110 engines in the first half of 2012.

SAESL, in which HAESL has a 20% interest, reported a 44% growth in profit in the first half of 2012 as a result of more work per engine.

Significant Developments

The group continued to invest in Hong Kong and Mainland China in order to expand its facilities and technical capabilities and so to improve and widen the range of services it can offer to customers. Taikoo Engine Services (Xiamen) Company Limited completed two performance restorations of GE90-115B engines of which one was for Cathay Pacific Airways, and will continue to invest in equipment to support the development of this capability. Taikoo (Xiamen) Landing Gear Services Company Limited now has the capability to overhaul landing gears on Airbus A320 aircraft, and intends to extend the capability to Airbus A330 aircraft.

Outlook

Against a background of increasing global economic uncertainty, the second half of 2012 is expected to be challenging. Demand for HAECO's airframe maintenance and line maintenance services in Hong Kong is expected to remain firm. Forward bookings for TAECO's airframe maintenance services in the second half of the year are weak. HAESL's performance in the second half of 2012 is expected to be adversely affected by a reduction in demand for engine overhaul services resulting from Cathay Pacific's decision to accelerate the retirement of its Boeing 747-400 aircraft. The joint ventures in Mainland China are expected to be affected by increased staff costs and competition. The group will continue to take measures to improve productivity in order to mitigate the effect of cost increases.

Augustus Tang

BEVERAGES DIVISION

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the western USA.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Turnover	**4,381**	4,288	9,223
Operating profit	**195**	239	533
Share of post-tax profits from jointly controlled and associated companies	**83**	163	302
Attributable profit	**165**	275	588

Segment Information

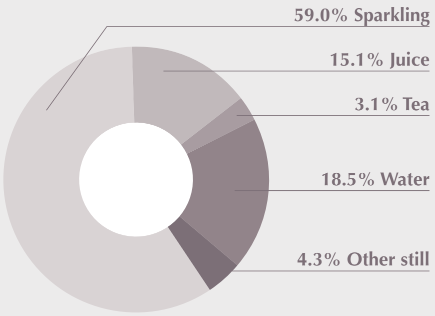
	Turnover			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M	**2012 HK$M**	2011 HK$M	2011 HK$M
Mainland China*	**808**	799	1,854	**67**	145	265
Hong Kong	**973**	928	2,046	**64**	57	164
Taiwan	**715**	765	1,600	**(4)**	1	18
USA	**1,885**	1,796	3,723	**93**	109	223
Central costs	**–**	–	–	**(11)**	(11)	(13)
Swire Beverages	**4,381**	4,288	9,223	**209**	301	657
Campbell Swire	**–**	–	–	**(44)**	(26)	(69)
Beverages Division	**4,381**	4,288	9,223	**165**	275	588

* Mainland China turnover is attributable mainly to the Fujian Coca-Cola franchise. The division also has jointly controlled interests in six franchises in Mainland China, the total turnover of which was HK$7,061 million in the first half of 2012 (2011 first-half: HK$7,003 million; full-year: HK$14,911 million). The division has an associated interest in a manufacturing company which supplies still beverages to all Coca-Cola franchises in Mainland China, the turnover of which, excluding sales to the seven franchises, was HK$2,373 million in the first half of 2012 (2011 first-half: HK$2,716 million; full-year: HK$5,659 million). The sales volume for Mainland China shown in the table below represents the sales of the seven franchises only.

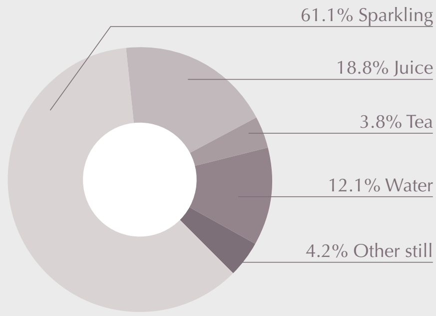
Swire Beverages – Sales Volume by Territory (million unit cases)

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2012	**374.2**	**29.8**	**27.7**	**40.3**	**472.0**
Six months ended 30th June 2011	370.4	29.4	29.4	39.3	468.5

Swire Beverages – Breakdown of Total Volume by Category



Six months ended 30th June 2012



Six months ended 30th June 2011

RESULTS SUMMARY

Swire Beverages

Swire Beverages recorded an attributable profit of HK$209 million in the first half of 2012, a decrease of 31% compared to the same period in 2011.

Overall sales volume grew by 1% to 472 million unit cases, compared with growth of 10% in the first half of 2011. Taiwan had a weak first half, with declining sales volumes resulting in a decrease in profit. There were increases in sales volumes and profit in Hong Kong. Sales volumes in Mainland China and the USA were also better but higher operating costs led to decreases in profits.

Mainland China

Attributable profit for the first half of 2012 was HK$67 million, representing a 54% decrease compared to the first half of 2011.

Slowing economic growth, particularly in coastal provinces such as Guangdong and Jiangsu, adversely affected consumer confidence and consequently beverage sales. Sparkling sales volumes declined by 3% in the first half of 2012, reflecting lower temperatures and disappointing sales over Chinese New Year. Still sales volumes increased by 7%, with low-margin packaged water volumes increasing by 68%. Juice sales volumes declined by 19% in an increasingly competitive environment.

Competition restricted price increases. Raw material costs fell. Overall, margins increased by 2% per unit case because of lower raw material costs, which more than offset weak prices and adverse changes in the sales mix.

Market shares improved for sparkling beverages and water but were flat for juices, reflecting a significant increase in the availability of a broadening range of competitive products.

Hong Kong

Attributable profit for the first half of 2012 was HK$64 million, a 12% increase from the first half of 2011.

Sales volumes increased by 1% compared to a 2% increase in the total beverage market. Sparkling sales volumes increased by 3% compared to a 4% decrease in the total sparkling soft drinks market. This increase reflected growth in sales of the Schweppes and Sprite brands. Still sales volumes fell marginally (by 0.1%) as tea sales declined due to aggressive pricing by competitors.

Margins improved as improvements in the sales mix more than offset higher raw material costs.

Taiwan

An attributable loss of HK$4 million was recorded in the first half of 2012 compared with a profit of HK$1 million in the first half of 2011.

Sales volumes fell by 6% compared to a 2% increase in the total beverage market. Sparkling and still sales volumes fell by 5% and 7% respectively. Juice sales, which comprise a significant proportion of total sales, have not recovered yet from the 2011 food ingredient scare. Margins improved by 3% per unit case as improvements in the sales mix more than offset raw material cost increases.

USA

Attributable profit for the first half of 2012 was HK$93 million, representing a 15% decline from the first half of 2011.

Sales volumes improved by 3%. Sparkling sales volumes fell by 1% but still sales volumes were up by 20%. Price increases were sufficient to offset raw material cost increases. Margins increased by 2% per unit case but profits fell due to operating cost increases caused by higher fuel prices.

The gradual recovery in the US economy restored growth in the consumption of soft drinks, which was also assisted by mild winter and spring weather.

Outlook

Profits in the second half will reflect the fact that consumption of soft drinks peaks in the summer.

In Mainland China, smaller packaging is being introduced for sparkling beverages and juices. This is intended to increase the range of prices at which these products are available. The smaller sizes should also be attractive to consumers concerned about affordability. There will be more promotional activity over the Olympic Games in view of The Coca-Cola Company's sponsorship of the Games. Pressure on margins will continue as a result of increasing staff costs and increasing turnover related taxes. Raw material costs should be lower, but competitive pressure on prices is expected to continue. Productivity improvements will be a key focus as the cost of doing business continues to increase. Demand for soft drinks in the inland provinces of Anhui, Henan and Shaanxi should benefit from the relatively stronger economic activity in those areas.

Trading conditions are expected to remain challenging in Taiwan. Hong Kong should continue to perform satisfactorily.

Continued growth in sales volume is expected in the USA. However, prices are expected to be under pressure as major retailers replace regional with national prices. Regional prices in areas of low population density are usually higher because they take account of higher distribution costs. The focus on higher productivity in distribution and operating systems will be maintained.

Campbell Swire

The joint venture with The Campbell Soup Company manufactures, sells and distributes soup and broth products in Mainland China. Ready to consume prepared soups and broths are a new concept in Mainland China, which has the world's highest consumption per capita of home-made soup. The business is introducing its products in selected markets. An attributable loss of HK$44 million was incurred in the first half of 2012. This was in line with expectations.

Geoff Cundle

MARINE SERVICES DIVISION

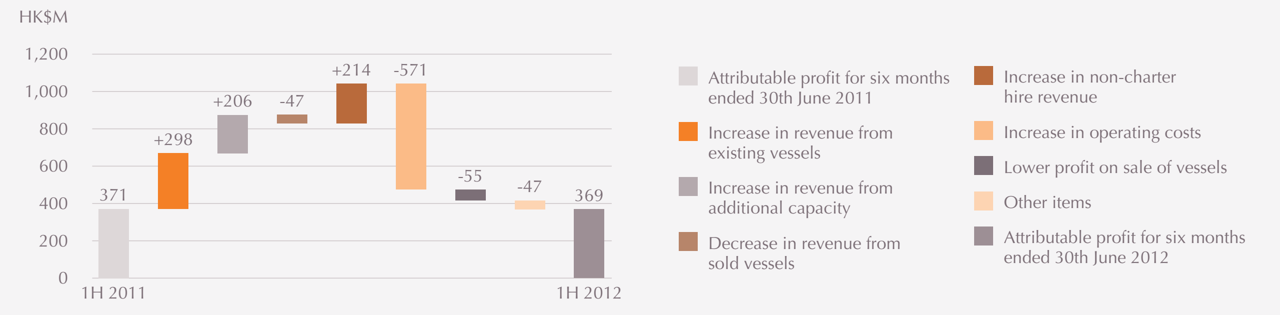
The Marine Services Division, through the Swire Pacific Offshore group ("SPO"), operates a fleet of specialist vessels supporting the offshore energy industry in every major offshore production and exploration region outside North America. The division also has jointly controlled interests, through the Hongkong United Dockyards group ("HUD"), in ship repair and harbour towage services in Hong Kong.

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Swire Pacific Offshore group			
Turnover	**2,252**	1,581	3,505
Operating profit	**398**	378	819
Attributable profit	**369**	371	785
Share of post-tax profits from jointly controlled companies			
HUD group	**27**	41	78
Attributable profit	**396**	412	863

	At 30th June		At 31st December
	2012	2011	2011
Fleet size (number of vessels)			
Swire Pacific Offshore group	**77**	75	77
HUD group	**21**	17	19
Total	**98**	92	96

SPO – Movement in Attributable Profit



RESULTS SUMMARY

The attributable profit of the Marine Services Division in the first half of 2012 was HK$396 million, a decrease of 4% compared to the first half of 2011.

Swire Pacific Offshore Group

SPO reported an attributable profit of HK$369 million for the first half of 2012, a decrease of 1% compared to the first half of 2011. Excluding the profit of HK$69 million on disposal of five vessels in the first half of 2011 and the profit of HK$14 million on disposal of three vessels in the first half of 2012, the attributable profit increased by 18% compared to the first half of 2011.

In January 2012, SPO acquired a 70% controlling interest in Altus Logistics Pte Ltd ("Altus Logistics"), a Singapore-based logistics group focused on the oil and gas industry in Indonesia. Altus Logistics contributed a small loss in the period.

In February 2012, SPO acquired a 100% interest in Seabed AS. This company, which has been renamed Swire Seabed AS ("Swire Seabed"), owned a Z-class Inspection, Maintenance and Repair vessel. In May 2012, Swire Seabed chartered a second Z-class vessel from a third party for five years. In March 2012, SPO exercised an option to purchase an H-class PSV which was previously being chartered from a third party. At the same time, SPO took delivery of its sister ship, which had recently been built at the same shipyard. The contribution from the additional Z-class and H-class vessels was HK$29 million.

Three older vessels were sold in the first half of 2012, in line with SPO's strategy of phasing out its older tonnage. There were 77 vessels in the fleet at 30th June 2012, the same number as at the end of 2011.

The market for offshore supply vessels is experiencing a slower than expected recovery. Further improvement will continue to depend on the rate at which the current over-supply of vessels can be absorbed. SPO's newer vessels are generally operating in line with expectations, reflecting charterers' preference for newer, more highly specified vessels.

The average fleet utilisation during the first half of 2012 was 89%, six percentage points higher than in the first half of 2011. Average daily charter hire rates were 18% higher than in the first half of 2011, with total charter hire revenue in the first half of 2012 increasing by 33%.

Non-charter hire income increased by HK$214 million during the first half of 2012 compared with the first half of 2011, mainly as a result of the additional revenue contributed by Altus Logistics and a number of salvage operations.

Total operating costs increased by HK$571 million, reflecting the additional costs arising from the Altus Logistics and Swire Seabed acquisitions.

Total capital expenditure on new vessels and other fixed assets during the first half of 2012 was HK$2,672 million, compared to HK$1,765 million in the first half of 2011.

During the first half of 2012, the commitment to acquire ten A-class PSVs was converted to a firm order for six G-class PSVs and two H-class PSVs. This is in line with SPO's strategy of acquiring larger, more highly specified vessels. The G-class PSVs are expected to be delivered in 2014 and 2015. The H-class PSVs are expected to be delivered later this year and in 2013. The eight H-class PSVs which SPO ordered in 2011 have been reclassified as L-class PSVs in order to reflect their different specification.

SPO was committed to acquire three C-class AHTS vessels at 31st December 2011. The shipyard with which SPO contracted to build the vessels is in financial difficulties and is not in a position to perform the contracts. SPO has entered into a contract with another shipyard to complete the first such vessel, which is expected to be delivered in 2013. SPO intends to incorporate the remaining two vessels into a later newbuilding programme.

The first two D-class vessels ordered by SPO, which were due to be delivered in 2012, are now expected to be delivered in 2013. SPO took delivery of the first of two O-class wind farm installation vessels in July. The second O-class vessel and two I-class accommodation barges are expected to be delivered in the second half of 2012.

At 30th June 2012, SPO had a total capital expenditure commitment of HK$11,889 million (31st December 2011: HK$13,469 million).

In June 2012, SPO acquired the 19.9% interest in Lamor Swire Environmental Solutions Pte Ltd that it did not already own. This company has been renamed Swire Emergency Response Services Pte Ltd.

Outlook

SPO's charter hire and utilisation rates are expected to improve in the second half of 2012, reflecting the ability of the newer vessels in the fleet to achieve higher charter hire rates and the commencement of a number of new contracts.

Market conditions after 2012 are expected to be positive. Offshore exploration and production spending is expected to continue to grow, bringing with it increased demand for AHTS vessels and PSVs. SPO's fleet development is intended to support the industry's increased exploration and production in deeper waters, further offshore. With its ability to operate in most parts of the world, SPO is well positioned to support its customers as they expand into new areas of operation.

SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure				**Commitments**
	Six months ended 30th June 2012 HK$M	Six months ending 31st December 2012 HK$M	2013 HK$M	2014 HK$M	2015 HK$M	**at 30th June 2012 HK$M**
Vessels	**2,646**	3,220	4,266	2,964	1,414	**11,864**
Other fixed assets	**26**	22	2	1	–	**25**
Total	**2,672**	3,242	4,268	2,965	1,414	**11,889**

SPO – Fleet Size Growth

Vessel class		Vessels in operation	Vessels expected to be received in:			
		30th June 2012	2012	2013	2014	2015
Anchor Handling Tug Supply Vessels	Brake horse power					
J-class	2,600-4,200	**5**	–	–	–	–
T-class	3,600-4,000	**4**	–	–	–	–
P-class	4,800-4,830	**16**	–	–	–	–
S-class	5,440	**4**	–	–	–	–
6000 series	6,000-6,500	**1**	–	–	–	–
R-class	7,100-7,210	**8**	–	–	–	–
V-class	8,810	**10**	–	–	–	–
W-class	10,800	**8**	–	–	–	–
B-class	12,240	**6**	–	–	–	–
C-class	16,310	**1**	–	1	–	–
D-class	17,860-18,250	**–**	–	5	3	–
Seismic and Hydrographic Survey Vessels						
Survey	5,000-7,720	**2**	–	–	–	–
Platform Supply Vessels	Deadweight tonnage					
A-class	3,250	**5**	–	–	–	–
G-class	3,700	**–**	–	–	2	4
H-class	4,700	**2**	1	1	–	–
L-class	4,700	**–**	–	–	6	2
Ice Breaking Supply Vessels						
E-class*	4,480	**3**	–	–	–	–
Accommodation Barges						
I-class	7,800	**–**	2	–	–	–
Wind Farm Installation Vessels	Crane capacity					
O-class**	1,200 tonnes, 31 metres	**–**	2	–	–	–
Inspection, Maintenance and Repair Vessels						
Z-class*	100 tonnes, 8 metres	**2**	–	–	–	–
		77	5	7	11	6

* SPO's fleet includes one E-class vessel and one Z-class vessel chartered from external parties.

** SPO took delivery of the first of two O-class wind farm installation vessels in July 2012.

Hongkong United Dockyards Group

The HUD group's attributable profit for the first half of 2012 was HK$27 million, compared to HK$41 million for the same period in 2011. Both of HUD's divisions were adversely affected by the continued weakness of the world shipping industry.

The ship repair division recorded a loss (before interest and tax) of HK$11 million for the first half of 2012, compared to a profit of HK$2 million in the corresponding period in 2011. The division did less business and incurred higher labour costs. Three dockings which were expected from a customer did not take place. The replacement dockings did not deliver satisfactory margins.

The profit (before interest and tax) of the salvage and towage division decreased in the first half of 2012 by 9% to HK$47 million. Tug moves in the period decreased by 8% compared to the corresponding period in 2011.

Three of HKST's four new 5,000 BHP tugs (two of which were delivered in 2011) were operating in the first half. The fourth tug was delivered in June and commenced operations in July 2012.

Commercial pressures on major European and US shipping companies and the shipping industry's move to larger container vessels has led to the loss of a number of high margin customers of the ship repair division. The division needs to be more efficient if it is to compete with other Asian ship repairers.

Tug operations in Hong Kong harbour are highly competitive and the market does not have potential for growth. Following the delivery of the new tugs, HKST is looking for sea-going work to increase the utilisation of its fleet.

J B Rae-Smith

TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in a number of wholly-owned and jointly controlled companies, comprising:

- Swire Resources group – distribution and retailing of sports and casual footwear and apparel in Hong Kong and Mainland China
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan and Hong Kong
- Taikoo Sugar – packaging and selling sugar products in Hong Kong and Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Hong Kong and Mainland China

Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Turnover			
Swire Resources group	**1,658**	1,283	2,914
Taikoo Motors group	**3,030**	2,469	5,336
Taikoo Sugar	**357**	333	732
	5,045	4,085	8,982
Operating profits/(losses)			
Swire Resources group	**72**	90	192
Taikoo Motors group	**68**	47	121
Taikoo Sugar	**1**	(4)	(2)
Other subsidiary companies and central costs	**(15)**	(13)	(29)
	126	120	282
Attributable profits/(losses)			
Swire Resources group*	**58**	71	149
Taikoo Motors group	**50**	37	93
Taikoo Sugar	**1**	(4)	(3)
Other subsidiary companies and central costs	**(16)**	(14)	(30)
	93	90	209
* Including the share of post-tax profits from jointly controlled and associated companies within the Swire Resources group shown below.			
Share of post-tax profits from jointly controlled and associated companies			
Swire Resources group	**2**	3	2
Akzo Nobel Swire Paints	**59**	59	130
Other jointly controlled and associated companies	**(2)**	–	–
	59	62	132
Attributable profit (excluding profit on sale of interest in PUMA)	**150**	149	339
Profit on sale of interest in PUMA	**–**	148	148
Attributable profit	**150**	297	487

RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2012 decreased by 49% to HK$150 million. Excluding the gain of HK$148 million on disposal of the Group's interest in PUMA in January 2011, attributable profit increased slightly by HK$1 million. The increase reflected a combination of better results from Taikoo Motors and weaker results from Swire Resources.

Swire Resources Group

Excluding the gain on disposal of the Group's interest in PUMA in the first half of 2011, attributable profit decreased by 18% in the first half of 2012 to HK$58 million.

Turnover in Hong Kong was 26% higher than in the same period in 2011. Turnover benefited from the continuation of 2011's buoyant trading environment, from strong demand from Mainland China visitors and from sales of the newly acquired Chevignon denim brand.

Gross margins decreased due to higher costs of sales and more discounting. Operating costs, in particular staff and occupancy costs, continued to increase.

The group operated 161 retail outlets in Hong Kong at the end of the period, a net increase of one outlet since 31st December 2011.

Turnover in Mainland China was 36% higher than in the same period in 2011. This principally reflected the growth in sales of Columbia products. The newly acquired Chevignon brand also contributed to the growth of sales. Gross margins decreased as a result of higher product costs.

The group managed 119 retail outlets (including four recently established multibrand Catalog outlets) in Mainland China at the end of June 2012, a net increase of 10 outlets since 31st December 2011.

The outlook for the remainder of the year is expected to be stable in both Hong Kong and Mainland China.

Taikoo Motors Group

Attributable profit in the first half of 2012 was HK$50 million, compared to HK$37 million in the same period in 2011. The increase in profit principally reflected an increase in the number of vehicles sold.

In Taiwan, Taikoo Motors sold 8,767 cars and commercial vehicles in the first half of 2012, 24% more than in the same period in 2011. Over the same period, total car registrations in Taiwan decreased by 2% to 183,467 units. The group's passenger car sales in Taiwan grew by 23% over the same period in 2011 to 6,732 units. The group sold 651 used cars in Taiwan, an increase of 40%.

The group sold 1,384 commercial vehicles in Taiwan in the first half of 2012, 27% more than in the same period in 2011. In the second quarter the group opened an assembly plant for the Volvo truck group in Taiwan.

Sales of Harley-Davidson motorcycles in Taiwan slowed down. 228 units were sold, a decrease of 16% from the corresponding period in 2011. Sales of Vespa scooters started in Taiwan in April 2011. 708 scooters were sold in the first half of 2012.

In Hong Kong, Taikoo Motors took responsibility for sales of FIAT and Alfa Romeo passenger cars in the second half of 2011. 345 cars were sold in the first half of 2012. In the first half of 2012 the group also took responsibility for sales of Volvo trucks in Hong Kong.

Taikoo Motors is cautious about the prospects for the second half of 2012, as economic uncertainty will put pressure on vehicle sales.

Taikoo Sugar

Taikoo Sugar reported an attributable profit of HK$1 million for the first half of 2012, compared with a loss of HK$4 million in the first half of 2011.

Taikoo Sugar sold 8.1 million pounds of sugar during the period to retail and catering users in Hong Kong, an increase of 1% compared with the first half of 2011. In Mainland China, Taikoo Sugar sold 12.4 million pounds of sugar in the first half of 2012, a decrease of 3% compared with the same period in 2011. Margins benefited from increased selling prices, but sugar costs remained high. Investment in expansion of the distribution network in Mainland China continued.

The outlook for the second half of 2012 is stable.

Akzo Nobel Swire Paints

Attributable profit for the first half of 2012 was HK$59 million, in line with the same period in 2011.

Sales volume in Mainland China in the first half of 2012 was 119 million litres, an increase of 3% compared with the same period in 2011. Gross margins increased, primarily due to higher average selling prices.

The Hong Kong market contributed an attributable profit of HK$2 million, a decrease of 34% compared to the first half of 2011. The decrease reflected a slowdown in the Hong Kong property market.

The business is expected to perform steadily for the remainder of the year, reflecting conditions in residential property markets in Mainland China and Hong Kong.

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 reverse the impact of HKAS 40 on investment properties and the amended HKAS 12 on deferred tax. Further analysis compares the impact of other significant non-recurring items in the current and prior periods.

	Note	Six months ended 30th June 2012 HK$M	Six months ended 30th June 2011 HK$M	Year ended 31st December 2011 HK$M
Underlying profit				
Profit attributable to the Company's shareholders per accounts		**8,441**	23,951	32,210
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	**(7,920)**	(19,712)	(23,491)
Deferred tax on revaluation movements	(b)	**355**	307	523
Realised profit on sale of investment properties	(c)	**8**	–	7,977
Depreciation of investment properties occupied by the Group	(d)	**10**	13	27
Non-controlling interests' share of revaluation movements less deferred tax		**1,361**	43	46
Underlying profit attributable to the Company's shareholders		**2,255**	4,602	17,292
Other significant non-recurring items:				
Profit on sale of interest in Festival Walk		**–**	–	(8,615)
Profit on sale of interest in PUMA		**–**	(148)	(148)
Profit on sale of property, plant and equipment and other investments		**(19)**	(76)	(91)
Profit on sale of investment properties		**(9)**	–	–
Net impairment of property, plant and equipment, leasehold land and intangible assets		**19**	–	290
Adjusted underlying profit		**2,246**	4,378	8,728
Underlying equity				
Equity attributable to the Company's shareholders per accounts		**200,562**	225,646	227,559
Deferred tax on revaluation of investment properties		**2,981**	3,068	3,284
Unrecognised valuation gains on hotels held as part of mixed-use developments	(e)	**1,283**	664	912
Revaluation of investment properties occupied by the Group		**945**	1,152	997
Cumulative depreciation of investment properties occupied by the Group		**59**	74	63
Underlying equity attributable to the Company's shareholders		**205,830**	230,604	232,815
Underlying non-controlling interests		**39,304**	4,860	4,961
Underlying equity		**245,134**	235,464	237,776

Notes:

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

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

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

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

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

Financing

Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Net cash (used by)/from businesses and investments			
Cash generated from operations	**2,043**	4,402	9,204
Dividends received	**929**	1,735	2,859
Tax paid	**(350)**	(319)	(913)
Net interest paid	**(874)**	(771)	(1,602)
Cash (used in)/from investing activities	**(7,031)**	(4,789)	6,420
	(5,283)	258	15,968
Cash received from/(paid to) shareholders and net funding by external debt			
Dividends paid	**(3,989)**	(3,870)	(10,151)
Increase/(decrease) in borrowings	**13,169**	3,941	(6,080)
Capital contributions from non-controlling interests	**97**	–	24
Security deposits uplifted	**42**	85	170
	9,319	156	(16,037)
Increase/(decrease) in cash and cash equivalents	**4,036**	414	(69)

Cash used in investing activities during the first half of 2012 included cash used for stage payments for offshore support vessels under construction, for capital expenditure on property projects by subsidiary companies and for investments in subsidiary and jointly controlled companies.

Changes in Financing

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

	Six months ended 30th June 2012 HK$M	Year ended 31st December 2011 HK$M
Loans, bonds and perpetual capital securities		
At 1st January	**39,650**	45,435
Loans drawn and refinancing	**14,271**	6,998
Repayment of loans and bonds	**(1,102)**	(13,078)
Changes in composition of Group	**586**	–
Other non-cash movements	**(77)**	295
	53,328	39,650
Overdrafts	**4**	1
At 30th June / 31st December	**53,332**	39,651

During the first half of 2012, the Group raised HK$9,256 million of new finance. This principally comprised issues of ten-year US dollar denominated medium-term notes under Swire Pacific's US$3.5 billion medium-term note programme and under Swire Properties' newly established US$3 billion medium-term note programme. US$500 million of notes was issued under each programme. The remaining new finance principally comprised the issue by Swire Pacific of a ten-year medium-term note of HK$880 million and an increase in the size of an existing two-year bilateral revolving credit facility from US$60 million to US$140 million.

Sources of Finance

At 30th June 2012, committed loan facilities and debt securities amounted to HK$63,579 million, of which HK$12,543 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK$6,289 million. Sources of funds at 30th June 2012 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	25,140	25,140	–	–
Bank loans, overdrafts and other loans	36,112	23,569	2,523	10,020
Perpetual capital securities	2,327	2,327	–	–
Total committed facilities	63,579	51,036	2,523	10,020
Uncommitted facilities				
Bank loans, overdrafts and other loans	8,788	2,499	6,289	–
Total	72,367	53,535	8,812	10,020

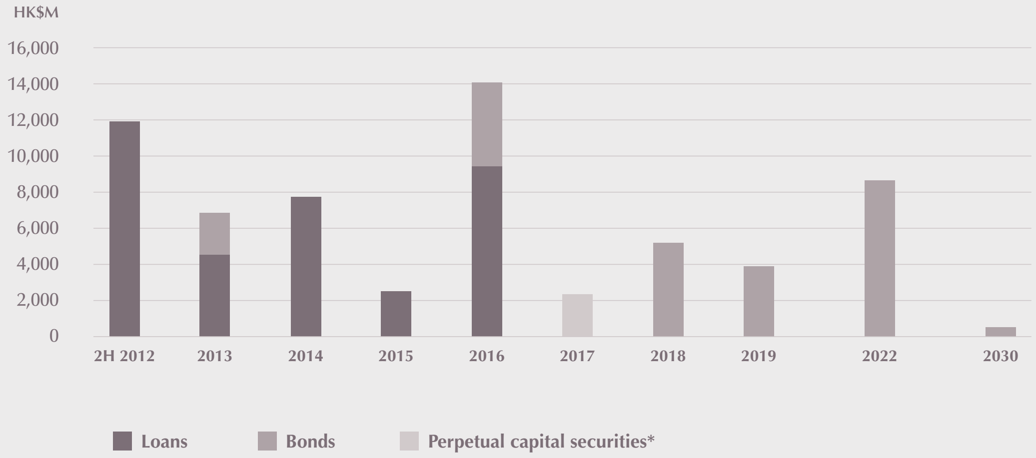
Note: The figures above are stated before unamortised loan fees of HK$203 million.

The Group had bank balances and short-term deposits of HK$9,158 million at 30th June 2012 compared to HK$3,880 million at 31st December 2011 (excluding security deposits of HK$42 million).

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 2012



* 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 2012 HK$M		31st December 2011 HK$M	
Within 1 year	**15,894**	**30%**	10,083	25%
1 – 2 years	**4,593**	**8%**	2,595	7%
2 – 5 years	**14,759**	**28%**	15,109	38%
After 5 years	**18,086**	**34%**	11,864	30%
Total	**53,332**	**100%**	39,651	100%

Currency Profile

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

	30th June 2012 HK$M		31st December 2011 HK$M	
Currency				
Hong Kong dollar	**37,318**	**70%**	30,143	76%
United States dollar	**7,730**	**14%**	2,253	6%
Renminbi	**7,751**	**15%**	7,039	18%
New Taiwan dollar	**467**	**1%**	156	–
Others	**66**	**–**	60	–
Total	**53,332**	**100%**	39,651	100%

Finance Charges

At 30th June 2012, 60% of the Group's gross borrowings were on a fixed rate basis and 40% were on a floating rate basis (31st December 2011: 59% and 41% respectively). Interest charged and earned was as follows:

Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Finance Charges			
Interest charged on:			
– Bank loans and overdrafts	**(342)**	(260)	(566)
– Other loans, bonds and perpetual capital securities	**(633)**	(568)	(1,134)
Fair value gains/(losses) on derivative instruments:			
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	**1**	–	(5)
– Interest rate swaps: fair value hedges	**–**	–	(3)
Adjustments to financial liabilities – fair value hedges	**–**	9	13
Amortised loan fees – loans at amortised cost	**(29)**	(32)	(66)
Fair value loss on put option over non-controlling interest in Sanlitun Village	**(103)**	(139)	(259)
Other financing costs	**(53)**	(28)	(58)
Finance charges capitalised on:			
– Investment properties	**57**	133	197
– Properties for sale	**115**	53	155
– Hotels and other properties	**20**	13	24
– Vessels	**21**	4	15
	(946)	(815)	(1,687)
Interest income on:			
– Short-term deposits and bank balances	**19**	11	40
– Other loans	**70**	18	37
	89	29	77
Net finance charges	**(857)**	(786)	(1,610)

Gearing Ratios and Interest Cover

	30th June		31st December
	2012	2011	2011
Gearing ratio*			
Per accounts	**18.5%**	19.5%	15.4%
Underlying	**18.0%**	19.0%	15.0%
Interest cover – times*			
Per accounts	**13.1**	29.7	19.5
Underlying	**4.8**	5.4	10.4
Cash interest cover – times*			
Per accounts	**10.5**	23.6	15.7
Underlying	**3.9**	4.3	8.3
Adjusted#	**3.9**	4.1	4.0

* Refer to Glossary on page 67 for definition.

After excluding significant non-recurring items from underlying operating profit. (Refer to page 30 for the list of significant non-recurring items)

Debt in Jointly Controlled and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of the Group reported in the consolidated statement of financial position does not include the net debt of its jointly controlled and associated companies. These companies had the following net debt positions at 30th June 2012 and 31st December 2011:

	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 2012 HK$M	31st December 2011 HK$M	**30th June 2012 HK$M**	31st December 2011 HK$M	**30th June 2012 HK$M**	31st December 2011 HK$M
Property Division	**3,040**	3,018	**1,495**	1,783	**470**	474
Aviation Division						
Cathay Pacific group	**29,551**	23,739	**13,298**	10,675	**–**	–
HAECO group	**833**	558	**156**	92	**55**	55
Other Aviation Division companies	**(2)**	(4)	**(1)**	(2)	**–**	–
Beverages Division	**3,433**	2,847	**1,213**	1,003	**35**	–
Marine Services Division	**737**	736	**368**	368	**500**	500
Trading & Industrial Division	**(1,457)**	(1,324)	**(462)**	(428)	**–**	–
	36,135	29,570	**16,067**	13,491	**1,060**	1,029

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 25.2% and underlying gearing would rise to 24.5%.

Report on Review of Condensed Interim Accounts

To the Board of Directors of Swire Pacific Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim accounts set out on pages 37 to 62, which comprises the consolidated statement of financial position of Swire Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2012 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 accounts to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of the interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the interim accounts based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 10th August 2012

Consolidated Income Statement

for the six months ended 30th June 2012

	Note	(Unaudited) Six months ended 30th June 2012 HK$M	(Unaudited) Six months ended 30th June 2011 HK$M	(Audited) Year ended 31st December 2011 HK$M
Turnover	4	**19,389**	17,082	36,286
Cost of sales		**(11,512)**	(9,642)	(21,359)
Gross profit		**7,877**	7,440	14,927
Distribution costs		**(2,101)**	(1,802)	(3,959)
Administrative expenses		**(1,571)**	(1,541)	(3,084)
Other operating expenses		**(132)**	(183)	(250)
Profit on sale of interests in associated and jointly controlled companies	5	**–**	148	149
Other net gains	6	**34**	159	870
Change in fair value of investment properties		**7,117**	19,098	22,771
Operating profit		**11,224**	23,319	31,424
Finance charges		**(946)**	(815)	(1,687)
Finance income		**89**	29	77
Net finance charges	8	**(857)**	(786)	(1,610)
Share of profits less losses of jointly controlled companies		**1,198**	1,179	1,801
Share of profits less losses of associated companies		**(360)**	1,296	2,570
Profit before taxation		**11,205**	25,008	34,185
Taxation	9	**(818)**	(844)	(1,630)
Profit for the period		**10,387**	24,164	32,555
Profit attributable to:				
The Company's shareholders		**8,441**	23,951	32,210
Non-controlling interests		**1,946**	213	345
		10,387	24,164	32,555
Cash dividends				
First Interim – proposed/paid		**1,505**	1,730	1,730
Special Interim – paid		**–**	–	4,514
Second Interim – paid				3,536
Special interim dividend by way of a distribution in specie		**31,589**	–	–
	10	**33,094**	1,730	9,780
		HK$	HK$	HK$
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	11			
'A' shares		**5.61**	15.92	21.41
'B' shares		**1.12**	3.18	4.28

	2012 First Interim HK$	2011 First Interim HK$	2011 Special Interim HK$	2011 Second Interim HK$	2011 Total HK$
Cash dividends per share					
'A' shares	**1.00**	1.15	3.00	2.35	6.50
'B' shares	**0.20**	0.23	0.60	0.47	1.30

The notes on pages 42 to 62 form part of these accounts.

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2012

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Profit for the period	**10,387**	24,164	32,555
Other comprehensive income			
Cash flow hedges			
(losses)/gains recognised during the period	**(10)**	(182)	88
transferred to net finance charges	**(1)**	–	5
transferred to operating profit - exchange differences	**25**	(19)	–
transferred to initial cost of non-financial assets	**27**	75	1
deferred tax	**(10)**	21	(46)
Net fair value changes on available-for-sale assets			
gains/(losses) recognised during the period	**50**	(41)	(100)
transferred to operating profit	**–**	(3)	(3)
Revaluation of property previously occupied by the Group			
gain recognised during the period	**15**	36	188
deferred tax	**(2)**	–	–
Share of other comprehensive income of jointly controlled and associated companies	**(133)**	685	208
Net translation differences on foreign operations	**(195)**	511	698
Other comprehensive income for the period, net of tax	**(234)**	1,083	1,039
Total comprehensive income for the period	**10,153**	25,247	33,594
Total comprehensive income attributable to:			
The Company's shareholders	**8,261**	24,955	33,142
Non-controlling interests	**1,892**	292	452
	10,153	25,247	33,594

The notes on pages 42 to 62 form part of these accounts.

Consolidated Statement of Financial Position

at 30th June 2012

	Note	(Unaudited) 30th June 2012 HK$M	(Audited) 31st December 2011 HK$M
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**30,471**	27,288
Investment properties	12	**199,581**	191,805
Leasehold land and land use rights	12	**964**	969
Intangible assets	13	**4,399**	4,270
Properties held for development		**186**	124
Jointly controlled companies	14	**20,422**	18,866
Associated companies	15	**26,113**	27,145
Available-for-sale assets		**237**	188
Long-term receivables		**10**	6
Derivative financial instruments	16	**794**	785
Deferred tax assets	19	**393**	305
Retirement benefit assets		**614**	600
		284,184	272,351
Current assets			
Properties for sale		**7,250**	6,810
Stocks and work in progress		**3,752**	3,287
Trade and other receivables	17	**7,555**	6,275
Derivative financial instruments	16	**14**	18
Cash and cash equivalents		**7,744**	3,707
Short-term deposits		**1,414**	215
		27,729	20,312
Current liabilities			
Trade and other payables	18	**13,010**	14,179
Taxation payable		**793**	557
Derivative financial instruments	16	**196**	207
Bank overdrafts and short-term loans		**1,857**	1,333
Long-term loans and bonds due within one year		**14,037**	8,750
		29,893	25,026
Net current liabilities		**(2,164)**	(4,714)
Total assets less current liabilities		**282,020**	267,637
Non-current liabilities			
Perpetual capital securities		**2,327**	2,331
Long-term loans and bonds		**35,111**	27,237
Receipt in advance from an associated company		**53**	58
Derivative financial instruments	16	**133**	119
Deferred tax liabilities	19	**5,336**	5,050
Deferred profit		**120**	108
Retirement benefit liabilities		**279**	258
		43,359	35,161
NET ASSETS		**238,661**	232,476
EQUITY			
Share capital	20	**903**	903
Reserves	21	**199,659**	226,656
Equity attributable to the Company's shareholders		**200,562**	227,559
Non-controlling interests	22	**38,099**	4,917
TOTAL EQUITY		**238,661**	232,476

The notes on pages 42 to 62 form part of these accounts.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2012

	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Operating activities			
Cash generated from operations	**2,043**	4,402	9,204
Interest paid	**(919)**	(811)	(1,690)
Interest received	**45**	40	88
Tax paid	**(350)**	(319)	(913)
	819	3,312	6,689
Dividends received from jointly controlled and associated companies and available-for-sale assets	**929**	1,735	2,859
Net cash from operating activities	**1,748**	5,047	9,548
Investing activities			
Purchase of property, plant and equipment	**(3,396)**	(2,506)	(4,735)
Additions of investment properties	**(1,401)**	(1,777)	(4,993)
Purchase of intangible assets	**(4)**	(6)	(28)
Proceeds from disposals of property, plant and equipment	**53**	32	84
Proceeds from disposals of vessels	**50**	72	86
Proceeds from disposals of investment properties	**46**	–	–
Purchase of shares in an existing subsidiary company	**(15)**	–	–
Net cash outflow on purchase of shares in new subsidiary companies	**(204)**	–	(39)
Net cash outflow on disposal of subsidiary companies	**–**	–	(6)
Net cash inflow from sale of interest in Festival Walk	**–**	–	18,305
Purchase of shares in jointly controlled companies	**(23)**	(56)	(77)
Purchase of shares in associated companies	**(16)**	(721)	(1,299)
Purchase of available-for-sale assets	**–**	(3)	(3)
Proceeds from disposal of interest in a jointly controlled company	**–**	–	2
Proceeds from disposal of interest in an associated company - PUMA	**–**	413	413
Proceeds from disposals of available-for-sale assets	**–**	22	22
Loans to jointly controlled companies	**(938)**	(299)	(2,339)
Loans to associated companies	**(12)**	–	(26)
Repayment of loans by jointly controlled companies	**126**	54	1,169
Repayment of loans by associated companies	**9**	–	17
Loan from an associated company	**–**	24	24
Repayment of loan to an associated company	**(24)**	–	–
Net (increase)/decrease in deposits maturing after more than three months	**(1,244)**	22	36
Initial leasing costs incurred	**(38)**	(60)	(193)
Net cash (used in)/from investing activities	**(7,031)**	(4,789)	6,420
Net cash (outflow)/inflow before financing	**(5,283)**	258	15,968
Financing activities			
Loans drawn and refinancing	**14,271**	4,499	6,998
Repayment of loans and bonds	**(1,102)**	(558)	(13,078)
	13,169	3,941	(6,080)
Security deposits uplifted	**42**	85	170
Capital contribution from non-controlling interests	**97**	–	24
Dividends paid to the Company's shareholders	**(3,536)**	(3,761)	(10,005)
Dividends paid to non-controlling interests	**(453)**	(109)	(146)
Net cash generated from/(used in) financing activities	**9,319**	156	(16,037)
Increase/(decrease) in cash and cash equivalents	**4,036**	414	(69)
Cash and cash equivalents at 1st January	**3,706**	3,790	3,790
Currency adjustment	**(2)**	16	(15)
Cash and cash equivalents at end of the period	**7,740**	4,220	3,706
Represented by:			
Bank balances and short-term deposits maturing within three months	**7,744**	4,236	3,707
Bank overdrafts	**(4)**	(16)	(1)
	7,740	4,220	3,706

The notes on pages 42 to 62 form part of these accounts.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2012

	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 2012	**903**	**221,209**	**5,447**	**227,559**	**4,917**	**232,476**
Profit for the period	**–**	**8,441**	**–**	**8,441**	**1,946**	**10,387**
Other comprehensive income	**–**	**–**	**(180)**	**(180)**	**(54)**	**(234)**
Total comprehensive income for the period	**–**	**8,441**	**(180)**	**8,261**	**1,892**	**10,153**
Cash dividends paid	**–**	**(3,536)**	**–**	**(3,536)**	**(421)**	**(3,957)**
Dividend by way of a distribution in specie	**–**	**(31,589)**	**–**	**(31,589)**	**31,589**	**–**
Change in composition of Group	**–**	**(11)**	**–**	**(11)**	**122**	**111**
Recognition of a put option in respect of a non-controlling interest in a subsidiary	**–**	**(122)**	**–**	**(122)**	**–**	**(122)**
At 30th June 2012 (unaudited)	**903**	**194,392**	**5,267**	**200,562**	**38,099**	**238,661**

	Attributable to the Company's shareholders					
	Share capital HK$M	Revenue reserve HK$M	Other reserves HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2011	903	199,044	4,505	204,452	4,599	209,051
Profit for the period	–	23,951	–	23,951	213	24,164
Other comprehensive income	–	–	1,004	1,004	79	1,083
Total comprehensive income for the period	–	23,951	1,004	24,955	292	25,247
Cash dividends paid	–	(3,761)	–	(3,761)	(74)	(3,835)
At 30th June 2011 (unaudited)	903	219,234	5,509	225,646	4,817	230,463

The notes on pages 42 to 62 form part of these accounts.

Notes to the Interim Accounts

1. SEGMENT INFORMATION

(a) Analysis of Consolidated Income Statement

Six months ended 30th June 2012	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	4,402	32	3,269	(692)	54	73	–	(396)	2,308	1,884
Change in fair value of investment properties	–	–	7,043	–	–	665	–	(217)	7,491	6,128
Property trading	99	–	(18)	–	2	(7)	–	–	(23)	(17)
Hotels	373	1	7	(20)	–	8	72	(15)	52	43
	4,874	**33**	**10,301**	**(712)**	**56**	**739**	**72**	**(628)**	**9,828**	**8,038**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	(421)	–	(421)	(421)
HAECO group	2,899	–	316	(15)	9	273	–	(70)	513	361
Others	–	–	(27)	–	–	3	–	–	(24)	(10)
	2,899	**–**	**289**	**(15)**	**9**	**276**	**(421)**	**(70)**	**68**	**(70)**
Beverages										
Mainland China	808	–	(8)	(25)	7	135	(11)	(21)	77	67
Hong Kong	972	1	80	–	–	–	–	(10)	70	64
Taiwan	715	–	–	(4)	–	–	–	–	(4)	(4)
USA	1,885	–	134	–	–	–	–	(41)	93	93
Central costs	–	–	(11)	–	–	–	–	–	(11)	(11)
Campbell Swire	–	–	–	(3)	–	(41)	–	–	(44)	(44)
	4,380	**1**	**195**	**(32)**	**7**	**94**	**(11)**	**(72)**	**181**	**165**
Marine Services										
Swire Pacific Offshore group	2,252	–	398	(13)	2	–	–	(13)	374	369
HUD group	–	–	–	–	–	27	–	–	27	27
	2,252	**–**	**398**	**(13)**	**2**	**27**	**–**	**(13)**	**401**	**396**
Trading & Industrial										
Swire Resources group	1,658	–	72	–	1	2	–	(20)	55	58
Taikoo Motors group	3,030	–	68	(4)	1	–	–	(15)	50	50
Taikoo Sugar	293	64	1	–	–	–	–	–	1	1
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	(3)	59	59
Other activities	–	–	(15)	–	–	(2)	–	(1)	(18)	(18)
	4,981	**64**	**126**	**(4)**	**2**	**62**	**–**	**(39)**	**147**	**150**
Head Office										
Net income/(expenses)	3	7	(159)	(699)	542	–	–	4	(312)	(312)
Change in fair value of investment properties	–	–	74	–	–	–	–	–	74	74
	3	**7**	**(85)**	**(699)**	**542**	**–**	**–**	**4**	**(238)**	**(238)**
Inter-segment elimination	**–**	**(105)**	**–**	**529**	**(529)**	**–**	**–**	**–**	**–**	**–**
Total	**19,389**	**–**	**11,224**	**(946)**	**89**	**1,198**	**(360)**	**(818)**	**10,387**	**8,441**

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Six months ended 30th June 2011	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/credit HK$M	Profit for the period HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	4,192	31	3,136	(742)	8	45	–	(341)	2,106	2,103
Change in fair value of investment properties	–	–	17,469	–	–	583	1	(277)	17,776	17,733
Property trading*	99	–	1	(3)	2	69	–	(13)	56	56
Hotels	342	1	(8)	(16)	–	9	70	(12)	43	43
	4,633	**32**	**20,598**	**(761)**	**10**	**706**	**71**	**(643)**	**19,981**	**19,935**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	1,221	–	1,221	1,221
HAECO group	2,544	–	345	(12)	8	204	–	(73)	472	318
Others	–	–	(26)	–	–	2	–	–	(24)	(11)
	2,544	**–**	**319**	**(12)**	**8**	**206**	**1,221**	**(73)**	**1,669**	**1,528**
Beverages										
Mainland China	799	–	23	(21)	3	181	2	(24)	164	145
Hong Kong	928	–	72	–	–	–	–	(11)	61	57
Taiwan	765	–	5	(3)	–	–	–	(1)	1	1
USA	1,796	–	154	–	–	–	–	(44)	110	109
Central costs	–	–	(11)	–	–	–	–	–	(11)	(11)
Campbell Swire	–	–	(4)	(2)	–	(20)	–	–	(26)	(26)
	4,288	**–**	**239**	**(26)**	**3**	**161**	**2**	**(80)**	**299**	**275**
Marine Services										
Swire Pacific Offshore group	1,581	–	378	(1)	1	–	2	(7)	373	371
HUD group	–	–	–	–	–	41	–	–	41	41
	1,581	**–**	**378**	**(1)**	**1**	**41**	**2**	**(7)**	**414**	**412**
Trading & Industrial										
Swire Resources group	1,283	–	90	–	1	3	–	(23)	71	71
Taikoo Motors group	2,469	–	47	(1)	1	–	–	(10)	37	37
Taikoo Sugar	281	52	(4)	–	–	–	–	–	(4)	(4)
Akzo Nobel Swire Paints	–	–	–	–	–	62	–	(3)	59	59
Sale of interest in PUMA	–	–	148	–	–	–	–	–	148	148
Other activities	–	–	(13)	–	–	–	–	(1)	(14)	(14)
	4,033	**52**	**268**	**(1)**	**2**	**65**	**–**	**(37)**	**297**	**297**
Head Office										
Net income/(expenses)*	3	7	(112)	(628)	619	–	–	(4)	(125)	(125)
Change in fair value of investment properties	–	–	1,629	–	–	–	–	–	1,629	1,629
	3	**7**	**1,517**	**(628)**	**619**	**–**	**–**	**(4)**	**1,504**	**1,504**
Inter-segment elimination*	**–**	**(91)**	**–**	**614**	**(614)**	**–**	**–**	**–**	**–**	**–**
Total	**17,082**	**–**	**23,319**	**(815)**	**29**	**1,179**	**1,296**	**(844)**	**24,164**	**23,951**

* The 2011 comparative figures have been restated from those in the Group's 2011 interim accounts to reflect certain adjustments made in preparing the listing document for Swire Properties Limited which was issued on 21st December 2011.

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

1. SEGMENT INFORMATION (continued)

(a) Analysis of Consolidated Income Statement (continued)

Year ended 31st December 2011	External turnover HK$M	Inter-segment turnover HK$M	Operating profit HK$M	Finance charges HK$M	Finance income HK$M	Share of profits less losses of jointly controlled companies HK$M	Share of profits less losses of associated companies HK$M	Tax (charge)/ credit HK$M	Profit for the year HK$M	Profit attributable to the Company's shareholders HK$M
Property										
Property investment	8,591	60	6,781	(1,464)	24	123	–	(759)	4,705	4,695
Change in fair value of investment properties	–	–	20,179	–	–	676	1	(480)	20,376	20,330
Property trading	210	3	(50)	(5)	3	59	–	(3)	4	7
Hotels	717	–	(93)	(35)	–	(7)	155	(53)	(33)	(33)
	9,518	**63**	**26,817**	**(1,504)**	**27**	**851**	**156**	**(1,295)**	**25,052**	**24,999**
Aviation										
Cathay Pacific group	–	–	–	–	–	–	2,405	–	2,405	2,405
HAECO group	5,171	–	532	(25)	18	435	–	(84)	876	615
Others	–	–	(52)	–	–	4	–	–	(48)	(21)
	5,171	**–**	**480**	**(25)**	**18**	**439**	**2,405**	**(84)**	**3,233**	**2,999**
Beverages										
Mainland China	1,854	–	22	(48)	8	355	7	(43)	301	265
Hong Kong	2,045	1	197	–	–	–	–	(16)	181	164
Taiwan	1,600	–	28	(6)	–	–	–	(4)	18	18
USA	3,723	–	303	–	3	–	–	(83)	223	223
Central costs	–	–	(13)	–	–	–	–	–	(13)	(13)
Campbell Swire	–	–	(4)	(5)	–	(60)	–	–	(69)	(69)
	9,222	**1**	**533**	**(59)**	**11**	**295**	**7**	**(146)**	**641**	**588**
Marine Services										
Swire Pacific Offshore group	3,505	–	819	(5)	2	–	2	(26)	792	785
HUD group	–	–	–	–	–	78	–	–	78	78
	3,505	**–**	**819**	**(5)**	**2**	**78**	**2**	**(26)**	**870**	**863**
Trading & Industrial										
Swire Resources group	2,914	–	192	–	3	2	–	(50)	147	149
Taikoo Motors group	5,336	–	121	(2)	2	–	–	(28)	93	93
Taikoo Sugar	612	120	(2)	(1)	–	–	–	–	(3)	(3)
Akzo Nobel Swire Paints	–	–	–	–	–	136	–	(6)	130	130
Sale of interest in PUMA	–	–	148	–	–	–	–	–	148	148
Other activities	–	–	(29)	–	–	–	–	(1)	(30)	(30)
	8,862	**120**	**430**	**(3)**	**5**	**138**	**–**	**(85)**	**485**	**487**
Head Office										
Net income/(expenses)	8	40	(247)	(1,245)	1,168	–	–	6	(318)	(318)
Change in fair value of investment properties	–	–	2,592	–	–	–	–	–	2,592	2,592
	8	**40**	**2,345**	**(1,245)**	**1,168**	**–**	**–**	**6**	**2,274**	**2,274**
Inter-segment elimination	**–**	**(224)**	**–**	**1,154**	**(1,154)**	**–**	**–**	**–**	**–**	**–**
Total	**36,286**	**–**	**31,424**	**(1,687)**	**77**	**1,801**	**2,570**	**(1,630)**	**32,555**	**32,210**

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

1. SEGMENT INFORMATION (continued)

(b) Analysis of Total Assets of the Group

At 30th June 2012	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	198,798	12,541	55	4,470	215,864
Property trading and development	7,658	978	–	143	8,779
Hotels	5,290	1,022	636	48	6,996
	211,746	**14,541**	**691**	**4,661**	**231,639**
Aviation					
Cathay Pacific group	–	–	24,523	–	24,523
HAECO group	7,675	1,148	–	1,127	9,950
Others	4,753	2,818	–	–	7,571
	12,428	**3,966**	**24,523**	**1,127**	**42,044**
Beverages					
Swire Beverages	6,061	1,445	886	494	8,886
Campbell Swire	–	(15)	–	–	(15)
	6,061	**1,430**	**886**	**494**	**8,871**
Marine Services					
Swire Pacific Offshore group	16,039	1	13	447	16,500
HUD group	–	26	–	–	26
	16,039	**27**	**13**	**447**	**16,526**
Trading & Industrial					
Swire Resources group	807	17	–	344	1,168
Taikoo Motors group	2,460	–	–	24	2,484
Taikoo Sugar	155	–	–	30	185
Akzo Nobel Swire Paints	–	439	–	–	439
Other activities	15	2	–	46	63
	3,437	**458**	**–**	**444**	**4,339**
Head Office	**6,456**	**–**	**–**	**2,038**	**8,494**
	256,167	**20,422**	**26,113**	**9,211**	**311,913**

1. SEGMENT INFORMATION (continued)

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

At 31st December 2011	Segment assets HK$M	Jointly controlled companies HK$M	Associated companies HK$M	Bank deposits and securities HK$M	Total assets HK$M
Property					
Property investment	190,072	11,303	55	1,003	202,433
Property trading and development	7,479	842	–	76	8,397
Hotels	5,165	855	584	101	6,705
	202,716	**13,000**	**639**	**1,180**	**217,535**
Aviation					
Cathay Pacific group	–	–	25,596	–	25,596
HAECO group	7,663	1,100	–	1,345	10,108
Others	4,778	2,817	–	–	7,595
	12,441	**3,917**	**25,596**	**1,345**	**43,299**
Beverages					
Swire Beverages	5,419	1,551	899	696	8,565
Campbell Swire	–	4	–	–	4
	5,419	**1,555**	**899**	**696**	**8,569**
Marine Services					
Swire Pacific Offshore group	12,597	–	11	386	12,994
HUD group	–	(2)	–	–	(2)
	12,597	**(2)**	**11**	**386**	**12,992**
Trading & Industrial					
Swire Resources group	854	15	–	188	1,057
Taikoo Motors group	2,057	–	–	17	2,074
Taikoo Sugar	160	–	–	41	201
Akzo Nobel Swire Paints	–	381	–	–	381
Other activities	6	–	–	18	24
	3,077	**396**	**–**	**264**	**3,737**
Head Office	**6,430**	**–**	**–**	**101**	**6,531**
	242,680	**18,866**	**27,145**	**3,972**	**292,663**

1. SEGMENT INFORMATION (continued)

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

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

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

There has been no material change in total assets from the amount disclosed in the last annual accounts.

There are no differences from the last annual accounts in the basis of segmentation or in the basis of measurement of segment profit or loss.

2. BASIS OF PREPARATION

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

The accounting policies, methods of computation and presentation used in the preparation of the interim accounts are consistent with those described in the 2011 annual accounts except for those noted in 2(b) below.

(b) The following relevant amendments were required to be adopted by the Group effective from 1st January 2012:

HKAS 12 (Amendment)	Income taxes
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The Group early adopted the amendment to HKAS 12 in 2010.

HKFRS 7 (Amendment) introduces new disclosure requirements on transfers of financial assets. Disclosure is required (by class of asset) of the nature and carrying amount of, and a description of the risks and rewards of, financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment has had no significant effect on the Group's interim accounts.

(c) The preparation of the interim accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated accounts are detailed in the 2011 annual accounts.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2011 annual accounts. There have been no changes in the Group's financial risk management structure, policies and procedures since the year end.

4. TURNOVER

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

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Gross rental income from investment properties	**4,378**	4,162	8,502
Property trading	**99**	99	210
Hotels	**373**	342	717
Aircraft and engine maintenance services	**2,849**	2,488	5,034
Sales of goods	**9,373**	8,335	18,107
Charter hire and related income	**2,001**	1,581	3,505
Rendering of other services	**316**	75	211
	19,389	17,082	36,286

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

2011:

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

6. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Profit on sale of interest in Festival Walk*	**–**	–	638
Profit on sale of available-for-sale assets	**–**	7	7
Profit on sale of investment properties	**1**	–	–
Profit on sale of property, plant and equipment	**19**	74	82
Net foreign exchange gains/(losses)	**6**	(3)	32
Fair value (losses)/gains on derivative instruments transferred from cash flow hedge reserve			
Cross-currency swaps	**(25)**	16	(8)
Forward foreign exchange contracts	**–**	3	8
Fair value (losses)/gains on derivative instruments not qualifying as hedges			
Forward foreign exchange contracts	**(20)**	–	2
Dividend income on available-for-sale assets	**–**	–	3

* In July 2011, an agreement was entered into with an independent third party for the disposal of the Group's entire interest in Festival Walk for a cash consideration of HK$18,800 million, subject to adjustment by reference to net current assets and liabilities at completion. The adjustment resulted in an additional receipt of HK$116 million. Completion took place on 18th August 2011. The profit on the sale, which excludes gains on revaluation of the property previously credited to the income statement up to 30th June 2011, was HK$638 million.

7. EXPENSES BY TYPE

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

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Direct operating expenses of investment properties that			
generated rental income	**678**	636	1,471
did not generate rental income	**43**	67	46
Cost of stocks sold	**7,009**	6,059	13,198
Write-down of stocks and work in progress	**11**	17	44
Goodwill written off (note 13)	**8**	–	–
Impairment losses recognised on			
Property, plant and equipment (note 12)	**13**	–	129
Leasehold land and land use rights (note 12)	**–**	–	3
Intangible assets (note 13)	**3**	–	8
Trade receivables	**2**	3	10
Reversal of impairment losses on			
Properties held for development	**–**	–	(8)
Trade receivables	**(8)**	–	–
Depreciation of property, plant and equipment (note 12)	**822**	734	1,527
Amortisation of			
Leasehold land and land use rights (note 12)	**14**	13	27
Intangible assets (note 13)	**25**	22	48
Initial leasing costs	**41**	26	65
Others	**–**	1	–
Staff costs	**3,531**	3,346	6,506
Operating lease rentals			
Properties	**349**	260	608
Vessels	**70**	37	110
Plant and equipment	**14**	21	31

8. NET FINANCE CHARGES

Refer to page 34 for details of the Group's net finance charges.

9. TAXATION

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Current taxation			
Hong Kong profits tax	**(408)**	(344)	(711)
Overseas taxation	**(178)**	(138)	(256)
(Under)/over provision in prior years	**–**	(22)	23
	(586)	(504)	(944)
Deferred taxation (note 19)			
Change in fair value of investment properties	**(176)**	(224)	(384)
Origination and reversal of temporary differences	**(56)**	(116)	(302)
	(232)	(340)	(686)
	(818)	(844)	(1,630)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates applicable in the jurisdictions in which the Group is assessable to tax.

The Group's share of jointly controlled and associated companies' tax charges for the six months ended 30th June 2012 of HK$265 million (30th June 2011: HK$191 million; year ended 31st December 2011: HK$335 million) and HK$33 million (30th June 2011: HK$200 million; year ended 31st December 2011: HK$362 million) respectively is included in the share of profits less losses of jointly controlled and associated companies shown in the consolidated income statement.

10. DIVIDENDS

	Six months ended 30th June		Year ended 31st December
	2012 HK$M	2011 HK$M	2011 HK$M
Cash dividends			
Proposed first interim dividend of HK$1.00 per 'A' share and HK$0.20 per 'B' share (2011 first interim dividend paid: HK$1.15 and HK$0.23)	**1,505**	1,730	1,730
Special interim dividend paid on 4th October 2011 of HK$3.00 per 'A' share and HK$0.60 per 'B' share	**–**	–	4,514
Second interim dividend paid on 4th May 2012 of HK$2.35 per 'A' share and HK$0.47 per 'B' share			3,536
Special interim dividend by way of a distribution in specie	**31,589**	–	–
	33,094	1,730	9,780

On 7th October 2011, the Company submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the proposed spin-off of Swire Properties Limited ("Swire Properties") by way of a separate listing of the ordinary shares of HK$1.00 each of Swire Properties ("Swire Properties Shares") on the Main Board of the Stock Exchange.

10. DIVIDENDS (continued)

On 27th October 2011, Swire Properties submitted a listing application form (Form A1) to the Stock Exchange in order to apply for the listing of, and permission to deal in, the Swire Properties Shares on the Main Board of the Stock Exchange. The listing of the Swire Properties Shares would be by way of introduction achieved by a distribution in specie by the Company of 18% of the Swire Properties Shares.

On 21st December 2011, the Board declared conditional special interim dividends (the "Conditional Dividend") for the year ended 31st December 2011 of 7 Swire Properties Shares for every 10 'A' shares held in the Company and 7 Swire Properties Shares for every 50 'B' Shares held in the Company to shareholders on the register of members as at the close of business on 6th January 2012. Fractional entitlements were disregarded. The Conditional Dividend became unconditional upon the listing of the Swire Properties Shares under stock code 1972 on the Main Board of the Stock Exchange on 18th January 2012 and was satisfied wholly by way of a distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares, representing 18% of the total of 5,850,000,000 Swire Properties Shares in issue, on 18th January 2012.

The net assets attributable to the distribution in specie of an aggregate of 1,053,234,165 Swire Properties Shares were HK$31,589 million.

In the light of applicable laws and regulations of Australia, Canada, Malaysia and the United States (the "Excluded Territories"), shareholders whose addresses on one or both of the registers of members of the Company on 6th January 2012 were in the Excluded Territories were entitled to the Conditional Dividend but did not receive Swire Properties Shares. Instead, the 567,053 Swire Properties Shares which they would otherwise receive pursuant to the Conditional Dividend were sold on their behalf on the Stock Exchange on 18th January 2012 at an average price of HK$18.4486 per share for a gross amount of HK$10,461,333.98 and the net proceeds, after deducting stamp duty and expenses, totalling HK$10,423,876.69 (equivalent to approximately HK$18.38 per Swire Properties Share) were distributed to them on 1st February 2012.

With respect to the shares of the Company held under the Central Clearing and Settlement System ("CCASS") established and operated by Hong Kong Securities and Clearing Company Limited, the Company sent a letter to CCASS Participants (other than CCASS Investor Participants) on 11th January 2012 notifying them that in the light of applicable laws and regulations of the Excluded Territories, to the extent they held any shares of the Company on behalf of any underlying shareholders with addresses in one of the Excluded Territories ("Underlying Overseas Shareholders") on 6th January 2012, they should sell the Swire Properties Shares pursuant to the Conditional Dividend which they received on behalf of the Underlying Overseas Shareholders and should pay the net proceeds of such sale to such Underlying Overseas Shareholders.

11. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders for the period ended 30th June 2012 of HK$8,441 million (30th June 2011: HK$23,951 million; 31st December 2011: HK$32,210 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 2011: 905,578,500 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

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

	Property, plant and equipment HK$M	Leasehold land and land use rights HK$M	Total HK$M
Cost			
At 1st January 2012	39,019	1,097	40,116
Translation differences	(73)	(4)	(77)
Change in composition of Group	930	4	934
Additions	3,348	10	3,358
Disposals	(347)	–	(347)
Net transfers from investment properties	5	–	5
Other transfers	1	–	1
Revaluation surplus	15	–	15
At 30th June 2012	42,898	1,107	44,005
Accumulated depreciation/amortisation and impairment			
At 1st January 2012	11,731	128	11,859
Translation differences	(24)	(1)	(25)
Change in composition of Group	150	2	152
Charge for the period (note 7)	822	14	836
Provision for impairment losses (note 7)	13	–	13
Disposals	(263)	–	(263)
Net transfers from investment properties	(2)	–	(2)
At 30th June 2012	12,427	143	12,570
Net book value			
At 30th June 2012	30,471	964	31,435
At 1st January 2012	27,288	969	28,257

(a) During the period, certain properties occupied by the Group (together with the associated leasehold land) were transferred to investment properties following the end of occupation by the Group. The valuation increase from their carrying amount to their fair value at the date of transfer of HK$15 million has been recognised in other comprehensive income and the property revaluation reserve.

(b) Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors do not consider there to be any additional impairment provision required at 30th June 2012.

(c) Property, plant and equipment and vessels include costs of HK$1,148 million (31st December 2011: HK$1,200 million), HK$87 million (31st December 2011: HK$70 million) and HK$5,089 million (31st December 2011: HK$3,286 million) respectively, including advance payments and deposits under contracts with third parties, in respect of assets under construction.

Refer to pages 8 and 9 for details of the Group's investment properties.

13. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Technical licences HK$M	Total HK$M
Cost				
At 1st January 2012	3,696	208	536	4,440
Translation differences	(2)	–	(1)	(3)
Change in composition of Group	–	4	–	4
Additions	162	3	–	165
Written-off (note 7)	(8)	–	–	(8)
At 30th June 2012	3,848	215	535	4,598
Accumulated amortisation and impairment				
At 1st January 2012	9	117	44	170
Change in composition of Group	–	1	–	1
Amortisation for the period (note 7)	–	11	14	25
Provision for impairment losses (note 7)	3	–	–	3
At 30th June 2012	12	129	58	199
Net book value				
At 30th June 2012	3,836	86	477	4,399
At 1st January 2012	3,687	91	492	4,270

14. JOINTLY CONTROLLED COMPANIES

	30th June 2012 HK$M	31st December 2011 HK$M
Share of net assets, unlisted	**9,630**	8,884
Goodwill	**2**	2
	9,632	8,886
Loans due from jointly controlled companies less provisions		
Interest-free	**10,145**	9,298
Interest-bearing at 1.71% to 5.0% (2011: 1.71% to 6.56%)	**645**	682
	20,422	18,866

15. ASSOCIATED COMPANIES

	30th June 2012 HK$M	31st December 2011 HK$M
Share of net assets		
Listed in Hong Kong	**23,766**	24,839
Unlisted	**1,403**	1,364
	25,169	26,203
Goodwill	**757**	757
	25,926	26,960
Loans due from associated companies		
Interest-free	**176**	176
Interest-bearing at 6.0% (2011: 6.0%)	**11**	9
	26,113	27,145

The market value of the shares in the listed associated company at 30th June 2012 was HK$22,057 million (31st December 2011: HK$23,563 million).

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30th June 2012		31st December 2011	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cross-currency swaps – cash flow hedges	**764**	**21**	765	–
Interest rate swaps – cash flow hedges	**–**	**53**	–	109
Forward foreign exchange contracts				
Cash flow hedges	**43**	**226**	30	203
Not qualifying as hedges	**–**	**18**	8	1
Commodity swaps – not qualifying as hedges	**1**	**11**	–	13
Total	**808**	**329**	803	326
Less non-current portion:				
Cross-currency swaps – cash flow hedges	**764**	**21**	765	–
Forward foreign exchange contracts				
Cash flow hedges	**30**	**97**	17	118
Not qualifying as hedges	**–**	**14**	3	1
Commodity swaps – not qualifying as hedges	**–**	**1**	–	–
	794	**133**	785	119
Current portion	**14**	**196**	18	207

17. TRADE AND OTHER RECEIVABLES

	30th June 2012 HK$M	31st December 2011 HK$M
Trade debtors	**2,822**	2,610
Amounts due from fellow subsidiary companies	**16**	4
Amounts due from jointly controlled companies	**402**	330
Amounts due from associated companies	**202**	185
Prepayments and accrued income	**1,532**	1,309
Other receivables	**2,581**	1,837
	7,555	6,275

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

	30th June 2012 HK$M	31st December 2011 HK$M
Under three months	**2,650**	2,488
Between three and six months	**97**	99
Over six months	**75**	23
	2,822	2,610

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

18. TRADE AND OTHER PAYABLES

	30th June 2012 HK$M	31st December 2011 HK$M
Trade creditors	**2,700**	3,576
Amounts due to immediate holding company	**142**	149
Amounts due to jointly controlled companies	**124**	81
Amounts due to associated companies	**28**	19
Interest-bearing advances from jointly controlled companies	**309**	244
Interest-bearing advances from associated companies	**–**	24
Advances from non-controlling interests	**445**	383
Rental deposits from tenants	**1,840**	1,780
Put option in respect of a non-controlling interest in Sanlitun Village	**1,040**	937
Put option in respect of a non-controlling interest in a subsidiary	**122**	–
Accrued capital expenditure	**900**	1,484
Other accruals	**3,038**	3,247
Other payables	**2,322**	2,255
	13,010	14,179

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

	30th June 2012 HK$M	31st December 2011 HK$M
Under three months	**2,144**	3,161
Between three and six months	**501**	403
Over six months	**55**	12
	2,700	3,576

19. DEFERRED TAXATION

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

	HK$M
At 1st January 2012	4,745
Translation differences	(23)
Change in composition of Group	(23)
Charged to income statement (note 9)	232
Charged to other comprehensive income	12
At 30th June 2012	4,943
Represented by:	
Deferred tax assets	(393)
Deferred tax liabilities	5,336
	4,943

20. SHARE CAPITAL

	Company				
	'A' shares of HK$0.60 each	'B' shares of HK$0.12 each	'A' shares HK$M	'B' shares HK$M	Total HK$M
Authorised:					
At 30th June 2012 and 31st December 2011	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 30th June 2012 and 31st December 2011	905,578,500	2,955,220,000	543	360	903

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

21. RESERVES

	Revenue reserve* HK$M	Share premium account HK$M	Capital redemption reserve HK$M	Properties revaluation reserve HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Translation reserve HK$M	Total HK$M
At 1st January 2012	221,209	342	49	1,650	435	(706)	3,677	226,656
Profit for the period	8,441	–	–	–	–	–	–	8,441
Other comprehensive income								
Cash flow hedges								
– recognised during the period	–	–	–	–	–	(6)	–	(6)
– transferred to net finance charges	–	–	–	–	–	(1)	–	(1)
– transferred to operating profit – exchange differences	–	–	–	–	–	25	–	25
– transferred to initial cost of non-financial assets	–	–	–	–	–	27	–	27
– deferred tax	–	–	–	–	–	(11)	–	(11)
Net fair value changes on available-for-sale assets								
– gains recognised during the period	–	–	–	–	50	–	–	50
Revaluation of property previously occupied by the Group								
– gain recognised during the period	–	–	–	12	–	–	–	12
– deferred tax	–	–	–	(1)	–	–	–	(1)
Share of other comprehensive income of jointly controlled and associated companies	–	–	–	–	(4)	15	(133)	(122)
Net translation differences on foreign operations	–	–	–	–	–	–	(153)	(153)
Total comprehensive income for the period	**8,441**	**–**	**–**	**11**	**46**	**49**	**(286)**	**8,261**
Change in composition of Group	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**
Recognition of a put option in respect of a non-controlling interest in a subsidiary	**(122)**	**–**	**–**	**–**	**–**	**–**	**–**	**(122)**
2011 second interim dividend	**(3,536)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,536)**
2012 special interim dividend by way of a distribution in specie (note 10)	**(31,589)**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,589)**
At 30th June 2012	**194,392**	**342**	**49**	**1,661**	**481**	**(657)**	**3,391**	**199,659**

* The revenue reserve includes HK$1,505 million representing the proposed first interim dividend for the period (31st December 2011: HK$3,536 million representing the second interim dividend for 2011).

22. NON-CONTROLLING INTERESTS

	HK$M
At 1st January 2012	4,917
Share of profits less losses for the period	1,946
Share of cash flow hedges	
– recognised during the period	(4)
– deferred tax	1
Share of revaluation of property previously occupied by the Group	
– gain recognised during the period	3
– deferred tax	(1)
Share of other comprehensive income of jointly controlled companies and associated companies	(11)
Share of translation differences on foreign operations	(42)
Share of total comprehensive income for the period	**1,892**
Dividends paid and payable	(421)
2012 special interim dividend by way of a distribution in specie (note 10)	31,589
Change in composition of the Group	25
Capital contribution from non-controlling interests	97
At 30th June 2012	**38,099**

23. BUSINESS COMBINATION

Acquisition of Shares in Seabed AS

On 17th February 2012, Swire Pacific Offshore ("SPO") acquired 100% of shares in Seabed AS, a Norwegian company which specialises in providing inspection, maintenance and repair services to the offshore oil and gas industry. The company has been renamed Swire Seabed AS ("Swire Seabed").

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$M
Net purchase consideration:	
– Cash paid	281
– Contingent consideration arrangement	19
	300

	Fair value HK$M
Cash and cash equivalents	59
Property, plant and equipment	742
Inventories	2
Receivables	28
Payables	(133)
Borrowings	(519)
Net deferred tax assets	29
Net identifiable assets acquired	208
Goodwill	92
	300

	HK$M
Purchase consideration settled in cash	281
Cash and cash equivalents acquired	(59)
Net cash outflow on acquisition	222

23. BUSINESS COMBINATION (continued)

The goodwill is attributable to Swire Seabed's established reputation in a specialised market and the synergies expected to be derived from marketing the business through SPO's retail network. The goodwill is not expected to be deductible for tax purposes.

The fair value of the acquired receivables was HK$28 million and included trade receivables with a fair value of HK$14 million, none of which were considered to be impaired at the point of acquisition.

Acquisition-related costs totalled HK$3 million, of which HK$1 million has been recognised in the consolidated income statement in 2012 and HK$2 million was recognised in 2011.

The acquired business contributed revenue of HK$90 million and a net loss of HK$11 million to the Group for the period from 17th February 2012 to 30th June 2012. If the acquisition had occurred on 1st January 2012, the revenue and net loss for the reporting period 30th June 2012 would have been HK$100 million and HK$9 million respectively.

24. CAPITAL COMMITMENTS

	30th June 2012 HK$M	31st December 2011 HK$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	**10,945**	10,840
Authorised by Directors but not contracted for	**2,603**	4,462
Investment properties		
Contracted for	**906**	1,433
Authorised by Directors but not contracted for	**8,071**	8,094
The Group's share of capital commitments of jointly controlled companies*		
Contracted for	**1,606**	840
Authorised by Directors but not contracted for	**5,334**	6,526
	6,940	7,366

* of which the Group is committed to funding HK$1,685 million (31st December 2011: HK$1,828 million).

25. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of jointly controlled companies totalled HK$1,060 million (31st December 2011: HK$1,030 million).

(b) Contingent tax liabilities

Certain Group companies have been unable to finalise their liability to profits tax in respect of the years 1997/98 to 2005/06 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 the ultimate outcome of the IRD’s review with an acceptable degree of certainty. Consequently no provision has been recognised in these interim accounts for any amounts that may fall due in regard to these queries.

There is a contingent tax liability totalling HK$535 million in respect of the IRD queries for the years under review. The companies involved have objected to these assessments. The IRD has agreed to hold over conditionally part of the tax in dispute in the sum of HK$29 million and one of the companies involved has purchased Tax Reserve Certificates of the same amount. The IRD has agreed to hold over unconditionally the balance of the tax in dispute in the sum of HK$506 million. In addition, the estimated interest which would be payable in respect of the Notices of Assessment totalled HK$263 million as at 30th June 2012. It is not possible, given the lack of information available, to determine the ultimate outcome of the IRD’s review of this matter and consequently to make a judgement as to its materiality.

(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 and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

In December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission (“NZCC”) with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded. In May and June 2011, the first stage trial in this matter was heard in the Auckland High Court. In August 2011, the Auckland High Court issued its first stage decision, holding that it had jurisdiction over all claims brought by the NZCC. The second stage trial is scheduled for 2013.

In July 2009, Cathay Pacific received an Amended Statement of Claim (“ASOC”) from the Australian Competition & Consumer Commission with regard to its air cargo operations. The ASOC has since been amended. Cathay Pacific, with the assistance of legal counsel, has responded.

In November 2010, the Korean Fair Trade Commission (“KFTC”) issued a written decision and fined Cathay Pacific KRW 5.35 billion (equivalent to HK$36 million at the exchange rate current as of the date of the announcement) in connection with its air cargo practices. In May 2012, the Seoul High Court affirmed the KFTC’s decision, and this matter is now closed.

25. CONTINGENCIES (continued)

(c) Cathay Pacific Airways (continued)

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, Cathay Pacific and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57,120,000 (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on Cathay Pacific. In January 2011, Cathay Pacific filed an appeal with the General Court of the European Union.

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, the United Kingdom, the Netherlands and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from its conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the relevant accounting policy.

26. RELATED PARTY TRANSACTIONS

There are agreements for services ("Services Agreements"), in respect of which John Swire & Sons (H.K.) Limited ("JSSHK") provides services to various companies in the Group and under which costs are reimbursed and fees payable. In return for these services, JSSHK receives annual fees calculated (A) in the case of the Company, as 2.5% of the dividends receivable from jointly controlled and associated companies of the Company, where there are no agreements for services with such companies, and (B) in the case of its subsidiary and associated companies with such agreements, as 2.5% of their relevant consolidated profits before taxation and non-controlling interests after certain adjustments. The current Services Agreements commenced on 1st January 2011 and will last for three years until 31st December 2013. For the period ended 30th June 2012, service fees payable amounted to HK$108 million (2011: HK$111 million). Expenses of HK$102 million (2011: HK$104 million) were reimbursed at cost; in addition, HK$143 million (2011: HK$117 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement ("JSSHK Tenancy Framework Agreement") between the Company and JSSHK dated 5th August 2010, members of the Group enter into tenancy agreements with members of the JSSHK group from time to time on normal commercial terms based on prevailing market rentals. The JSSHK Tenancy Framework Agreement is for a term of six years from 1st January 2010 to 31st December 2015. For the period ended 30th June 2012, the aggregate rentals payable to the Group under the tenancies pursuant to the JSSHK Tenancy Framework Agreement amounted to HK$35 million (2011: HK$37 million).

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

26. RELATED PARTY TRANSACTIONS (continued)

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

		For the six months ended 30th June							
		Jointly controlled companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
	Note	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M	**2012 HK$M**	2011 HK$M
Revenue from	(a)								
Sales of beverage drinks		**–**	–	**9**	9	**–**	–	**–**	–
Aircraft and engine maintenance		**36**	43	**1,206**	1,113	**–**	–	**–**	–
Rendering of services		**–**	–	**1**	1	**–**	–	**–**	–
Purchases of beverage drinks	(a)	**–**	–	**150**	263	**–**	–	**–**	–
Purchases of other goods	(a)	**3**	3	**12**	10	**–**	–	**–**	–
Purchases of services	(a)	**4**	3	**6**	4	**14**	12	**–**	–
Rental revenue	(b)	**2**	2	**4**	5	**7**	7	**30**	32
Interest income	(c)	**11**	7	**–**	11	**–**	–	**–**	–
Interest charges	(c)	**6**	–	**–**	–	**–**	–	**–**	–

Notes:

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

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

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

27. EVENTS AFTER THE REPORTING PERIOD

(a) In August 2012, Cathay Pacific agreed to acquire 10 Airbus A350-1000 aircraft and to convert 16 previously ordered Airbus A350-900 aircraft into Airbus A350-1000 aircraft. The catalogue price of converting the 16 aircraft and acquiring the 10 aircraft is approximately HK$34,022 million. The actual purchase price, which was determined after arm's length negotiations between the parties, is lower than the catalogue price.

(b) In August 2012, Swire Pacific Cold Storage Limited (a wholly owned subsidiary of the Company) ("SPCS") and John Swire & Sons Pty Limited (a wholly owned subsidiary of John Swire & Sons Limited, the ultimate holding company of the Company) ("JSSP") entered into an agreement for the sale by JSSP and the purchase by SPCS of a 60% equity interest in Guangdong Swire Cold Chain Logistics Co., Ltd. ("GD Swire"). GD Swire is a company incorporated in the People's Republic of China (the "PRC"). The principal activity of GD Swire is the provision of cold storage and warehousing services. The consideration for the sale and purchase is a cash payment of RMB173.8 million, subject to an adjustment to reflect the net cash held by GD Swire at completion. The agreement is conditional on, among other things, SPCS and JSSP obtaining all necessary approvals of regulatory bodies in the PRC. Assuming completion on 31st August 2012, the total consideration, including the completion adjustment, is expected to amount to approximately RMB201 million (equivalent to approximately HK$247 million). In practice, because of the need to obtain the approvals referred to above, completion may take place after 31st August 2012, so the total consideration may differ from this amount.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role.

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

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

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

SHARE CAPITAL

During the period 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. T.G. Freshwater resigned as a Director of Goldman Sachs (Asia) L.L.C. with effect from 1st April 2012. He was elected as a Director of Hong Kong Exchanges and Clearing Limited with effect from 23rd April 2012.

2. M. Leung retired as Vice-Chairman and Chief Executive of Hang Seng Bank Limited with effect from the conclusion of their Annual General Meeting held on 11th May 2012. She resigned as an Independent Non-Executive Director of the Company with effect from 1st July 2012.

3. R.W.M. Lee was appointed as an Independent Non-Executive Director of the Company with effect from 1st July 2012. She is Vice-Chairman and Chief Executive of Hang Seng Bank Limited and a Director of The Hongkong and Shanghai Banking Corporation Limited.

DIRECTORS' INTERESTS

At 30th June 2012, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following interests in the shares of Swire Pacific Limited and its associated corporations (within the meaning of Part XV of the SFO), John Swire & Sons Limited, Swire Properties Limited, 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						
Baroness Dunn	100,000	–	–	100,000	0.0110	
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
P A Kilgour	5,000	–	–	5,000	0.0006	
C D Pratt	51,000	–	–	51,000	0.0056	
M B Swire	58,791	–	–	58,791	0.0065	
M C C Sze	6,000	–	–	6,000	0.0007	
'B' shares						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	800,000	–	21,605,000	22,405,000	0.7480	1
C D Pratt	100,000	–	–	100,000	0.0033	
I S C Shiu	–	20,000	–	20,000	0.0007	
M B Swire	2,241,483	–	3,938,554	6,180,037	0.2063	2

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

Swire Properties Limited	Capacity					
	Beneficial interest					
	Personal	Family	Trust interest	Total no. of shares	Percentage of issued capital (%)	Note
Ordinary Shares						
Baroness Dunn	70,000	–	–	70,000	0.00120	
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
P A Kilgour	3,500	–	–	3,500	0.00006	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	1
C D Pratt	49,700	–	–	49,700	0.00085	
I S C Shiu	–	2,800	–	2,800	0.00005	
M B Swire	354,961	–	551,397	906,358	0.01549	2
M C C Sze	4,200	–	–	4,200	0.00007	

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

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

Notes:

1. All the Swire Pacific Limited 'B' shares and Swire Properties Limited 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, 3,037,822 'B' shares in Swire Pacific Limited and 425,295 shares in Swire Properties 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 OTHER INTERESTS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th June 2012, the Company had been notified of the following interests in the Company's shares:

Long position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
Substantial Shareholders					
John Swire & Sons Limited	255,389,020	28.20	2,045,353,745	68.29	1
Aberdeen Asset Management plc	100,709,651	11.12	359,164,162	11.99	2
JPMorgan Chase & Co.	45,310,322	5.00	–	–	3

Short position	'A' shares	Percentage of issued capital (%)	'B' shares	Percentage of issued capital (%)	Note
JPMorgan Chase & Co.	1,288,171	0.14	–	–	4

Notes:

1. John Swire & Sons Limited is deemed to be interested in a total of 255,389,020 'A' shares and 2,045,353,745 'B' shares of the Company as at 30th June 2012, comprising:
   (a) 885,861 'A' shares and 7,187,925 'B' shares held directly;
   (b) 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
   (c) 39,580,357 'A' shares and 1,482,779,222 'B' shares held directly by its wholly-owned subsidiary John Swire & Sons (H.K.) Limited; and
   (d) the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 184,998,000 'A' shares and 95,272,500 'B' shares held by Elham Limited, 2,055,000 'B' shares held by Canterbury Holdings Limited, 9,140,000 'A' shares and 321,240,444 'B' shares held by Shrewsbury Holdings Limited, 99,221,635 'B' shares held by Tai-Koo Limited and 8,152,500 'A' shares held by Waltham Limited.
2. Aberdeen Asset Management plc is interested in the 'A' shares and 'B' shares in its capacity as investment manager. These include shares in which wholly-owned controlled corporations of Aberdeen Asset Management plc are interested.
3. The shares held by JPMorgan Chase & Co. are held in the following capacities:

Capacity	No. of shares
Beneficial owner	3,059,806
Investment manager	928,020
Custodian Corporation / Lending agent	41,322,496

4. 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 derivatives listed or traded on a Stock Exchange or traded on a Futures Exchange	48,706
Physically settled unlisted derivatives	219,075
Cash settled unlisted derivatives	220,390

At 30th June 2012, the Swire group owned interests in shares of the Company representing 44.16% of the issued capital and 58.98% of the voting rights.

Glossary

TERMS

FINANCIAL

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

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

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

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

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

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

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

AVIATION

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

Available tonne kilometres ("ATK") Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

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

RATIOS

FINANCIAL

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

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

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

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

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

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

AVIATION

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

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

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

Financial Calendar and Information for Investors

FINANCIAL CALENDAR 2012

Interim Report available to shareholders	24th August
'A' and 'B' shares trade ex-dividend	12th September
Share registers closed	14th September
Payment of 2012 first interim dividends	5th October
Annual results announcement	March 2013
Second interim dividends payable	May 2013
Annual General Meeting	May 2013

REGISTERED OFFICE

Swire Pacific Limited
33rd Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTRARS

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Website: www.computershare.com

DEPOSITARY

The Bank of New York Mellon
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA
Website: www.bnymellon.com/shareowner
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

INVESTOR RELATIONS

E-mail: ir@swirepacific.com

PUBLIC AFFAIRS

E-mail: publicaffairs@swirepacific.com
Tel: (852) 2840-8098
Fax: (852) 2526-9365
Website: www.swirepacific.com

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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Swire Pacific Limited

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