



INTERIM REPORT 2015

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Swire Pacific Limited

Stock Codes: 'A' Shares 00019 'B' Shares 00087



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We are an active holding company of a conglomerate group. Our businesses are principally in Greater China and elsewhere in Asia. We concentrate on businesses where we have expertise, and where our expertise can add value. Our aim is sustainable long-term growth in shareholder value.

### **OUR STRATEGY**

- We deploy capital and people where we see opportunities to generate returns which exceed our cost of capital over the long term.
- We invest in existing businesses and new businesses, focussing on businesses where we have a competitive advantage and where our capital and people can generate long-term value.
- We divest from businesses which have reached their full potential and deploy the capital released to existing or new businesses.
- Our people, and our ability to deploy them across our businesses (which is facilitated by services agreements with our principal shareholder), are critical to our ability to generate long-term value. We recruit the best people and invest heavily in their training and development.
- We are conservative financial managers. This lets us execute long-term investment plans irrespective of short-term financial market volatility.
- We provide premium quality products and services, so as to differentiate ourselves from our competitors.
- We invest in sustainable development, not just because it is the right thing to do, but because it helps to achieve long-term growth through innovation and improved efficiency.
- We are committed to the highest standards of corporate governance and to the preservation and development of the Swire brand.

**We are and intend to remain a conglomerate with diverse businesses capable of generating sustainable long-term growth in value.**

# Financial Highlights

	Note	Six months ended 30th June		Change %	Year ended 31st December
		2015 HK\$M	2014 HK\$M		2014 HK\$M
Revenue		<b>31,633</b>	30,111	<b>+5%</b>	61,301
Operating profit		<b>10,302</b>	8,557	<b>+20%</b>	13,697
Profit attributable to the Company's shareholders		<b>7,977</b>	6,484	<b>+23%</b>	11,069
Cash generated from operations		<b>7,189</b>	7,698	<b>-7%</b>	16,250
Net cash inflow/(outflow) before financing		<b>2,050</b>	(2,049)	<b>N/A</b>	(215)
Total equity (including non-controlling interests)		<b>267,916</b>	264,552	<b>+1%</b>	262,130
Net debt		<b>60,960</b>	58,226	<b>+5%</b>	58,624
		<b>HK\$</b>	HK\$		HK\$
Earnings per share	(a)				
'A' share		<b>5.30</b>	4.31	<b>+23%</b>	7.36
'B' share		<b>1.06</b>	0.86		1.47
		<b>HK¢</b>	HK¢		HK¢
Dividends per share					
'A' share		<b>112.0</b>	110.0	<b>+2%</b>	390.0
'B' share		<b>22.4</b>	22.0		78.0
		<b>HK\$</b>	HK\$		HK\$
Equity attributable to the Company's shareholders per share	(b)				
'A' share		<b>148.01</b>	147.35	<b>+0%</b>	145.40
'B' share		<b>29.60</b>	29.47		29.08

## UNDERLYING PROFIT AND EQUITY

		Six months ended 30th June		Change %	Year ended 31st December
		2015 HK\$M	2014 HK\$M		2014 HK\$M
Underlying profit attributable to the Company's shareholders	(c)	<b>4,833</b>	4,330	<b>+12%</b>	9,739
		<b>HK\$</b>	HK\$		HK\$
Underlying earnings per share	(a)				
'A' share		<b>3.21</b>	2.88	<b>+12%</b>	6.47
'B' share		<b>0.64</b>	0.58		1.29
		<b>HK\$</b>	HK\$		HK\$
Underlying equity attributable to the Company's shareholders per share	(b), (c)				
'A' share		<b>153.29</b>	152.06	<b>+1%</b>	150.23
'B' share		<b>30.66</b>	30.41		30.05

### Notes:

- (a) Refer to note 10 to the interim financial statements for the weighted average number of shares.
- (b) Refer to the glossary on page 75 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 33.

## CONSOLIDATED RESULTS

Our consolidated profit attributable to shareholders for the first half of 2015 was HK\$7,977 million, HK\$1,493 million higher than for the first half of 2014. Underlying profit attributable to shareholders, which principally adjusts for changes in the valuation of investment properties, increased by HK\$503 million or 12% to HK\$4,833 million.

The increase in underlying profit reflects higher profits from the Property, Aviation and Beverages Divisions and profits on the sale of two units at OPUS HONG KONG, offset in part by a loss from the Marine Services Division and lower profits from the Trading & Industrial Division.

## DIVIDENDS

The Directors have declared first interim dividends of HK¢112.0 (2014: HK¢110.0) per 'A' share and HK¢22.4 (2014: HK¢22.0) per 'B' share. The first interim dividends, which total HK\$1,685 million (2014: HK\$1,655 million), will be paid on 6th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015.

## HALF-YEAR OPERATING PERFORMANCE

Attributable underlying profit from the Property Division increased by HK\$150 million or 5% to HK\$3,208 million in the first half of 2015. The increase mainly reflects higher profits from property investment and property trading. There was growth in gross rental income, principally reflecting higher rents from office properties in Hong Kong and from retail properties in Mainland China.

Profits from property trading arose mainly from the sale of units at the AREZZO residential development in Hong Kong. The hotel results were weaker than in the first half of 2014.

In the first half of 2015, the Property Division's net investment property valuation gain, before deferred tax in Mainland China, was HK\$5,170 million, compared to a net gain in the first half of 2014 of HK\$3,254 million.

Attributable profit from the Aviation Division was HK\$1,063 million for the first half of 2015, compared with a profit of HK\$357 million in the same period in 2014. The Cathay Pacific group contributed a profit of HK\$887 million, compared with a profit of HK\$156 million in the first half of 2014. Performance in the first six months of 2015 was considerably better than in the same period in 2014. There was an improved contribution from Cathay Pacific's subsidiary and associated companies (Air China and Air China Cargo). Passenger and cargo demand was generally strong. The airlines continued to benefit from lower fuel prices, partially offset by fuel hedging losses. However, yield remained under pressure.

Attributable profit from the Hong Kong Aircraft Engineering Company ("HAECO") group was HK\$190 million, a decrease of 10% from the corresponding figure in 2014. 4.87 million airframe services manhours were sold in Hong Kong, Xiamen and the USA in the first half of 2015, 2% fewer than those sold in the corresponding period in 2014. Line services manhours sold increased in Hong Kong despite a fall in aircraft movements handled. More engines were overhauled in Xiamen in the first half of 2015 than in the first half of 2014, but after tax profits fell because all previous tax losses have now been utilised. In Hong Kong, 53 engines were overhauled, 22% fewer than in the same period last year.

The Beverages Division recorded an attributable profit of HK\$456 million in the first half of 2015, an increase of 13% compared to the first half of 2014. The increase reflected solid performances in the USA, Taiwan and Hong Kong and generally lower raw materials costs. Overall sales volume grew by 9% to 551 million unit cases. Sales volumes increased in all territories. Excluding the share of post-tax profits from an associated company, attributable profit from Mainland China increased by 5%. In the USA, sales volume increased by 42%, principally reflecting the assumption of new franchise territories in Denver and Colorado Springs in May 2014.

The Marine Services Division reported an attributable loss of HK\$156 million, compared with a profit of HK\$658 million in the same period in 2014. This principally reflected a loss of HK\$169 million at the Swire Pacific Offshore ("SPO") group. The results for the half year include an impairment charge of HK\$140 million arising from the cancellation of contracts with a Brazilian shipyard. Excluding the impairment charge, SPO reported an attributable loss of HK\$29 million. The offshore industry has been affected by reduced spending by exploration and production companies on projects due to the low oil price. Average fleet utilisation during the first half of 2015 was 75.6%, 13.5 percentage points lower than in the first half of 2014. Average charter hire rates decreased by 4% to USD28,100 per day.

Attributable profit from the Trading & Industrial Division in the first half of 2015 decreased by 42% from the corresponding period in 2014, to HK\$123 million. The decrease principally reflects lower profits from Taikoo Motors and Akzo Nobel Swire Paints, costs associated with developing the business of Swire Pacific Cold Storage and losses from the Swire Sustainable Business group. The profits of Swire Foods and Swire Retail increased.

## FINANCE

In the first half of 2015, we raised HK\$6,438 million of new finance. This principally comprised HK dollar and US dollar bank loans and issues of HK dollar denominated medium-term notes under Swire Pacific's and Swire Properties' medium-term note programmes.

Net debt at 30th June 2015 was HK\$60,960 million, an increase of HK\$2,336 million since 31st December 2014. The increase principally reflects expenditure on offshore support vessels under construction and capital expenditure in the Aviation, Beverages and Trading & Industrial Divisions. Gearing increased by 0.4 percentage points to 22.8%. Cash and undrawn committed facilities totalled HK\$22,232 million at 30th June 2015, compared with HK\$23,876 million at 31st December 2014.

## PROSPECTS

The results of Swire Properties' office portfolio in Hong Kong are expected to continue to improve. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place. The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities. Demand for office space in Guangzhou is expected to be robust. Office rents in Beijing are expected to weaken.

In the second half of 2015, property trading profits are expected to be recognised on the sales of units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong and on the sale of the office tower portion of the Daci Temple development in Chengdu, Mainland China.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

Cathay Pacific usually performs better in the second half of the year than in the first. It expects its business to do well in the remainder of 2015. It will focus on providing high-quality products and services. Cathay Pacific will continue to invest in aircraft, in its products and in the development of its network.

HAECO's airframe services results in Hong Kong in the second half of 2015 will be affected by costs associated with training additional staff as the size of the workforce increases. Demand for line services work in Hong Kong is expected to be stable. Demand for airframe services in the USA is expected to remain subdued while that at Xiamen is likely to be lower than in the first half. Demand for cabin products and services is expected to be stronger in the second half of 2015 than in the first half. The engine overhaul business in Hong Kong is expected to continue to be adversely affected by a continued reduction in demand for its services. Engine output is expected to be stable in Xiamen.

The Beverages Division expects sales volume growth to continue in the second half of the year in all franchise territories, assisted by the introduction of new products. Raw material costs are expected to remain favourable in most territories. Increases in other costs will put pressure on margins.

Trading conditions for SPO in the second half of 2015 are expected to be similar to those in the first half of the year as the industry continues to suffer from an oversupply of tonnage and weak demand from oil and gas companies.

The results of the Trading & Industrial Division for the second half of 2015 are expected to be affected by the cost of new business development.

We believe that our strategy of seeking sustainable growth in shareholder value over the long-term in a broad range of businesses will continue to be successful.

**John Slosar**

*Chairman*

Hong Kong, 20th August 2015

## PROPERTY DIVISION

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.4 million square feet of gross floor area. 1.9 million square feet is under development on Hong Kong Island and in Kowloon. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.9 million square feet on completion. Of this, 7.1 million square feet has already been completed. In the United States, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.7 million square feet including car park and circulation areas). Swire Properties is responsible for the leasing and management of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific.

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST at Taikoo Shing. 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. In Mainland China, Swire Hotels manages two hotels in Beijing, The Opposite House at Taikoo Li Sanlitun, which is wholly-owned, and EAST at INDIGO, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental. In the United Kingdom, Swire Properties wholly-owns four hotels. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Swire Properties' trading portfolio comprises a luxury residential project under development on Hong Kong Island, two residential towers under development at Brickell City Centre in Miami, a completed office property (Pinnacle One) at the Daci Temple project in Chengdu and the remaining units at completed developments. The principal completed developments are the ARGENTA, AZURA, MOUNT PARKER RESIDENCES, AREZZO and WHITESANDS developments in Hong Kong. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

Swire Properties is listed on The Stock Exchange of Hong Kong Limited.

## Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>Revenue</b>			
Gross rental income derived from			
Office	2,994	2,790	5,707
Retail	2,187	2,086	4,260
Residential	187	169	353
Other revenue*	65	64	136
Property investment	5,433	5,109	10,456
Property trading	3,403	2,707	3,842
Hotels	550	522	1,089
<b>Total revenue</b>	<b>9,386</b>	<b>8,338</b>	<b>15,387</b>
<b>Operating profit/(loss) derived from</b>			
Property investment	4,141	3,943	7,870
Valuation gains on investment properties	4,426	2,346	1,942
Property trading	1,025	807	1,180
Hotels	(23)	(8)	(22)
<b>Total operating profit</b>	<b>9,569</b>	<b>7,088</b>	<b>10,970</b>
<b>Share of post-tax profits from joint venture and associated companies</b>	<b>753</b>	<b>1,104</b>	<b>1,604</b>
<b>Attributable profit</b>	<b>8,458</b>	<b>6,446</b>	<b>9,495</b>
<b>Swire Pacific share of attributable profit</b>	<b>6,936</b>	<b>5,286</b>	<b>7,786</b>

\* Other revenue is mainly estate management fees.

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties.

	Note	Six months ended	Year ended	
		30th June	31st December	
		2015	2014	2014
		HK\$M	HK\$M	HK\$M
<b>Reported attributable profit</b>		<b>8,458</b>	6,446	9,495
Adjustments in respect of investment properties:				
Revaluation of investment properties	(a)	(5,170)	(3,254)	(3,134)
Deferred tax on investment properties	(b)	565	505	710
Realised profit on sale of investment properties	(c)	19	19	29
Depreciation of investment properties occupied by the Group	(d)	13	11	23
Non-controlling interests' share of revaluation movements less deferred tax		27	3	1
<b>Underlying attributable profit</b>		<b>3,912</b>	3,730	7,124
<b>Swire Pacific share of underlying attributable profit</b>		<b>3,208</b>	3,058	5,841

Notes:

- This represents the Group's net revaluation movements plus the Group's share of net revaluation movements of joint venture and associated companies.
- This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
- Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
- Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

### Property Division – Movement in Underlying Profit on a 100% basis



## RESULTS SUMMARY

Attributable profit from the Property Division for the first half of 2015 was HK\$6,936 million compared to HK\$5,286 million in the first half of 2014. These figures include net property valuation gains, before deferred tax in Mainland China, of HK\$5,170 million and HK\$3,254 million respectively.

Underlying profit, which principally adjusts for changes in the valuation of investment properties, increased by HK\$150 million to HK\$3,208 million. This increase mainly reflected increased income from retail and office investment properties and higher trading profits from the sale of luxury residential properties in Hong Kong.

Gross rental income amounted to HK\$5,368 million in the first half of 2015 compared with HK\$5,045 million in the first half of 2014. The increase principally reflected higher rents from office properties in Hong Kong and from retail properties in Mainland China.

There was an operating profit of HK\$1,025 million from property trading in the first half of 2015, compared to an operating profit of HK\$807 million in the first half of 2014. The profits in the first half of 2015 largely arose from the sales of 96 units at the AREZZO development and from sales of remaining units at the AZURA and MOUNT PARKER RESIDENCES developments in Hong Kong.

Profits from hotels were lower than in the first half of 2014. This mainly reflected weaker results in Hong Kong.

## KEY CHANGES TO THE PROPERTY PORTFOLIO

In April 2015, a subsidiary of Swire Properties in the USA, Bal Harbour Shops and Simon Property Group agreed to develop the retail component of the Brickell City Centre jointly. Under the agreement, Swire Properties will remain the primary developer of Brickell City Centre.

In May 2015, Swire Properties entered into a joint venture with China Motor Bus Company, Limited (“CMB”). The joint venture was formed to acquire, subject to conditions (including the agreement of a land premium with the Hong Kong Government), a plot of land in Chai Wan, Hong Kong. The land, together with some adjoining land, is intended to be redeveloped into a residential and commercial development. The proposed development is expected to have an aggregate gross floor area of approximately 692,000 square feet. The joint venture is 80% held by Swire Properties and 20% held by CMB.

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties’ intention to jointly develop a retail project with an aggregate gross floor area of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

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

Location	At 30th June 2015					At 31st December 2014	
	Office	Retail	Hotels	Residential	Under Planning	Total	Total
<b>Completed</b>							
Pacific Place	2,186	711	496	443	–	3,836	3,836
Taikoo Place	5,451*	12	–	63	–	5,526	5,526
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	75	–	1,140	1,152
– Hong Kong	9,680	2,436	743	581	–	13,440	13,452
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Daci Temple	–	600	114	64	–	778	613
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,930	1,046	116	–	7,122	6,957
– USA	–	–	259	–	–	259	259
– UK	–	–	208	–	–	208	208
<b>Total completed</b>	<b>11,710</b>	<b>6,366</b>	<b>2,256</b>	<b>697</b>	<b>–</b>	<b>21,029</b>	20,876
<b>Under and pending development</b>							
– Hong Kong	1,766	–	–	–	92	1,858	1,858
– Mainland China	926	539	264	–	–	1,729	1,896
– USA	260	490	218	109	1,300	2,377	2,377
<b>Total</b>	<b>14,662</b>	<b>7,395</b>	<b>2,738</b>	<b>806</b>	<b>1,392</b>	<b>26,993</b>	27,007

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space held by joint venture and associated companies.

\* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).

## INVESTMENT PROPERTIES

## Hong Kong

## Office

The Hong Kong office portfolio's gross rental income for the first half of 2015 increased by 7% to HK\$2,802 million. This reflected positive rental reversions at Taikoo Place and Cityplaza, and higher occupancy levels at Pacific Place. At 30th June 2015, the office occupancy rate was 99%.

Demand for the Group's office space in Hong Kong improved. Mainland Chinese companies are taking more space in the central district and our existing tenants are also taking more space. The occupancy rate at Pacific

Place offices was 98% at 30th June 2015. Rents at Taikoo Place and Cityplaza were robust due to high occupancy and solid demand.

## Retail

The Hong Kong retail portfolio's gross rental income for the first half of 2015 increased slightly compared with the first half of 2014, to HK\$1,363 million. Occupancy rates at the division's wholly-owned malls were 100%.

Sales at the Mall at Pacific Place and Citygate Outlets fell, reflecting the weak Hong Kong retail market. Sales grew at Cityplaza, following the completion of an enhancement project and changes in the tenant mix.

**Residential**

Occupancy at the residential portfolio was 94% at 30 June 2015, reflecting improved demand for space at Pacific Place Apartments. Pre-leasing of the newly completed Taikoo Place Apartments commenced in April 2015, and opening took place in August 2015.

Two units at OPUS HONG KONG were sold during the first half of the year. Three further units had been sold at 18th August 2015.

**Investment Properties under Development**

The commercial site (Tung Chung Town Lot No. 11) next to Citygate Outlets is being developed into a commercial building with an aggregate gross floor area of approximately 460,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017. Swire Properties has a 20% interest in the development.

The commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay is being developed into an office building with an aggregate gross floor area of approximately 555,000 square feet. Excavation and foundation works are proceeding. The development is expected to be completed in 2017.

Somerset House in Taikoo Place is being redeveloped into a 50-storey office building with an aggregate gross floor area of approximately 1,020,000 square feet. Excavation and foundation works are proceeding. The redevelopment is expected to be completed in 2018. The second phase of the Taikoo Place redevelopment (the redevelopment of Cornwall House and Warwick House into an office building) is being planned.

Excavation and foundation works are in progress at the 8-10 Wong Chuk Hang Road site. The site is being developed into an office building with an aggregate gross floor area of approximately 382,500 square feet. The development is expected to be completed in 2018. Swire Properties has a 50% interest in the development.

**Outlook**

The pick-up in demand for office space experienced in the first half is expected to continue. There is demand for space in the central district. Rents are being renewed at higher rates at Taikoo Place.

The fall in retail sales in Hong Kong has made retailers more cautious. However, Swire Properties' retail properties in Hong Kong remain fully let.

**Mainland China****Retail**

The Mainland China retail portfolio's gross rental income for the first half of 2015 was HK\$824 million, an increase of 11% compared to the same period in 2014.

Gross rental income at Taikoo Li Sanlitun in Beijing increased in the first half of 2015, mainly because of higher reversionary rents. Retail sales increased by 7%. The overall occupancy rate was 95% at 30th June 2015.

Gross rental income at TaiKoo Hui in Guangzhou increased in the first half of the year, mainly due to higher retail sales. Retail sales grew by 21% because of changes in the tenant mix following lease expiries in 2014. The mall was 99% let at 30th June 2015.

The mall at INDIGO in Beijing was 94% occupied at 30th June 2015. Retail sales increased by 36% in the first half of 2015. More people visited the mall following the opening of Line 14 of the Beijing Metro in December 2014. The first significant renewal of leases is taking place.

Sino-Ocean Taikoo Li Chengdu was formally opened in April 2015. Retail sales and the number of visitors have grown since the soft opening in October 2014. At 30th June 2015, tenants had committed (including by way of letters of intent) to lease 87% of the space and 70% of the shops in the development were open.

### **Office**

The Mainland China office portfolio's gross rental income for the first half of 2015 was HK\$180 million, an increase of 18% compared to the same period in 2014.

Occupancy at TaiKoo Hui's office towers was 100% at 30th June 2015, despite the substantial new supply of office space in Guangzhou over the last 12 months.

Occupancy at ONE INDIGO in Beijing was 97% at 30th June 2015. Demand for office space in Beijing was subdued during the first half of 2015.

### **Investment Properties under Development**

HKRI Taikoo Hui (formerly known as the Dazhongli project) in Shanghai will comprise a retail mall, two office buildings and three hotels, including serviced apartments. Construction is in progress at the development and it is expected to open in phases from 2016. Swire Properties has a 50% interest in the development.

### **Outlook**

In the second half of 2015, retail sales are expected to continue to grow at rates above the national average in Guangzhou, Beijing and Chengdu despite the fact that demand for luxury goods has weakened in those cities.

In Guangzhou, demand for grade-A office space in the Tianhe business district is expected to be robust despite the substantial supply of new office space in the city expected in the coming years. Office rents in Beijing are expected to weaken against a background of reduced demand and increased supply.

### **USA**

Phase I of the Brickell City Centre development consists of a shopping centre, EAST Miami hotel and serviced apartments, two office buildings and two residential towers. The residential towers are being developed for sale. Construction work on Phase I commenced in 2012, with completion expected by the end of 2015.

In January 2013 and April 2015, Swire Properties entered into agreements with Bal Harbour Shops and (in the case of the latter agreement) with Bal Harbour Shops and Simon Property Group to develop the retail component of Brickell City Centre. Swire Properties will remain the primary developer of the Brickell City Centre project.

At 30th June 2015, Swire Properties owned 100% of the office, hotel and residential portions and 61.5% of the retail component of the Brickell City Centre project. The remaining interest in the retail component is held by Simon Property Group (25%) and Bal Harbour Shops (13.5%). Bal Harbour Shops has an option, exercisable from the second anniversary of the grand opening of the retail component, to sell its interest to Swire Properties.

Phase II of the Brickell City Centre project is planned to be a mixed-use development comprising retail, office, hotel and residential space and including an 80-storey tower to be called One Brickell City Centre. Phase II will incorporate the site at 700 Brickell Avenue acquired by Swire Properties in July 2013. Development of this site will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of Phase II.

### **Valuation of Investment Properties**

The portfolio of investment properties was valued at 30th June 2015 (94% 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\$225,591 million compared to HK\$220,634 million at 31st December 2014 and HK\$218,988 million at 30th June 2014.

The increase in the valuation of the investment property portfolio is mainly due to higher rental income at Taikoo Place and Cityplaza in Hong Kong and at TaiKoo Hui in Guangzhou in Mainland China.

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.

#### Financial Information Reviewed by Auditors

Investment Properties	HK\$M
At 1st January 2015	220,634
Translation differences	(31)
Additions	1,545
Disposals	(854)
Transfer from properties held for development	18
Net transfers to property, plant and equipment	(133)
Net fair value gains	4,412
At 30th June 2015	225,591
Add: Initial leasing costs	146
At 30th June 2015 (including initial leasing costs)	225,737
At 1st January 2015 (including initial leasing costs)	220,869

## HOTELS

Profits from the hotel portfolio were lower than in the first half of 2014. This mainly reflected lower profits from the managed and non-managed hotels in Hong Kong. Trading conditions were difficult as there were fewer overnight visitor arrivals in Hong Kong. The Mandarin Oriental in Guangzhou performed well. Trading conditions for hotels in Beijing were difficult.

The Temple House, the hotel portion of the Daci Temple project in Chengdu, was completed at 30th June 2015 and started to open in July.

EAST, Miami is part of Phase I of the Brickell City Centre development. The building was topped out in December 2014 and the hotel is expected to open in late 2015.

### Outlook

The performance of the hotels in Hong Kong and in Beijing is expected to remain weak in the second half of 2015. The results of the hotels in Guangzhou and Miami are expected to improve despite difficult trading conditions.

### Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast period of expenditure				Commitments*
	Six months ended 30th June 2015 HK\$M	Six months ending 31st December 2015 HK\$M	2016 HK\$M	2017 HK\$M	2018 & beyond HK\$M	at 30th June 2015 HK\$M
Hong Kong	843	869	4,089	3,900	7,966	16,824
Mainland China	395	521	2,096	868	770	4,255
USA and others	950	1,069	531	–	–	1,600
Total	2,188	2,459	6,716	4,768	8,736	22,679

\* The capital commitments represent the division's capital commitments plus the division's share of the capital commitments of joint venture companies. The division is committed to funding HK\$1,777 million of the capital commitments of joint venture companies.

## PROPERTY TRADING

### Hong Kong

#### *Residential Developments in Mid-Levels West*

Swire Properties is the developer of four sites in Mid-Levels West, a residential district on Hong Kong Island.

The AREZZO development was completed in January 2015 and handover to purchasers commenced in April 2015. 108 of the 127 units had been sold at 18th August 2015. The profit from the sale of 96 units was recognised in the first half of 2015. The profit from the remaining units sold is expected to be recognised in the second half of 2015. AREZZO is wholly-owned by Swire Properties.

The profit from the sale of three units at the AZURA development and from the sale of one unit at the ARGENTA development was recognised in the first half of 2015. At 18th August 2015, the final unit had been sold at the AZURA development. One unit remained to be sold at the ARGENTA development.

Superstructure work is in progress at 100 Caine Road. The development is expected to be completed in 2016 and available for handover in 2017. The development consists of a 50-storey tower of 197 residential units. The development is wholly-owned by Swire Properties.

#### *MOUNT PARKER RESIDENCES, Quarry Bay*

Swire Properties has an 80% interest in MOUNT PARKER RESIDENCES, a residential development in Quarry Bay. The profit from the sale of nine units was recognised in the first half of 2015. At 18th August 2015, one unit remained to be sold.

#### *DUNBAR PLACE, Ho Man Tin*

DUNBAR PLACE is a residential development in Ho Man Tin, Kowloon. Swire Properties has a 50% interest in the development. All 53 units have been sold. The profit from the sale of the last unit was recognised in the first half of 2015.

#### *WHITESANDS, 160 South Lantau Road, Cheung Sha*

The WHITESANDS development consists of two adjacent residential sites at Cheung Sha, on Lantau Island, which are being developed into 28 detached houses. The occupation permit was issued in February 2015 and the development is expected to be available for handover in the second half of 2015. Sales have not yet commenced. The development is wholly-owned by Swire Properties.

### Mainland China

Construction of the Grade-A office tower, Pinnacle One, was completed in December 2014. The handover of the office tower is expected to start in the second half of 2015.

### USA

The residential portion of Phase I of the Brickell City Centre development is being developed for trading purposes. There will be 780 units in two towers (Reach and Rise).

Swire Properties started to sell units in Reach in June 2014 and units in Rise in November 2014. 317 units in Reach and 129 units in Rise had been sold at 18th August 2015. The development is expected to be completed and available for handover to purchasers from late 2015.

### Outlook

In the second half of 2015, property trading profits are expected to be recognised on the sales of residential units at the AREZZO, ARGENTA, AZURA, MOUNT PARKER RESIDENCES and WHITESANDS developments in Hong Kong. Profits are also expected on the sale of the office portion of the Daci Temple development in Chengdu.

Profits from property trading in Miami are expected to be recognised commencing from late 2015, when some pre-sold units will start to be handed over to purchasers.

### Guy Bradley

## AVIATION DIVISION

The Aviation Division principally comprises significant investments in the Cathay Pacific group and the Hong Kong Aircraft Engineering Company (“HAECO”) group. Cathay Pacific Airways Limited (“Cathay Pacific”) and HAECO are listed on The Stock Exchange of Hong Kong Limited. The Cathay Pacific group includes 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 Limited (“Air China”) and an interest in Air China Cargo Co., Ltd. (“Air China Cargo”). In addition, the Cathay Pacific group provides flight catering and ramp and passenger handling services and owns and operates a cargo terminal.

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>HAECO group</b>			
Revenue	5,734	5,337	11,927
Operating profit	263	258	509
Attributable profit	190	212	430
<b>Share of post-tax profits from associated companies</b>			
Cathay Pacific group	887	156	1,418
<b>Attributable profit</b>	<b>1,063</b>	357	1,822

#### Accounting for the Cathay Pacific group

The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss.

### Cathay Pacific and Dragonair – Key Operating Highlights

		Six months ended 30th June		Change
		2015	2014	
Available tonne kilometres (“ATK”)*	Million	14,598	13,545	+7.8%
Available seat kilometres (“ASK”)*	Million	69,689	65,474	+6.4%
Passenger revenue	HK\$M	36,226	36,520	-0.8%
Revenue passengers carried	'000	16,800	15,437	+8.8%
Passenger load factor*	%	85.9	83.6	+2.3%pt
Passenger yield*	HK¢	60.4	66.6	-9.3%
Cargo revenue – Group	HK\$M	11,376	11,663	-2.5%
Cargo revenue – Cathay Pacific and Dragonair	HK\$M	9,865	10,028	-1.6%
Cargo and mail carried	Tonnes '000	868	804	+8.0%
Cargo and mail load factor*	%	64.1	63.2	+0.9%pt
Cargo and mail yield*	HK\$	1.93	2.17	-11.1%
Cost per ATK*	HK\$	3.24	3.57	-9.2%
Cost per ATK without fuel	HK\$	2.12	2.20	-3.6%
Aircraft utilisation	Hours per day	12.2	12.0	+1.7%
On-time performance*	%	65.8	70.7	-4.9%pt

\* Refer to Glossary on page 75 for definitions.

## RESULTS SUMMARY

The Aviation Division reported an attributable profit of HK\$1,063 million in the first half of 2015. This compared with a profit of HK\$357 million in the same period in 2014.

## CATHAY PACIFIC GROUP

The Cathay Pacific group's attributable profit on a 100% basis was HK\$1,972 million for the first half of 2015, compared with a profit of HK\$347 million in the first half of 2014.

Performance in the first six months of 2015 was considerably better than in the same period in 2014. There was an improved contribution from Cathay Pacific's subsidiary and associated companies (Air China and Air China Cargo).

The airlines' profit before taxation increased by 142% to HK\$1,323 million. Passenger and cargo demand was generally strong. The airlines continued to benefit from lower fuel prices, partially offset by fuel hedging losses. However, yield remained under pressure.

### Passenger Services

Passenger revenue for the period decreased by 1% to HK\$36,226 million compared with the first half of 2014.

Passenger capacity on the Cathay Pacific and Dragonair network increased by 6%. This principally reflected the introduction of new routes (to Boston and Zurich) and increased frequencies on other routes.

16.8 million passengers were carried in the first half of the year, an increase of 9%, and the passenger load factor increased by 2.3 percentage points. Demand on regional routes was strong, particularly in economy class. There was strong economy class demand on long-haul routes.

But premium class demand, though robust on short-haul routes, was weaker than expected on some long-haul routes.

Strong competition, a significant reduction in fuel surcharges, foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 9%.

### Cargo Services

The Cathay Pacific group's cargo revenue for the first half of 2015 decreased by 3% to HK\$11,376 million compared with the same period in 2014.

#### *Cathay Pacific and Dragonair*

The cargo capacity of Cathay Pacific and Dragonair increased by 9% in the first half of 2015 compared with the first half of 2014. This principally reflected the expansion of the passenger network, increased use of Boeing 777-300ER aircraft and increased freighter frequencies.

The tonnage carried increased by 8% to 868,000 tonnes. The cargo load factor increased by 0.9 percentage points to 64.1%. Yield decreased by 11% to HK\$1.93.

The increase in demand for air cargo, which began in the summer of 2014, continued during the first few months of 2015, but slackened in the second quarter of 2015. There was strong demand on some of the airlines' principal cargo routes, notably to and from North America, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. Intra-Asia shipments grew, but traffic to Europe was below expectations. Strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield.

### ***Air Hong Kong***

In the first half of 2015, Air Hong Kong achieved an increase in profit compared with the same period in 2014. Capacity and load factor increased marginally compared with the first half of 2014.

### **Operating Costs**

Despite lower fuel prices, fuel remains the airlines' most significant cost. It accounted for 34% of total operating costs in the first half of 2015, a reduction of 4 percentage points compared to the same period in 2014. The group's fuel cost (disregarding the effect of fuel hedging) decreased by HK\$7,078 million (or 36%) compared with the same period in 2014. This was due to a 39% decrease in the average into-plane fuel price partly offset by a 5% increase in consumption.

Cathay Pacific hedges some of its fuel costs in an effort to manage the risk associated with changing fuel prices. In the first half of 2015, lower fuel costs were partially offset by hedging losses, resulting in net fuel costs decreasing by HK\$2,311 million (or 12%).

Non-fuel costs were managed effectively and benefited from weakness in a number of currencies.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. 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.

### **Fleet Profile**

At 30th June 2015, the total number of aircraft in the Cathay Pacific and Dragonair fleets was 189.

In the first half of 2015, the Cathay Pacific group took delivery of seven new aircraft: four Boeing 777-300ERs and three Airbus A330-300s.

Four Boeing 747-400 passenger aircraft, one of which will be returned to its lessor by the end of 2015, were retired during the period. Cathay Pacific also began to retire its Airbus A340-300 aircraft. At 30th June 2015, three A340-300 aircraft had been retired. One more will be retired in the second half of 2015. The remaining seven will have been retired by the end of 2017. In 2013, Cathay Pacific agreed to sell its six Boeing 747-400F freighters back to The Boeing Company. Two of these freighters have been delivered, one in November 2014 and the other in July 2015. The remaining four freighters will leave the fleet by the end of 2016.

At 30th June 2015 there were 72 new aircraft on order for delivery up to 2024. Cathay Pacific's first Airbus A350-900XWB aircraft is scheduled to be delivered in February 2016.

**Fleet Profile\***

Aircraft type	Number at 30th June 2015			Total	Firm orders			Total	Expiry of operating leases					
	Owned	Finance	Operating		'15	'16	'17 and beyond		'15	'16	'17	'18	'19	'20 and beyond
<b>Aircraft operated by Cathay Pacific:</b>														
A330-300	22	15	6	<b>43</b>						1	3			2
A340-300	6	2		<b>8</b>										
A350-900						12 <sup>(a)</sup>	10	<b>22</b>						
A350-1000							26	<b>26</b>						
747-400	3		1 <sup>(b)</sup>	<b>4</b>					1					
747-400F	5			<b>5<sup>(c/d)</sup></b>										
747-400BCF			1 <sup>(e)</sup>	<b>1</b>								1		
747-400ERF		6		<b>6</b>										
747-8F	2	11		<b>13</b>		1 <sup>(d)</sup>		<b>1</b>						
777-200	5			<b>5</b>										
777-200F														5 <sup>(f)</sup>
777-300	9	3		<b>12</b>										
777-300ER	17	11	23	<b>51</b>	2 <sup>(d)</sup>			<b>2</b>		2	2		19	
777-9X							21 <sup>(d)</sup>	<b>21</b>						
<b>Total</b>	<b>69</b>	<b>48</b>	<b>31</b>	<b>148</b>	<b>2</b>	<b>13</b>	<b>57</b>	<b>72</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>21</b>	<b>5</b>
<b>Aircraft operated by Dragonair:</b>														
A320-200	5		10	<b>15</b>								2	1	7
A321-200	2		6	<b>8</b>										6
A330-300	10		8	<b>18</b>						2	5		1	
<b>Total</b>	<b>17</b>		<b>24</b>	<b>41</b>						<b>2</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>13</b>
<b>Aircraft operated by Air Hong Kong:</b>														
A300-600F	2	6	2	<b>10</b>								2		
747-400BCF			3	<b>3</b>						1	2			
<b>Total</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>13</b>						<b>1</b>	<b>2</b>	<b>2</b>		
<b>Grand total</b>	<b>88</b>	<b>54</b>	<b>60</b>	<b>202</b>	<b>2</b>	<b>13</b>	<b>57</b>	<b>72</b>	<b>1</b>	<b>4</b>	<b>12</b>	<b>7</b>	<b>2</b>	<b>34</b>

\* Includes parked aircraft. The table does not reflect aircraft movements after 30th June 2015.

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

(b) The operating lease of the aircraft expired in June 2015 and the aircraft will leave the fleet by the end of 2015.

(c) Two aircraft were parked in January 2014.

(d) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. Two of the Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, the other in July 2015. Two of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, the other in July 2015.

(e) The aircraft was parked in August 2013 and will return to service in September 2015.

(f) Purchase options in respect of five Boeing 777-200F freighters.

### **Air China**

The Cathay Pacific group's share of the results of Air China (in which the Cathay Pacific group had a 20.13% interest at 30th June 2015) is based on its financial statements drawn up three months in arrears. Consequently the 2015 interim results include Air China's results for the six months ended 31st March 2015, adjusted for any significant events or transactions for the period from 1st April 2015 to 30th June 2015.

Air China's results improved significantly in the six months to 31st March 2015. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.

### **Air China Cargo**

Air China Cargo's financial results improved in the first half of 2015. This reflected the general improvement in the air cargo market, lower fuel prices and improved operating efficiency resulting from the replacement of old aircraft with new aircraft.

### **Cathay Pacific Services Limited ("CPSL")**

CPSL, a wholly owned subsidiary of Cathay Pacific, operates the Cathay Pacific cargo terminal at Hong Kong International Airport.

The financial results of CPSL improved in the first half of 2015. This reflected the addition of customers and effective management of operating costs.

### **Cathay Pacific Catering Services group ("CPCS")**

CPCS, a wholly owned subsidiary of Cathay Pacific, operates the principal flight kitchen in Hong Kong.

CPCS's profit decreased slightly in the first half of 2015. Increases in staff, maintenance and depreciation costs offset an increase in revenue.

### **Outlook**

Cathay Pacific usually performs better in the second half of the year than in the first. It expects its business to do well in the remainder of 2015. It will focus on providing high-quality products and services. Cathay Pacific will continue to invest in aircraft, in its products and in the development of its network. Its financial position remains strong. Cathay Pacific's commitment to its world-class team and to the aviation hub in its home city, Hong Kong, is unwavering.

### **Ivan Chu**

## HONG KONG AIRCRAFT ENGINEERING COMPANY (“HAECO”) GROUP

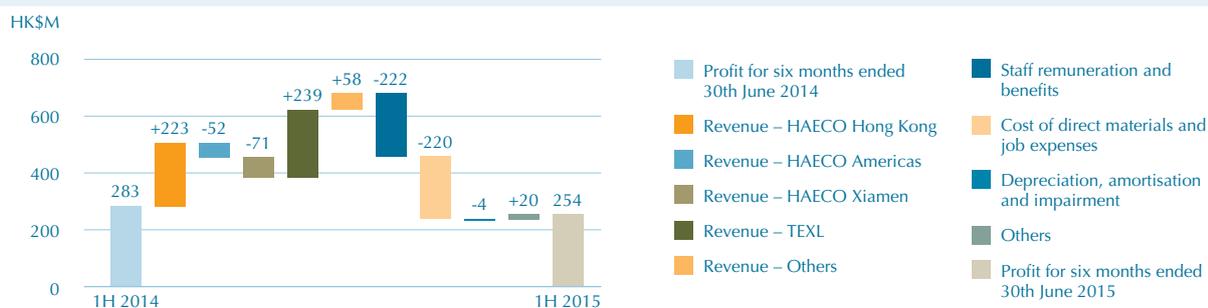
The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the United States (by HAECO Americas). Engine overhaul work is performed by HAECO’s joint venture company Hong Kong Aero Engine Services Limited (“HAESL”), by HAESL’s joint venture company Singapore Aero Engine Services Pte. Limited (“SAESL”), by HAECO’s subsidiary Taikoo Engine Services (Xiamen) Company Limited (“TEXL”) and by HAECO Americas. The HAECO group has other subsidiaries and joint venture companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited (“HAECO ITM”), an inventory technical management joint venture with Cathay Pacific in Hong Kong.

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>Revenue</b>			
HAECO Hong Kong	1,777	1,554	3,178
HAECO Americas	1,256	1,308	2,885
HAECO Xiamen	938	1,009	1,924
TEXL	1,538	1,299	3,538
Others	225	167	402
<b>Net operating profit</b>	224	225	439
<b>Profit attributable to the Company’s shareholders</b>			
HAECO Hong Kong	99	42	103
HAECO Americas	(59)	(3)	(45)
HAECO Xiamen	46	51	89
TEXL	52	68	166
<b>Share of profit/(loss) of:</b>			
HAESL and SAESL	104	136	267
Other subsidiary and joint venture companies	12	(11)	(7)
<b>Total</b>	254	283	573
<b>Swire Pacific Share</b>	190	212	430

Note: the results of TIMCO Aviation Services, Inc. (“TIMCO”) are reported within the results of HAECO Americas from the date the acquisition of TIMCO was completed, which was 6th February 2014.

### HAECO Group – Movement in Attributable Profit



## Key Operating Highlights

Airframe services manhours sold – HAECO Hong Kong  
 Airframe services manhours sold – HAECO Americas  
 Airframe services manhours sold – HAECO Xiamen  
 Line services movements handled – HAECO Hong Kong

	Six months ended 30th June		Change
	2015	2014	
<i>Million</i>	<b>1.40</b>	1.26	<b>+11.1%</b>
<i>Million</i>	<b>1.55</b>	1.73	<b>-10.4%</b>
<i>Million</i>	<b>1.92</b>	1.97	<b>-2.5%</b>
<i>Average per day</i>	<b>299</b>	327	<b>-8.6%</b>

## RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in the first half of 2015 on a 100% basis was HK\$254 million, a decrease of 10% compared to the corresponding figure in 2014 of HK\$283 million.

A total of 4.87 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in the first half of 2015, 2% fewer than those in the corresponding period in 2014. Manhours sold by HAECO Americas and HAECO Xiamen fell. Manhours sold by HAECO Hong Kong increased. Line services manhours sold increased despite a decrease in aircraft movements handled.

TEXL overhauled more engines in the first half of 2015 than in the first half of 2014. But its after tax profits fell because, from January 2015, it no longer had tax losses to utilise. HAESL overhauled 53 engines, 22% fewer than the same period last year.

The contribution of the group's other subsidiaries and joint ventures improved. This principally reflected a higher profit from HAECO ITM and a smaller loss from Taikoo (Xiamen) Landing Gear Services Company Limited ("HAECO Landing Gear Services").

### HAECO Hong Kong

HAECO Hong Kong's profit increased significantly, to HK\$99 million. 1.40 million airframe services manhours were sold in the first half of 2015, 11% higher than in the first half of 2014. Capacity increased as the workforce grew. Approximately 76% of the work was for airlines based outside Hong Kong.

Line services manhours increased by 3% due to more work being performed per aircraft. This was despite a 9% decrease in aircraft movements handled following the loss of a portion of the work from a significant customer in 2014.

### HAECO Americas

HAECO Americas recorded a loss of HK\$59 million in the first half of 2015, compared to a loss of HK\$3 million in the same period last year. The higher loss principally reflected a decline in airframe services activity.

1.55 million airframe services manhours were sold, 10% fewer than the first half of 2014. Fewer airframes were overhauled as some significant contracts came to an end in 2014.

Within the cabin business, more Panasonic Global Communication Suite kit work was done. Fewer seats were sold (approximately 2,800 compared with 4,300 in the first half of 2014) since demand for HAECO Americas' old seats declined and its new generation seats are not yet ready for sale.

### **HAECO Xiamen**

HAECO Xiamen recorded a 10% decrease in attributable profit in the first half of 2015, to HK\$46 million.

Airframe services manhours sold decreased from 1.97 million in the first half of 2014 to 1.92 million in the first half of 2015. No aircraft were converted to freighters. Three had been converted to freighters in the first half of 2014.

After completion of a private jet conversion in January 2015, only minor private jet work was done in the period.

### **TEXL**

TEXL completed 25 quick turn repairs and 13 performance restorations of GE90 aircraft engines, compared with 14 quick turn repairs and 15 performance restorations in the first half of 2014. With more engines overhauled, TEXL recorded a higher profit before tax in the first half of 2015 than in the same period last year but its after tax profits fell because, from January 2015, it no longer had tax losses to utilise.

### **HAESL and SAESL**

HAESL recorded a 15% decrease in profit in the first half of 2015 compared to the first half of 2014. Fewer engines were overhauled. This reflected the retirement of aircraft operating Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines. Engine output was 53 in the first half of 2015 compared with 68 in the first half of 2014.

SAESL recorded a 44% decrease in profit in the first half of 2015 compared to the first half of 2014. Fewer engines were overhauled and less work was done per engine.

### **Other Principal Subsidiary and Joint Venture Companies**

HAECO ITM provides inventory technical management services to Cathay Pacific and other airlines. In the first half of 2015, the total number of aircraft for which services were provided was 256, an increase of 14% over the equivalent period in 2014. A higher profit was recorded due to higher utilisation of rotatable parts as operations increased.

HAECO Landing Gear Services overhauls landing gear in Xiamen. It reported a smaller loss in the first half of 2015 than in 2014 (when work was only resumed in the second quarter and results were adversely affected by impairment and other provisions arising from the fire at its premises in 2012).

### **Outlook**

HAECO Hong Kong's airframe maintenance capacity for the longer term is expected to grow with an increase in the workforce in the second half of 2015, although there will be an associated cost of training additional staff in the short-term. Line services work in Hong Kong is expected to be stable. Demand for the airframe services of HAECO Americas is expected to remain subdued while that for the airframe services of HAECO Xiamen is likely to be lower than in the first half. Overall demand for HAECO Americas' cabin products and services is expected to be stronger in the second half of 2015 than in the first half. HAESL's performance is expected to continue to be adversely affected by a continued reduction in demand for its engine overhaul services. TEXL's engine output is expected to remain stable.

The municipal government of Xiamen has announced that the proposed new airport at Xiang'an will commence operations in 2020. Management maintains regular communications with the local authorities about the new airport and the consequences of its opening, which will be material for the operations of the HAECO group at the existing airport.

### **Augustus Tang**

## BEVERAGES DIVISION

Swire Beverages has the exclusive right to manufacture, market and distribute products of The Coca-Cola Company (“TCCC”) in Hong Kong, Taiwan, seven provinces in Mainland China and an extensive area of the western USA.

Swire Beverages has two wholly-owned franchise businesses, in Taiwan and the USA, and five majority-owned franchise businesses, in Hong Kong and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China. It has joint venture interests in three other franchises in Mainland China and an associate interest in a manufacturing company, Coca-Cola Bottlers Manufacturing Holdings Limited (“CCBMH”), which supplies still beverages to all Coca-Cola franchises in Mainland China.

Swire Beverages manufactures 56 beverage brands and distributes them to a franchise population of over 450 million people.

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Revenue	<b>8,877</b>	7,815	16,383
Operating profit	<b>547</b>	480	1,095
Share of post-tax profits from joint venture and associated companies	<b>166</b>	182	291
<b>Attributable profit</b>	<b>456</b>	403	854

### Segment Information

	Revenue			Attributable Profit / (Loss)		
	Six months ended 30th June		Year ended 31st December	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2014 HK\$M
Mainland China	<b>4,218</b>	4,151	7,856	<b>245</b>	258	395
Hong Kong	<b>1,051</b>	976	2,164	<b>85</b>	73	185
Taiwan	<b>677</b>	649	1,415	<b>17</b>	1	23
USA	<b>2,931</b>	2,039	4,948	<b>123</b>	89	208
Central costs	–	–	–	<b>(14)</b>	(18)	43
<b>Beverages Division</b>	<b>8,877</b>	7,815	16,383	<b>456</b>	403	854

#### Accounting for the Beverages Division

The seven wholly-owned and majority-owned franchise businesses (in Hong Kong, Taiwan and the USA and in Fujian, Henan, Anhui and Shaanxi provinces in Mainland China) are accounted for as subsidiaries in the financial statements of Swire Pacific. Revenue and operating profit shown above, therefore, are attributable to these franchise businesses only. The division’s joint venture interests in three other franchises in Mainland China and its associate interest in CCBMH are accounted for using the equity method of accounting. Swire Pacific recognises its share of net profit or loss from each of these interests as a single line-item in the consolidated statement of profit or loss.

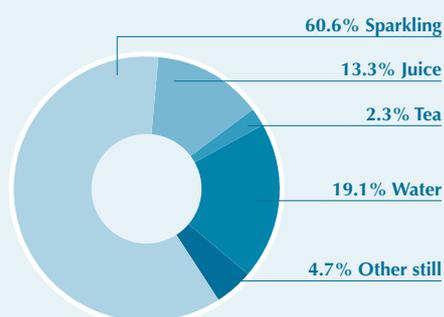
For reference, the total revenue and operating profit from the joint venture interests in three franchises in Mainland China was HK\$4,495 million and HK\$264 million, respectively, in the first half of 2015 (2014 first-half: HK\$4,444 million and HK\$257 million, respectively). The revenue of CCBMH, excluding sales to the seven Mainland China franchises, was HK\$2,428 million in the first half of 2015 (2014 first-half: HK\$2,662 million).

The sales volume for Mainland China shown in the table below represents sales in the seven franchises, including products supplied by CCBMH.

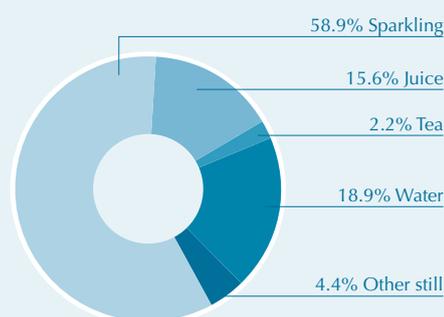
**Sales Volume by Territory (million unit cases)**

	Mainland China	Hong Kong	Taiwan	USA	Total
Six months ended 30th June 2015	430.7	31.1	27.1	62.1	551.0
Six months ended 30th June 2014	407.0	29.3	24.8	43.6	504.7

**Breakdown of Total Volume by Category (%)**



Six months ended 30th June 2015



Six months ended 30th June 2014

**RESULTS SUMMARY**

Swire Beverages made an attributable profit of HK\$456 million in the first half of 2015, an increase of 13% compared with the same period in 2014. This increase reflected solid performances in the USA, Taiwan and Hong Kong and generally lower raw material costs. Overall sales volume grew by 9% to 551 million unit cases. Volumes increased in all territories.

**Mainland China**

Attributable profit from Mainland China for the first half of 2015 was HK\$245 million, a 5% decrease from the first half of 2014. The results include a lower share of profit from an associated company, CCBMH. Results at this business were affected by lower juice sales in all franchise territories in Mainland China. Excluding the results from CCBMH, attributable profit from Mainland China increased by 5%.

Sales volume increased by 6% compared with the same period in 2014. Sparkling and water sales volumes both grew by 10%. Juice volume fell by 8%.

Margins improved by 2% per unit case. This reflected lower raw material costs (mainly of aluminium and resin).

On 21st July 2015, Swire Beverages Holdings Limited conditionally agreed to acquire additional interests in three of its subsidiaries in Mainland China for an aggregate cash consideration of RMB1,250 million. The completion of the transaction is subject to obtaining the necessary regulatory approvals. Further details are provided in Note 27 to the financial statements.

**Hong Kong**

Attributable profit from Hong Kong for the first half of 2015 was HK\$85 million, a 16% increase from the first half of 2014.

Sales volume increased by 6%. Sparkling sales volume increased by 4%. Still sales volume increased by 8%, with sales of tea having increased by 26%.

Margins improved by 6% per unit case. This reflected favourable raw material costs and price increases.

### Taiwan

Attributable profit from Taiwan for the first half of 2015 was HK\$17 million, compared with HK\$1 million in the first half of 2014.

Sales volume increased by 9% compared with 2014. Sparkling and still beverage sales volumes grew by 10% and 8% respectively. Sparkling sales were assisted by marketing and consumer promotions. Tea sales did well as a result of new product launches.

Margins improved by 4% per unit case. This reflected lower raw material costs (in particular of resin) and higher selling prices.

### USA

Attributable profit from the USA for the first half of 2015 was HK\$123 million, a 38% increase from the first half of 2014.

Sales volume increased by 42% compared with the same period in 2014. This principally reflected the assumption of new franchise territories in Denver and Colorado Springs in May 2014. Attributable profit from the new territories for the first half of 2015 was HK\$20 million.

Sparkling and water sales volumes grew by 38% and 31% respectively.

Higher selling prices, a better sales mix and increased volume contributed to higher gross margins. The beneficial effect of these factors was partially offset by higher operating costs in the new franchise territories.

In April, a letter of intent was signed with TCCC in relation to the grant of additional territory rights to Swire Coca-Cola USA in Arizona (to include the Phoenix and Tucson markets).

### Outlook

The outlook for Mainland China in the second half of 2015 is mixed. Sparkling sales are expected to remain strong. However, juice sales are expected to remain weak. Increases in costs, in particular staff costs, will put pressure on margins.

The outlook for the Hong Kong business is positive, despite a possible decline in discretionary consumer spending. Sales will be assisted by the introduction of new products and by marketing campaigns. Raw material costs are expected to remain favourable.

In Taiwan, against a background of reasonable economic growth, sparkling sales are expected to continue to increase in the second half of 2015. The introduction of new products is expected to benefit tea sales.

In the USA, the beverages market is expected to grow moderately in the second half of 2015. Sales are expected to benefit from a continuation of 2014's successful promotions. The introduction of the Monster brand in Denver and Colorado Springs will benefit volume and margins.

### Patrick Healy

## MARINE SERVICES DIVISION

The Marine Services Division, through the Swire Pacific Offshore group (“SPO”), operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA. SPO has a windfarm installation business, a subsea inspection, maintenance and repair (“IMR”) business and a logistics business working in the oil and gas industry. The division has joint venture interests in engineering and harbour towage services in Hong Kong through the Hongkong United Dockyards (“HUD”) group.

### Financial Highlights

#### Swire Pacific Offshore group

Revenue

Operating profit

Attributable (loss)/profit

#### Share of post-tax profits from joint venture companies

HUD group

#### Attributable (loss)/profit

### Fleet Size

#### Fleet size (number of vessels)

Swire Pacific Offshore group

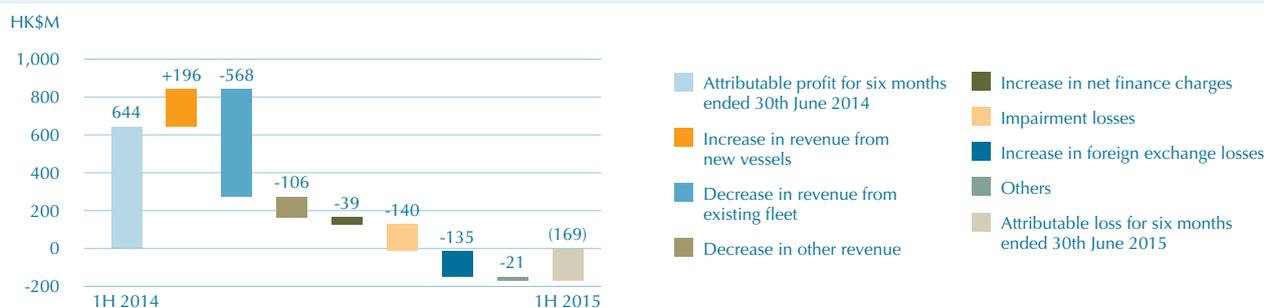
HUD group – Hongkong Salvage &amp; Towage

#### Total

	Six months ended 30th June	Year ended 31st December	
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Revenue	3,032	3,510	7,234
Operating profit	49	808	1,320
Attributable (loss)/profit	(169)	644	1,041
HUD group	13	14	31
Attributable (loss)/profit	(156)	658	1,072

	At 30th June	At 31st December	
	2015	2014	2014
Swire Pacific Offshore group	92	86	88
HUD group – Hongkong Salvage & Towage	19	20	19
Total	111	106	107

### SPO – Movement in Attributable Profit



## RESULTS SUMMARY

The attributable loss of the Marine Services Division in the first half of 2015 was HK\$156 million, compared to a profit of HK\$658 million for the same period in 2014.

### Swire Pacific Offshore group

SPO reported an attributable loss of HK\$169 million for the first half of 2015, compared to a profit of HK\$644 million in the first half of 2014.

The results for the half year include an impairment charge of HK\$140 million arising from the cancellation of contracts with a Brazilian shipyard for the construction of four large platform supply vessels (“PSVs”). The contracts were cancelled by SPO due to the shipyard’s failure to deliver the vessels in accordance with the contractually agreed schedule.

Excluding the impairment charge in the first half of 2015, SPO reported an attributable loss of HK\$29 million. The offshore industry has been affected by reduced spending by exploration and production companies due to the low oil price. This has resulted in new projects being deferred and the renegotiation of existing contractual day rates to reduce costs in producing fields. The imbalance in supply and demand has put downward pressure on day rates and fleet utilisation.

### Charter Hire

Charter hire revenue decreased by 12% to HK\$2,641 million in the first half of 2015. Fleet utilisation during the first half of 2015 was 75.6%, 13.5 percentage points lower than in the first half of 2014. Average charter hire rates decreased by 4% to USD28,100 per day, reflecting the adverse market conditions.

Utilisation of SPO’s core fleet of anchor handling tug supply vessels (“AHTSs”) and PSVs decreased by 12.8 percentage points to 76.8%. Average charter hire rates for the core fleet were USD20,800 per day, a decrease of 5%. The lower utilisation of SPO’s core fleet was due to the decline in offshore oil and gas activity.

Utilisation of SPO’s fleet of construction and specialist vessels (“CSVs”) decreased by 21.2 percentage points to 65.1%. The CSVs’ average charter hire rates rose by 11% to USD104,800 per day. During the first half of the year, upgrades to the jacking systems of the two wind farm installation vessels were completed. Both vessels are currently on charter installing wind farm foundations and turbines in the North Sea. One of the vessels also completed a decommissioning contract in the same region. These vessels contributed to the increase in average charter rates for the CSVs.

### Non-charter Hire

Non-charter hire income decreased by 21% to HK\$391 million in the first half of 2015, mainly due to lower revenue from Altus Oil & Gas Services. However, SPO received liquidated damages in respect of new build delivery delays.

### Operating Costs

Total operating costs (including the additional cost of operating new vessels) decreased marginally in the first half of 2015. Lower costs were incurred by Altus Oil & Gas Services and some vessels were operating in geographic regions where operating costs were lower. SPO also reduced operating costs in the first half of 2015 by stacking one seismic survey vessel. The vessel will return to service when opportunities arise and deferred maintenance is completed.

Foreign exchange losses were recognised principally due to the revaluation of cash held in Brazilian Reals during the period. The cash was held in order to meet payments which, but for their cancellation, would have been due in respect of the contracts with the Brazilian shipyard referred to above.

## Fleet

The fleet size at 30th June 2015 was 92 compared to 86 at 30th June 2014 and 88 at 31st December 2014. During the first half of the year, four new vessels were delivered, comprising one large AHTS and three PSVs (including one large PSV).

Total capital expenditure on new vessels and other fixed assets during the first half of 2015 amounted to HK\$997 million, compared to HK\$1,878 million in the first half of 2014.

At 30th June 2015, SPO had a total capital expenditure commitment of HK\$2,852 million (31st December 2014: HK\$5,177 million, 30th June 2014: HK\$6,503 million). SPO expects to take delivery of two PSVs before the end of the year. During the first half of 2015, SPO committed to purchase a high-speed catamaran crew boat, which is expected to be delivered in 2016.

## Outlook

Trading conditions in the second half of 2015 are expected to be similar to those in the first half of the year as the industry continues to suffer from an oversupply of tonnage and weak demand from oil and gas companies.

SPO remains optimistic about its long term prospects. It has invested in a modern fleet well-suited to the requirements of the offshore oil and gas industry and has a well trained workforce. The current focus by clients on costs has highlighted the fuel efficiency and capacity benefits of SPO's new vessels. It is hoped that these competitive advantages will enable SPO to retain its position as a preferred supplier to the offshore oil and gas industry.

## SPO – Profile of Capital Commitments

	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th June 2015 HK\$M	Six months ending 31st December 2015 HK\$M	2016 HK\$M	2017 HK\$M	2018 HK\$M	at 30th June 2015 HK\$M
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	903	584	805	950	–	2,339
Construction and Specialist Vessels	64	79	139	4	–	222
Other fixed assets	30	122	148	15	6	291
<b>Total</b>	<b>997</b>	<b>785</b>	<b>1,092</b>	<b>969</b>	<b>6</b>	<b>2,852</b>

## SPO – Fleet Size Growth

Vessel class	2014	Additions	Disposals	Half-year	Vessels expected to be received in:		
		30th June 2015			2015	2016	2017
Anchor Handling Tug Supply Vessels	40	–	–	40	–	–	–
Large Anchor Handling Tug Supply Vessels	23	1	–	24	–	–	–
Platform Supply Vessels	9	2	–	11	2	2	3
Large Platform Supply Vessels	7	1	–	8	–	–	–
Construction and Specialist Vessels	9	–	–	9	–	1	–
	88	4	–	92	2	3	3

Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

**Hongkong United Dockyards (“HUD”) group**

The attributable profit of the HUD group for the first half of 2015 was HK\$13 million, compared to HK\$14 million for the same period in 2014.

The engineering division recorded a loss (before tax and interest and on a 100% basis) of HK\$30 million in the first half of 2015, in line with the corresponding period in 2014. The market for marine engineering projects was weak. However, the market for non-marine engineering projects improved.

The profit of Hong Kong Salvage & Towage (before tax and interest and on a 100% basis) in the first half of 2015 was HK\$67 million, compared to HK\$69 million for the same period in 2014. Tug moves in the period were 9% lower. The decrease in the fuel price helped to maintain profits at a level similar to the same period last year.

**Outlook**

The engineering division is expected to perform better in the second half of 2015 than in the first half. It has entered into a number of contracts for non-marine work which start in the period.

Tug operations in Hong Kong waters remain under pressure due to fewer shipping movements.

**J B Rae-Smith**

## TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in the following wholly-owned and joint venture companies:

- Swire Retail group:
  - (i) Swire Resources group – distribution and retailing of footwear, apparel and related accessories in Hong Kong, Macau and Mainland China
  - (ii) Swire Brands group – investment in Columbia China and other brand-owning companies
- Taikoo Motors group – distribution and retailing of motor vehicles in Taiwan, Hong Kong, Mainland China and Malaysia
- Swire Foods group:
  - (i) Swire Foods – 65% interest in Chongqing New Qinyuan Bakery Co. Ltd (“Qinyuan Bakery”), a leading bakery chain in southwest China
  - (ii) Taikoo Sugar – packaging and selling of sugar in Hong Kong and Mainland China
  - (iii) Campbell Swire – distribution of soup and broth products in Mainland China
- Swire Pacific Cold Storage group – provision of cold storage, warehousing and logistics services in Mainland China
- Akzo Nobel Swire Paints – manufacture and distribution of paint in Mainland China and Hong Kong
- Swire Sustainable Business group:
  - (i) Swire Waste Management – provision of waste management services in Hong Kong
  - (ii) Swire Sustainability Fund – investment in early-stage sustainable technology companies

### Financial Highlights

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>Revenue</b>			
Swire Retail group	1,649	1,498	3,020
Taikoo Motors group	2,270	3,355	6,706
Swire Foods group	741	333	795
Swire Pacific Cold Storage group	13	–	3
	<b>4,673</b>	<b>5,186</b>	<b>10,524</b>
<b>Operating profits/(losses)</b>			
Swire Retail group	31	23	58
Taikoo Motors group	58	146	270
Swire Foods group	52	2	24
Swire Pacific Cold Storage group	(38)	(30)	(79)
Other subsidiary companies and central costs	(13)	(8)	(24)
	<b>90</b>	<b>133</b>	<b>249</b>
<b>Attributable profits/(losses)</b>			
Swire Retail group	48	36	82
Taikoo Motors group	37	121	213
Swire Foods group	23	(12)	1
Swire Pacific Cold Storage group	(40)	(25)	(73)
Akzo Nobel Swire Paints	85	100	230
Swire Sustainable Business group	(17)	–	(5)
Other subsidiary companies and central costs	(13)	(8)	(25)
<b>Attributable profit</b>	<b>123</b>	<b>212</b>	<b>423</b>

## RESULTS SUMMARY

Attributable profit from the Trading & Industrial Division in the first half of 2015 decreased by 42% from the corresponding period in 2014 to HK\$123 million. The decrease principally reflects weaker results from Taikoo Motors and Akzo Nobel Swire Paints, costs associated with developing the businesses of Swire Pacific Cold Storage and losses from the Swire Sustainable Business group. The profits of Swire Foods and Swire Retail increased.

### Swire Retail group

Attributable profit increased by 33% in the first half of 2015 to HK\$48 million. The results from the Columbia China associated company in Mainland China improved.

Revenue in Hong Kong and Macau was 10% higher than in the same period in 2014. Gross margins were in line with the corresponding period of last year, but operating costs, in particular occupancy and staff costs, increased.

Revenue in Mainland China increased by 4% compared with the same period in 2014, mainly reflecting the growth of the multibrand retailing and ecommerce businesses in Mainland China. Gross margins declined due to discounting of Rockport products after their distribution ceased. Operating costs were lower (because 25 Rockport stores were closed).

The attributable profit of the Columbia China associated company in the first half of 2015 was HK\$17 million, compared with HK\$8 million in the same period in 2014. Revenue increased by 12%, mainly reflecting the introduction of ecommerce business in July 2014.

### Taikoo Motors group

Taikoo Motors recorded an attributable profit in the first half of 2015 of HK\$37 million, compared with a profit of HK\$121 million in the same period in 2014. The decrease principally reflected the termination of the Volkswagen and Škoda importerships in Taiwan at the end of 2014.

Profits in the first half of the year included non-recurring income of HK\$49 million relating to the termination of the above importerships. The recurring business now focuses on dealerships and workshops.

In total, 8,674 cars, commercial vehicles and motorcycles were sold in the first half of 2015, 31% less than in the same period in 2014. 89% of these units were sold by businesses in Taiwan.

Gross margins declined due to an unfavourable sales mix. Operating costs were lower. This mainly reflected the termination of the Volkswagen and Škoda importerships in Taiwan.

### Swire Foods group

Swire Foods reported an attributable profit of HK\$23 million for the first half of 2015, compared with a loss of HK\$12 million in the same period in 2014.

A 65% equity interest in Qinyuan Bakery was acquired on 5th December 2014. Qinyuan Bakery's attributable profit in the first half of 2015 was HK\$22 million. Qinyuan Bakery operated 497 stores in southwest China at 30th June 2015, a net increase of 32 stores since 31st December 2014. The performance of the business was satisfactory.

Volumes of sugar sold in Hong Kong and Mainland China rose by 23% and 40% respectively.

Campbell Swire's attributable loss in the first half of 2015 was HK\$2 million, compared with a loss of HK\$13 million in the same period in 2014. The volume of soup and broth products sold increased by 5% in the first half of 2015.

### **Swire Pacific Cold Storage group**

Swire Pacific Cold Storage recorded an attributable loss for the first half of 2015 of HK\$40 million, compared with a loss of HK\$25 million in the same period in 2014. The loss principally reflected operating losses at the recently opened Shanghai and Hebei cold stores, and the cost of developing new cold stores in Nanjing, Ningbo and Chengdu. These costs were partly offset by an attributable profit of HK\$4 million from Guangdong Swire Cold Chain Logistics Co. Ltd..

The businesses in Shanghai and Hebei are growing and the storage occupancy rates at 30th June 2015 were 23% and 31% respectively. The Ningbo facility started operating in July 2015. The Nanjing and Chengdu facilities are expected to be completed later in 2015 and in 2016 respectively.

The capital commitments of the Swire Pacific Cold Storage group at 30th June 2015 were HK\$1,119 million.

### **Akzo Nobel Swire Paints**

Attributable profit from Akzo Nobel Swire Paints for the first half of 2015 was HK\$85 million, compared to HK\$100 million in the same period in 2014.

Sales volume in Mainland China was 146 million litres, an increase of 1% over the same period in 2014. Gross margins remained stable but an unfavourable sales mix and lower average selling prices resulted in lower attributable profits.

In Hong Kong, there was an attributable profit of HK\$2 million, in line with that of the first half of 2014.

### **Swire Sustainable Business group**

#### ***Swire Waste Management***

Swire Waste Management recorded a breakeven result in the first half of the year. The operating profit from a waste management contract was offset by administrative costs and tender costs for new projects.

### ***Swire Sustainability Fund***

Swire Sustainability Fund's attributable loss for the first half of 2015 was HK\$17 million. This reflected the group's attributable loss from Green Biologics, which became an associated company in December 2014. The fund's other investments are accounted for at cost.

### **Outlook**

Swire Resources will continue to seek more distributorships of international brands in Hong Kong and Mainland China. The retail market in Hong Kong will remain highly competitive. Increased staff and occupancy costs are likely to put pressure on profit margins.

Taikoo Motors will continue to develop its Volkswagen, Škoda and other dealerships and its workshops. The costs of developing and expanding showrooms and workshops are expected to increase.

The second half profits of Swire Foods are expected to grow as a result of the inclusion of the results of Qinyuan Bakery. A new factory in Chongqing is expected to be fully operational in late 2015.

Taikoo Sugar expects moderate sales growth in the second half of 2015. A new plant in Shanghai is scheduled to start operating in late 2015. A 34% owned sugar refinery in Guangdong is expected to start operating in late 2015.

Akzo Nobel Swire Paints expects to continue to expand and strengthen its distribution network and sales channels in Mainland China. A fourth plant (in Chengdu) is expected to start operating in 2016.

The overall results of the Trading & Industrial Division are expected to be affected by the cost of new business development.

### **J B Rae-Smith**

## Financial Review

Additional information is provided below to reconcile reported and underlying profit and equity attributable to the Company's shareholders. The reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties. There is also an analysis of the effect of other significant non-recurring items.

Note	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>Underlying profit</b>			
Profit attributable to the Company's shareholders per financial statements	7,977	6,484	11,069
Adjustments in respect of investment properties:			
Revaluation of investment properties (a)	(5,156)	(3,190)	(3,088)
Deferred tax on investment properties (b)	565	505	710
Realised profit on sale of investment properties (c)	589	29	598
Depreciation of investment properties occupied by the Group (d)	13	11	23
Non-controlling interests' share of adjustments	845	491	427
<b>Underlying profit attributable to the Company's shareholders</b>	<b>4,833</b>	<b>4,330</b>	<b>9,739</b>
Other significant non-recurring items:			
Loss/(profit) on sale of property, plant and equipment and other investments	43	2	(93)
Profit on sale of investment properties	(537)	(15)	(529)
Net impairment of property, plant and equipment, leasehold land and intangible assets	154	153	254
<b>Adjusted underlying profit</b>	<b>4,493</b>	<b>4,470</b>	<b>9,371</b>
<b>Underlying equity</b>			
Equity attributable to the Company's shareholders per financial statements	222,703	221,703	218,775
Deferred tax on investment properties	4,750	4,124	4,290
Unrecognised valuation gains on hotels held as part of mixed-use developments (e)	2,098	1,934	1,930
Revaluation of investment properties occupied by the Group	1,004	956	957
Cumulative depreciation of investment properties occupied by the Group	92	76	86
<b>Underlying equity attributable to the Company's shareholders</b>	<b>230,647</b>	<b>228,793</b>	<b>226,038</b>
Underlying non-controlling interests	47,019	44,460	45,005
<b>Underlying equity</b>	<b>277,666</b>	<b>273,253</b>	<b>271,043</b>

Notes:

- This represents the net revaluation movements as shown in the consolidated statement of profit or loss plus the Group's share of net revaluation movements of joint venture and associated companies.
- This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
- 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 statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the consolidated statement of profit or loss.
- Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.
- Under HKAS 40, hotel properties are stated in the financial statements at cost less accumulated depreciation and any provision for impairment losses, rather than at fair value. If HKAS 40 did not apply, those hotel properties owned by subsidiary and joint venture companies and 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 statement of profit or loss.

# Financing

## Summary of Cash Flows

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
<b>Net cash from/(used by) businesses and investments</b>			
Cash generated from operations	7,189	7,698	16,250
Dividends received	1,102	661	1,898
Tax paid	(693)	(377)	(1,358)
Net interest paid	(1,128)	(1,111)	(2,316)
Cash used in investing activities	(4,420)	(8,920)	(14,689)
	<b>2,050</b>	(2,049)	(215)
<b>Cash (paid to)/received from shareholders and net funding by external debt</b>			
Dividends paid	(4,973)	(4,439)	(6,425)
Purchase of shares in an existing subsidiary company	–	(1,256)	(1,256)
Disposal of shares in a subsidiary company	–	–	79
Increase in borrowings	1,799	7,617	7,017
Capital contribution from non-controlling interests	629	4	4
	<b>(2,545)</b>	1,926	(581)
<b>Decrease in cash and cash equivalents</b>	<b>(495)</b>	(123)	(796)

Cash used in investing activities during the first half of 2015 included cash used for stage payments for offshore support vessels under construction, for capital expenditure on property projects and for investments in joint venture companies.

## Changes in Financing

### Financial Information Reviewed by Auditors

#### Analysis of Changes in Financing During the Period

	Six months ended 30th June 2015 HK\$M	Year ended 31st December 2014 HK\$M
Loans, bonds and perpetual capital securities		
At 1st January	68,788	61,844
Loans drawn and refinancing	6,477	19,714
Repayment of loans and bonds	(4,678)	(12,697)
Change in composition of the Group	–	20
Other non-cash movements	27	(93)
At 30th June / 31st December	<b>70,614</b>	68,788

During the first half of 2015, the Group raised financing amounting to HK\$6,438 million. This principally comprised:

- the issue of a seven-year medium-term note of HK\$400 million under Swire Pacific's US\$5 billion medium-term note programme
- the issue of three ten-year medium-term notes totalling HK\$600 million under Swire Properties' US\$3 billion medium-term note programme
- an increase of US\$250 million to a revolving loan facility to US\$300 million
- three five-year term and revolving loan facilities totalling HK\$3,000 million
- a five-year term loan facility of HK\$500 million

During the first half of 2015, the Group made repayments including:

- four five-year revolving loan facilities totalling HK\$2,500 million
- early repayment of HK\$1,250 million under a HK\$2,000 million term and revolving loan facility
- early repayment of a term loan facility of US\$69 million

Subsequent to 30th June 2015, two seven-year medium-term notes totalling HK\$605 million and a ten-year HK\$150 million medium-term note were issued under Swire Pacific's US\$5 billion medium-term note programme.

### Sources of Finance

At 30th June 2015, committed loan facilities and debt securities amounted to HK\$82,635 million, of which HK\$12,626 million remained undrawn. In addition, the Group had undrawn uncommitted facilities totalling HK\$9,613 million. Sources of funds at 30th June 2015 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	Total Undrawn HK\$M
<b>Committed facilities</b>					
Loans and bonds					
Fixed/floating rate bonds	38,071	38,071	–	–	–
Bank loans, overdrafts and other loans	42,238	29,612	2,365	10,261	12,626
Perpetual capital securities	2,326	2,326	–	–	–
<b>Total committed facilities</b>	<b>82,635</b>	<b>70,009</b>	<b>2,365</b>	<b>10,261</b>	<b>12,626</b>
<b>Uncommitted facilities</b>					
Bank loans, overdrafts and other loans	10,562	949	9,613	–	9,613
<b>Total</b>	<b>93,197</b>	<b>70,958</b>	<b>11,978</b>	<b>10,261</b>	<b>22,239</b>

Note: The figures above are stated before unamortised loan fees of HK\$344 million.

The Group had bank balances and short-term deposits of HK\$9,606 million at 30th June 2015 compared to HK\$10,115 million at 31st December 2014.

### 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 2015



\* 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 2015		31st December 2014	
	HK\$M		HK\$M	
Within 1 year	14,801	21%	5,943	9%
1 – 2 years	10,777	15%	12,529	18%
2 – 5 years	23,366	33%	25,165	37%
After 5 years	21,670	31%	25,151	36%
<b>Total</b>	<b>70,614</b>	<b>100%</b>	<b>68,788</b>	<b>100%</b>

#### Currency Profile

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

Currency	30th June 2015		31st December 2014	
	HK\$M		HK\$M	
Hong Kong dollar	45,308	64%	43,417	63%
Renminbi	5,736	8%	5,921	9%
United States dollar	19,433	28%	19,418	28%
Others	137	–	32	–
<b>Total</b>	<b>70,614</b>	<b>100%</b>	<b>68,788</b>	<b>100%</b>

## Finance Charges

At 30th June 2015, 62% of the Group's gross borrowings were on a fixed rate basis and 38% were on a floating rate basis (31st December 2014: 63% and 37% respectively). Interest charged and earned was as follows:

### Financial Information Reviewed by Auditors

	Six months ended 30th June		Year ended 31st December	
	2015 HK\$M	2014 HK\$M	2014 HK\$M	2014 HK\$M
Interest charged on:				
– Bank loans and overdrafts	(341)	(388)	(753)	
– Other loans, bonds and perpetual capital securities	(962)	(934)	(1,889)	
Fair value gains on derivative instruments:				
– Interest rate swaps: cash flow hedges, transferred from other comprehensive income	50	51	95	
Amortised loan fees – loans at amortised cost	(49)	(54)	(107)	
	(1,302)	(1,325)	(2,654)	
Fair value loss on put options over non-controlling interests in subsidiary companies	(28)	(45)	(29)	
Other financing costs	(65)	(53)	(117)	
Capitalised interest on:				
– Investment properties	90	88	185	
– Properties for sale	74	101	221	
– Hotels and other properties	7	3	7	
– Vessels	21	59	100	
	(1,203)	(1,172)	(2,287)	
Interest income on:				
– Short-term deposits and bank balances	84	81	149	
– Fair value gain on put options over non-controlling interests in subsidiary companies	–	–	1	
– Other loans	43	55	112	
	127	136	262	
<b>Net finance charges</b>	<b>(1,076)</b>	<b>(1,036)</b>	<b>(2,025)</b>	

The total interest and fees charged on borrowings (after interest rate swaps) was HK\$1,302 million (30th June 2014: HK\$1,325 million; year ended 31st December 2014: HK\$2,654 million).

### Gearing Ratios and Interest Cover

	30th June		31st December
	2015	2014	2014
Gearing ratio*			
Per accounts	<b>22.8%</b>	22.0%	22.4%
Underlying	<b>22.0%</b>	21.3%	21.6%
Interest cover – times*			
Per accounts	<b>9.6</b>	8.3	6.8
Underlying	<b>6.0</b>	6.1	6.1
Cash interest cover – times*			
Per accounts	<b>8.1</b>	6.7	5.4
Underlying	<b>5.1</b>	4.9	4.9

\* Refer to Glossary on page 75 for definition.

### Debt in Joint Venture and Associated Companies

In accordance with Hong Kong Financial Reporting Standards, the net debt of Swire Pacific reported in the consolidated statement of financial position does not include the net debt of its joint venture and associated companies. These companies had the following net debt positions at 30th June 2015 and 31st December 2014:

	Total net debt/(cash) of joint venture and associated companies		Portion of net debt/(cash) attributable to the Group		Debt guaranteed by Swire Pacific or its subsidiaries	
	30th June 2015 HK\$M	31st December 2014 HK\$M	30th June 2015 HK\$M	31st December 2014 HK\$M	30th June 2015 HK\$M	31st December 2014 HK\$M
Property Division	<b>11,803</b>	11,327	<b>5,035</b>	4,792	<b>1,473</b>	1,477
Aviation Division						
Cathay Pacific group	<b>44,189</b>	43,998	<b>19,885</b>	19,799	–	–
HAECO group	<b>1,565</b>	1,375	<b>190</b>	184	–	–
Others	<b>(4)</b>	3	<b>(2)</b>	1	–	–
Beverages Division	<b>1,584</b>	1,335	<b>556</b>	440	–	–
Marine Services Division	<b>794</b>	822	<b>397</b>	411	<b>500</b>	500
Trading & Industrial Division	<b>(3,200)</b>	(3,215)	<b>(1,089)</b>	(1,077)	–	–
	<b>56,731</b>	55,645	<b>24,972</b>	24,550	<b>1,973</b>	1,977

If the attributable portion of the net debt in joint venture and associated companies were to be added to the Group's net debt, gearing would rise to 32.1% and underlying gearing would rise to 30.9%.

# Report on Review of Condensed Interim Financial Statements

To the Board of Directors of Swire Pacific Limited  
(incorporated in Hong Kong with limited liability)

## INTRODUCTION

We have reviewed the condensed interim financial statements set out on pages 40 to 70, which comprise the consolidated statement of financial position of Swire Pacific Limited (the “Company”) and its subsidiaries (together the “Group”) as at 30th June 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed interim financial statements 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 these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim financial statements 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 financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 20th August 2015

# Consolidated Statement of Profit or Loss

for the six months ended 30th June 2015

	Note	(Unaudited) Six months ended 30th June		(Audited) Year ended 31st December	
		2015 HK\$M	2014 HK\$M	2014 HK\$M	
Revenue	4	<b>31,633</b>	30,111	61,301	
Cost of sales		<b>(19,588)</b>	(18,672)	(38,313)	
Gross profit		<b>12,045</b>	11,439	22,988	
Distribution costs		<b>(3,381)</b>	(2,890)	(6,154)	
Administrative expenses		<b>(2,629)</b>	(2,209)	(4,771)	
Other operating expenses		<b>(153)</b>	(176)	(333)	
Other net gains	5	<b>8</b>	111	71	
Change in fair value of investment properties		<b>4,412</b>	2,282	1,896	
Operating profit		<b>10,302</b>	8,557	13,697	
Finance charges		<b>(1,203)</b>	(1,172)	(2,287)	
Finance income		<b>127</b>	136	262	
Net finance charges	7	<b>(1,076)</b>	(1,036)	(2,025)	
Share of profits less losses of joint venture companies		<b>1,041</b>	1,406	2,253	
Share of profits less losses of associated companies		<b>1,001</b>	324	1,678	
Profit before taxation		<b>11,268</b>	9,251	15,603	
Taxation	8	<b>(1,453)</b>	(1,254)	(2,218)	
Profit for the period		<b>9,815</b>	7,997	13,385	
Profit attributable to:					
The Company's shareholders		<b>7,977</b>	6,484	11,069	
Non-controlling interests		<b>1,838</b>	1,513	2,316	
		<b>9,815</b>	7,997	13,385	
Dividends					
First Interim – declared/paid		<b>1,685</b>	1,655	1,655	
Second Interim – paid		<b>–</b>	–	4,213	
	9	<b>1,685</b>	1,655	5,868	
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	
Earnings per share from profit attributable to the Company's shareholders (basic and diluted)	10				
'A' share		<b>5.30</b>	4.31	7.36	
'B' share		<b>1.06</b>	0.86	1.47	
		<b>2015</b>	<b>2014</b>		
		<b>First Interim HK¢</b>	First Interim HK¢	Second Interim HK¢	Total HK¢
Dividends per share					
'A' share		<b>112.0</b>	110.0	280.0	390.0
'B' share		<b>22.4</b>	22.0	56.0	78.0

The notes on pages 45 to 70 form part of these financial statements.

# Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2015

	(Unaudited) Six months ended 30th June	(Audited) Year ended 31st December
	2015 HK\$M	2014 HK\$M
<b>Profit for the period</b>	<b>9,815</b>	<b>13,385</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Revaluation of property previously occupied by the Group gains recognised during the period	23	1
deferred tax	(3)	(2)
Defined benefit plans		
remeasurement gains/(losses) recognised during the period	5	4
deferred tax	(1)	(1)
Share of other comprehensive income of joint venture and associated companies	(9)	29
	<b>15</b>	<b>(530)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges		
(losses)/gains recognised during the period	(277)	47
transferred to net finance charges	(50)	(51)
transferred to operating profit	12	10
transferred to initial cost of non-financial assets	–	89
deferred tax	32	2
Net fair value changes on available-for-sale assets		
(losses)/gains recognised during the period	(42)	17
gains transferred to operating profit	(1)	–
Share of other comprehensive income of joint venture and associated companies	991	(1,002)
Net translation differences on foreign operations	14	(622)
	<b>679</b>	<b>(1,510)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>694</b>	<b>(7,411)</b>
<b>Total comprehensive income for the period</b>	<b>10,509</b>	<b>5,974</b>
Total comprehensive income attributable to:		
The Company's shareholders	8,682	5,167
Non-controlling interests	1,827	1,353
	<b>10,509</b>	<b>5,974</b>

The notes on pages 45 to 70 form part of these financial statements.

# Consolidated Statement of Financial Position

at 30th June 2015

	Note	(Unaudited) 30th June 2015 HK\$M	(Audited) 31st December 2014 HK\$M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	44,323	43,601
Investment properties	11	225,737	220,869
Leasehold land and land use rights	11	1,191	1,170
Intangible assets	12	7,538	7,442
Properties held for development		902	920
Joint venture companies	13	25,121	23,703
Associated companies	14	27,424	26,039
Available-for-sale assets		732	771
Long-term other receivables		92	58
Derivative financial instruments	16	291	508
Deferred tax assets	19	749	652
Retirement benefit assets		99	122
		<b>334,199</b>	<b>325,855</b>
<b>Current assets</b>			
Properties for sale		7,174	7,941
Stocks and work in progress		4,214	3,860
Trade and other receivables	17	11,398	9,552
Derivative financial instruments	16	83	12
Bank balances and short-term deposits		9,606	10,115
		<b>32,475</b>	<b>31,480</b>
<b>Current liabilities</b>			
Trade and other payables	18	17,298	16,739
Taxation payable		1,071	661
Derivative financial instruments	16	18	34
Short-term loans		834	1,123
Long-term loans and bonds due within one year		13,967	4,820
		<b>33,188</b>	<b>23,377</b>
<b>Net current (liabilities)/assets</b>		<b>(713)</b>	<b>8,103</b>
<b>Total assets less current liabilities</b>		<b>333,486</b>	<b>333,958</b>
<b>Non-current liabilities</b>			
Perpetual capital securities		2,326	2,327
Long-term loans and bonds		53,487	60,518
Derivative financial instruments	16	108	40
Other payables	18	1,471	1,194
Deferred tax liabilities	19	7,350	6,938
Deferred income		60	57
Retirement benefit liabilities		768	754
		<b>65,570</b>	<b>71,828</b>
<b>NET ASSETS</b>		<b>267,916</b>	<b>262,130</b>
<b>EQUITY</b>			
Share capital	20	1,294	1,294
Reserves	21	221,409	217,481
<b>Equity attributable to the Company's shareholders</b>		<b>222,703</b>	<b>218,775</b>
<b>Non-controlling interests</b>	22	<b>45,213</b>	<b>43,355</b>
<b>TOTAL EQUITY</b>		<b>267,916</b>	<b>262,130</b>

The notes on pages 45 to 70 form part of these financial statements.

# Consolidated Statement of Cash Flows

for the six months ended 30th June 2015

	(Unaudited) Six months ended 30th June	(Audited) Year ended 31st December
	2015 HK\$M	2014 HK\$M
<b>Operating activities</b>		
Cash generated from operations	7,189	7,698
Interest paid	(1,256)	(1,252)
Interest received	128	141
Tax paid	(693)	(377)
	<b>5,368</b>	<b>6,210</b>
Dividends received from joint venture and associated companies and available-for-sale assets	1,102	661
<b>Net cash generated from operating activities</b>	<b>6,470</b>	<b>14,474</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,261)	(3,186)
Additions of investment properties	(1,560)	(1,355)
Purchase of intangible assets	(18)	(13)
Proceeds from disposals of property, plant and equipment	57	100
Proceeds from disposals of investment properties	91	27
Proceeds from disposal of a joint venture company	–	–
Proceeds from disposals of available-for-sale assets	1	–
Purchase of shares in new subsidiary companies	(116)	(2,942)
Purchase of shares in joint venture companies	(34)	(15)
Purchase of shares in associated companies	–	–
Purchase of new businesses	–	–
Purchase of available-for-sale assets	(4)	(222)
Loans to joint venture companies	(733)	(1,672)
Repayment of loans by joint venture companies	70	328
Net loans from associated companies	76	1
Decrease in deposits maturing after more than three months	19	40
Initial leasing costs incurred	(8)	(11)
<b>Net cash used in investing activities</b>	<b>(4,420)</b>	<b>(14,689)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>2,050</b>	<b>(2,049)</b>
<b>Financing activities</b>		
Loans drawn and refinancing	6,477	12,000
Repayment of loans and bonds	(4,678)	(4,383)
	<b>1,799</b>	<b>7,617</b>
Capital contribution from non-controlling interests	629	4
Proceeds from disposal of shares in a subsidiary company	–	–
Purchase of shares in an existing subsidiary company	–	(1,256)
Dividends paid to the Company's shareholders	(4,213)	(3,761)
Dividends paid to non-controlling interests	(760)	(678)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,545)</b>	<b>(581)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(495)</b>	<b>(796)</b>
Cash and cash equivalents at 1st January	10,013	10,950
Currency adjustment	5	(98)
<b>Cash and cash equivalents at end of the period</b>	<b>9,523</b>	<b>10,013</b>
<b>Represented by:</b>		
Bank balances and short-term deposits maturing within three months	9,523	10,013

The notes on pages 45 to 70 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the six months ended 30th June 2015

	Attributable to the Company's shareholders					Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M	Non-controlling interests HK\$M	
<b>At 1st January 2015</b>	1,294	214,880	2,601	218,775	43,355	262,130
Profit for the period	–	7,977	–	7,977	1,838	9,815
Other comprehensive income	–	(5)	710	705	(11)	694
<b>Total comprehensive income for the period</b>	–	7,972	710	8,682	1,827	10,509
Dividends paid	–	(4,213)	–	(4,213)	(609)	(4,822)
Change in composition of the Group	–	–	–	–	11	11
Capital contribution from non-controlling interests	–	–	–	–	629	629
Recognition of contingent consideration	–	(541)	–	(541)	–	(541)
<b>At 30th June 2015 (unaudited)</b>	<b>1,294</b>	<b>218,098</b>	<b>3,311</b>	<b>222,703</b>	<b>45,213</b>	<b>267,916</b>

	Attributable to the Company's shareholders					Total equity HK\$M
	Share capital HK\$M	Revenue reserve HK\$M	Other reserves HK\$M	Total HK\$M	Non-controlling interests HK\$M	
<b>At 1st January 2014</b>	903	209,682	9,712	220,297	42,211	262,508
Profit for the period	–	6,484	–	6,484	1,513	7,997
Other comprehensive income	–	32	(1,349)	(1,317)	(160)	(1,477)
<b>Total comprehensive income for the period</b>	–	6,516	(1,349)	5,167	1,353	6,520
Transition to no-par value regime on 3rd March 2014 (note 20)	391	–	(391)	–	–	–
Dividends paid	–	(3,761)	–	(3,761)	(719)	(4,480)
Capital contribution from non-controlling interests	–	–	–	–	4	4
<b>At 30th June 2014 (unaudited)</b>	<b>1,294</b>	<b>212,437</b>	<b>7,972</b>	<b>221,703</b>	<b>42,849</b>	<b>264,552</b>

The notes on pages 45 to 70 form part of these financial statements.

# Notes to the Interim Financial Statements

## 1. SEGMENT INFORMATION

(a) Analysis of Consolidated Statement of Profit or Loss

Six months ended 30th June 2015	External revenue HK\$M	Inter- segment revenue HK\$M	Operating profit/(loss) HK\$M	Finance charges HK\$M	Finance income HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Tax (charge)/ credit HK\$M	Profit/(loss) for the period HK\$M	Profit/(loss) attributable to the Company's shareholders HK\$M
<b>Property</b>										
Property investment	5,389	44	4,141	(654)	44	109	–	(541)	3,099	2,528
Change in fair value of investment properties	–	–	4,426	–	–	587	–	(408)	4,605	3,754
Property trading	3,403	–	1,025	(1)	2	(2)	–	(178)	846	646
Hotels	550	–	(23)	(22)	–	(8)	67	(6)	8	8
	<b>9,342</b>	<b>44</b>	<b>9,569</b>	<b>(677)</b>	<b>46</b>	<b>686</b>	<b>67</b>	<b>(1,133)</b>	<b>8,558</b>	<b>6,936</b>
<b>Aviation</b>										
Cathay Pacific group	–	–	–	–	–	–	887	–	887	887
HAECO group	5,734	–	263	(51)	12	130	–	(58)	296	190
Others	–	–	(26)	–	–	3	(4)	–	(27)	(14)
	<b>5,734</b>	<b>–</b>	<b>237</b>	<b>(51)</b>	<b>12</b>	<b>133</b>	<b>883</b>	<b>(58)</b>	<b>1,156</b>	<b>1,063</b>
<b>Beverages</b>										
Mainland China	4,218	–	260	(29)	18	114	52	(73)	342	245
Hong Kong	1,050	1	102	–	–	–	–	(9)	93	85
Taiwan	677	–	24	(3)	–	–	–	(4)	17	17
USA	2,931	–	175	–	–	–	–	(52)	123	123
Central costs	–	–	(14)	–	–	–	–	–	(14)	(14)
	<b>8,876</b>	<b>1</b>	<b>547</b>	<b>(32)</b>	<b>18</b>	<b>114</b>	<b>52</b>	<b>(138)</b>	<b>561</b>	<b>456</b>
<b>Marine Services</b>										
Swire Pacific Offshore group	3,031	1	49	(164)	24	–	(1)	(70)	(162)	(169)
HUD group	–	–	–	–	–	13	–	–	13	13
	<b>3,031</b>	<b>1</b>	<b>49</b>	<b>(164)</b>	<b>24</b>	<b>13</b>	<b>(1)</b>	<b>(70)</b>	<b>(149)</b>	<b>(156)</b>
<b>Trading &amp; Industrial</b>										
Swire Retail group	1,649	–	31	(1)	11	4	17	(14)	48	48
Taikoo Motors group	2,270	–	58	(1)	1	–	–	(21)	37	37
Swire Foods group	700	41	52	–	2	(2)	–	(18)	34	23
Swire Pacific Cold Storage group	13	–	(38)	(5)	–	4	–	(1)	(40)	(40)
Akzo Nobel Swire Paints	–	–	–	–	–	89	–	(4)	85	85
Swire Sustainable Business group	–	–	–	–	–	–	(17)	–	(17)	(17)
Other activities	–	–	(13)	–	–	–	–	–	(13)	(13)
	<b>4,632</b>	<b>41</b>	<b>90</b>	<b>(7)</b>	<b>14</b>	<b>95</b>	<b>–</b>	<b>(58)</b>	<b>134</b>	<b>123</b>
<b>Head Office</b>										
Net income/(expenses)	18	13	(176)	(827)	568	–	–	4	(431)	(431)
Change in fair value of investment properties	–	–	(14)	–	–	–	–	–	(14)	(14)
	<b>18</b>	<b>13</b>	<b>(190)</b>	<b>(827)</b>	<b>568</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>(445)</b>	<b>(445)</b>
Inter-segment elimination	–	(100)	–	555	(555)	–	–	–	–	–
<b>Total</b>	<b>31,633</b>	<b>–</b>	<b>10,302</b>	<b>(1,203)</b>	<b>127</b>	<b>1,041</b>	<b>1,001</b>	<b>(1,453)</b>	<b>9,815</b>	<b>7,977</b>

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by the 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 Statement of Profit or Loss (continued)

Six months ended 30th June 2014	External revenue HK\$M	Inter- segment revenue HK\$M	Operating profit/(loss) HK\$M	Finance charges HK\$M	Finance income HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Tax charge HK\$M	Profit/(loss) for the period HK\$M	Profit/(loss) attributable to the Company's shareholders HK\$M
<b>Property</b>										
Property investment	5,065	44	3,943	(691)	55	117	–	(464)	2,960	2,417
Change in fair value of investment properties	–	–	2,346	–	–	739	–	(336)	2,749	2,252
Property trading	2,707	–	807	–	2	175	–	(133)	851	596
Hotels	522	–	(8)	(24)	–	(10)	83	(15)	26	21
	<b>8,294</b>	<b>44</b>	<b>7,088</b>	<b>(715)</b>	<b>57</b>	<b>1,021</b>	<b>83</b>	<b>(948)</b>	<b>6,586</b>	<b>5,286</b>
<b>Aviation</b>										
Cathay Pacific group	–	–	–	–	–	–	156	–	156	156
HAECO group	5,337	–	258	(48)	15	161	–	(63)	323	212
Others	–	–	(26)	–	–	4	(2)	–	(24)	(11)
	<b>5,337</b>	<b>–</b>	<b>232</b>	<b>(48)</b>	<b>15</b>	<b>165</b>	<b>154</b>	<b>(63)</b>	<b>455</b>	<b>357</b>
<b>Beverages</b>										
Mainland China	4,151	–	284	(28)	16	105	77	(86)	368	258
Hong Kong	975	1	88	–	–	–	–	(8)	80	73
Taiwan	649	–	5	(3)	–	–	–	(1)	1	1
USA	2,039	–	121	(1)	–	–	–	(31)	89	89
Central costs	–	–	(18)	–	–	–	–	–	(18)	(18)
	<b>7,814</b>	<b>1</b>	<b>480</b>	<b>(32)</b>	<b>16</b>	<b>105</b>	<b>77</b>	<b>(126)</b>	<b>520</b>	<b>403</b>
<b>Marine Services</b>										
Swire Pacific Offshore group	3,510	–	808	(128)	26	–	2	(61)	647	644
HUD group	–	–	–	–	–	14	–	–	14	14
	<b>3,510</b>	<b>–</b>	<b>808</b>	<b>(128)</b>	<b>26</b>	<b>14</b>	<b>2</b>	<b>(61)</b>	<b>661</b>	<b>658</b>
<b>Trading &amp; Industrial</b>										
Swire Retail group	1,498	–	23	–	10	4	8	(14)	31	36
Taikoo Motors group	3,355	–	146	(1)	1	–	–	(25)	121	121
Swire Foods group	291	42	2	–	–	(13)	–	(1)	(12)	(12)
Swire Pacific Cold Storage group	–	–	(30)	(1)	1	5	–	–	(25)	(25)
Akzo Nobel Swire Paints	–	–	–	–	–	105	–	(5)	100	100
Other activities	–	–	(8)	–	–	–	–	–	(8)	(8)
	<b>5,144</b>	<b>42</b>	<b>133</b>	<b>(2)</b>	<b>12</b>	<b>101</b>	<b>8</b>	<b>(45)</b>	<b>207</b>	<b>212</b>
<b>Head Office</b>										
Net income/(expenses)	12	10	(120)	(811)	574	–	–	(11)	(368)	(368)
Change in fair value of investment properties	–	–	(64)	–	–	–	–	–	(64)	(64)
	<b>12</b>	<b>10</b>	<b>(184)</b>	<b>(811)</b>	<b>574</b>	<b>–</b>	<b>–</b>	<b>(11)</b>	<b>(432)</b>	<b>(432)</b>
Inter-segment elimination	–	(97)	–	564	(564)	–	–	–	–	–
<b>Total</b>	<b>30,111</b>	<b>–</b>	<b>8,557</b>	<b>(1,172)</b>	<b>136</b>	<b>1,406</b>	<b>324</b>	<b>(1,254)</b>	<b>7,997</b>	<b>6,484</b>

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by the 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 Statement of Profit or Loss (continued)

Year ended 31st December 2014	External revenue HK\$M	Inter- segment revenue HK\$M	Operating profit/(loss) HK\$M	Finance charges HK\$M	Finance income HK\$M	Share of profits less losses of joint venture companies HK\$M	Share of profits less losses of associated companies HK\$M	Tax charge HK\$M	Profit/(loss) for the year HK\$M	Profit/(loss) attributable to the Company's shareholders HK\$M
<b>Property</b>										
Property investment	10,366	90	7,870	(1,278)	92	308	–	(944)	6,048	4,938
Change in fair value of investment properties	–	–	1,942	–	–	956	–	(474)	2,424	1,987
Property trading	3,842	–	1,180	–	5	226	–	(211)	1,200	836
Hotels	1,089	–	(22)	(46)	–	(46)	160	(16)	30	25
	<b>15,297</b>	<b>90</b>	<b>10,970</b>	<b>(1,324)</b>	<b>97</b>	<b>1,444</b>	<b>160</b>	<b>(1,645)</b>	<b>9,702</b>	<b>7,786</b>
<b>Aviation</b>										
Cathay Pacific group	–	–	–	–	–	–	1,418	–	1,418	1,418
HAECO group	11,927	–	509	(100)	30	314	–	(94)	659	430
Others	–	–	(52)	–	–	6	(6)	–	(52)	(26)
	<b>11,927</b>	<b>–</b>	<b>457</b>	<b>(100)</b>	<b>30</b>	<b>320</b>	<b>1,412</b>	<b>(94)</b>	<b>2,025</b>	<b>1,822</b>
<b>Beverages</b>										
Mainland China	7,856	–	470	(56)	35	214	77	(181)	559	395
Hong Kong	2,163	1	220	–	–	–	–	(16)	204	185
Taiwan	1,415	–	35	(6)	–	–	–	(6)	23	23
USA	4,948	–	327	(10)	–	–	–	(109)	208	208
Central costs	–	–	43	–	–	–	–	–	43	43
	<b>16,382</b>	<b>1</b>	<b>1,095</b>	<b>(72)</b>	<b>35</b>	<b>214</b>	<b>77</b>	<b>(312)</b>	<b>1,037</b>	<b>854</b>
<b>Marine Services</b>										
Swire Pacific Offshore group	7,234	–	1,320	(284)	57	–	1	(42)	1,052	1,041
HUD group	–	–	–	–	–	31	–	–	31	31
	<b>7,234</b>	<b>–</b>	<b>1,320</b>	<b>(284)</b>	<b>57</b>	<b>31</b>	<b>1</b>	<b>(42)</b>	<b>1,083</b>	<b>1,072</b>
<b>Trading &amp; Industrial</b>										
Swire Retail group	3,020	–	58	(1)	23	5	36	(39)	82	82
Taikoo Motors group	6,706	–	270	(3)	2	–	–	(56)	213	213
Swire Foods group	701	94	24	–	2	(14)	–	(8)	4	1
Swire Pacific Cold Storage group	3	–	(79)	(4)	1	10	–	(1)	(73)	(73)
Akzo Nobel Swire Paints	–	–	–	–	–	241	–	(11)	230	230
Swire Sustainable Business group	–	–	1	–	–	2	(8)	–	(5)	(5)
Other activities	–	–	(25)	1	(1)	–	–	–	(25)	(25)
	<b>10,430</b>	<b>94</b>	<b>249</b>	<b>(7)</b>	<b>27</b>	<b>244</b>	<b>28</b>	<b>(115)</b>	<b>426</b>	<b>423</b>
<b>Head Office</b>										
Net income/(expenses)	31	25	(348)	(1,645)	1,161	–	–	(10)	(842)	(842)
Change in fair value of investment properties	–	–	(46)	–	–	–	–	–	(46)	(46)
	<b>31</b>	<b>25</b>	<b>(394)</b>	<b>(1,645)</b>	<b>1,161</b>	<b>–</b>	<b>–</b>	<b>(10)</b>	<b>(888)</b>	<b>(888)</b>
Inter-segment elimination	–	(210)	–	1,145	(1,145)	–	–	–	–	–
<b>Total</b>	<b>61,301</b>	<b>–</b>	<b>13,697</b>	<b>(2,287)</b>	<b>262</b>	<b>2,253</b>	<b>1,678</b>	<b>(2,218)</b>	<b>13,385</b>	<b>11,069</b>

Notes: Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services. Interest charged by the 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 2015	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits and securities HK\$M	Total assets HK\$M
Property					
Property investment	228,499	17,029	29	2,229	247,786
Property trading and development	9,317	1,057	–	644	11,018
Hotels	6,450	1,310	479	159	8,398
	<b>244,266</b>	<b>19,396</b>	<b>508</b>	<b>3,032</b>	<b>267,202</b>
Aviation					
Cathay Pacific group	–	–	25,155	–	25,155
HAECO group	11,604	1,264	–	1,798	14,666
Others	4,597	2,817	–	–	7,414
	<b>16,201</b>	<b>4,081</b>	<b>25,155</b>	<b>1,798</b>	<b>47,235</b>
Beverages					
Swire Beverages	<b>9,733</b>	<b>668</b>	<b>1,424</b>	<b>1,011</b>	<b>12,836</b>
Marine Services					
Swire Pacific Offshore group	25,027	–	7	603	25,637
HUD group	–	(42)	–	–	(42)
	<b>25,027</b>	<b>(42)</b>	<b>7</b>	<b>603</b>	<b>25,595</b>
Trading & Industrial					
Swire Retail group	872	31	116	220	1,239
Taikoo Motors group	1,946	–	–	461	2,407
Swire Foods group	1,274	43	–	343	1,660
Swire Pacific Cold Storage group	1,322	268	–	53	1,643
Akzo Nobel Swire Paints	–	657	–	–	657
Swire Sustainable Business group	121	19	214	–	354
Other activities	3	–	–	1	4
	<b>5,538</b>	<b>1,018</b>	<b>330</b>	<b>1,078</b>	<b>7,964</b>
Head Office	<b>3,710</b>	–	–	<b>2,132</b>	<b>5,842</b>
	<b>304,475</b>	<b>25,121</b>	<b>27,424</b>	<b>9,654</b>	<b>366,674</b>

## 1. SEGMENT INFORMATION (continued)

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

At 31st December 2014	Segment assets HK\$M	Joint venture companies HK\$M	Associated companies HK\$M	Bank deposits and securities HK\$M	Total assets HK\$M
<b>Property</b>					
Property investment	222,590	16,046	28	2,092	240,756
Property trading and development	9,417	891	–	612	10,920
Hotels	6,301	1,270	507	170	8,248
	<b>238,308</b>	<b>18,207</b>	<b>535</b>	<b>2,874</b>	<b>259,924</b>
<b>Aviation</b>					
Cathay Pacific group	–	–	23,774	–	23,774
HAECO group	11,460	1,240	–	2,331	15,031
Others	4,624	2,818	(7)	–	7,435
	<b>16,084</b>	<b>4,058</b>	<b>23,767</b>	<b>2,331</b>	<b>46,240</b>
<b>Beverages</b>					
Swire Beverages	<b>9,072</b>	<b>615</b>	<b>1,407</b>	<b>949</b>	<b>12,043</b>
<b>Marine Services</b>					
Swire Pacific Offshore group	24,928	–	6	1,152	26,086
HUD group	–	(54)	–	–	(54)
	<b>24,928</b>	<b>(54)</b>	<b>6</b>	<b>1,152</b>	<b>26,032</b>
<b>Trading &amp; Industrial</b>					
Swire Retail group	855	27	98	312	1,292
Taikoo Motors group	1,634	–	–	1,218	2,852
Swire Foods group	994	17	–	353	1,364
Swire Pacific Cold Storage group	1,161	264	–	105	1,530
Akzo Nobel Swire Paints	–	550	–	–	550
Swire Sustainable Business group	121	19	226	–	366
Other activities	211	–	–	–	211
	<b>4,976</b>	<b>877</b>	<b>324</b>	<b>1,988</b>	<b>8,165</b>
Head Office	<b>4,061</b>	–	–	<b>870</b>	<b>4,931</b>
	<b>297,429</b>	<b>23,703</b>	<b>26,039</b>	<b>10,164</b>	<b>357,335</b>

**1. SEGMENT INFORMATION** (continued)

(c) Analysis of Total Liabilities and Non-controlling Interests of the Group

At 30th June 2015	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
Property						
Property investment	5,698	6,930	9,853	21,864	44,345	37,661
Property trading and development	2,082	388	2,705	2,169	7,344	893
Hotels	230	–	–	614	844	1,377
	<b>8,010</b>	<b>7,318</b>	<b>12,558</b>	<b>24,647</b>	<b>52,533</b>	<b>39,931</b>
Aviation						
HAECO group	<b>2,542</b>	<b>323</b>	–	<b>4,409</b>	<b>7,274</b>	<b>4,134</b>
Beverages						
Swire Beverages	<b>4,888</b>	<b>556</b>	<b>1,160</b>	<b>43</b>	<b>6,647</b>	<b>971</b>
Marine Services						
Swire Pacific Offshore group	<b>1,206</b>	<b>12</b>	<b>10,402</b>	<b>109</b>	<b>11,729</b>	<b>20</b>
Trading & Industrial						
Swire Retail group	766	70	(251)	–	585	–
Taikoo Motors group	664	16	136	–	816	–
Swire Foods group	877	34	–	–	911	157
Swire Pacific Cold Storage group	157	2	417	–	576	–
Other activities	23	6	7	–	36	–
	<b>2,487</b>	<b>128</b>	<b>309</b>	–	<b>2,924</b>	<b>157</b>
Head Office	<b>590</b>	<b>84</b>	<b>(24,429)</b>	<b>41,406</b>	<b>17,651</b>	–
	<b>19,723</b>	<b>8,421</b>	–	<b>70,614</b>	<b>98,758</b>	<b>45,213</b>

## 1. SEGMENT INFORMATION (continued)

### (c) Analysis of Total Liabilities and Non-controlling Interests of the Group (continued)

At 31st December 2014	Segment liabilities HK\$M	Current and deferred tax liabilities HK\$M	Inter-segment borrowings/ (advances) HK\$M	External borrowings HK\$M	Total liabilities HK\$M	Non-controlling interests HK\$M
<b>Property</b>						
Property investment	5,739	6,329	10,094	20,649	42,811	36,133
Property trading and development	1,815	283	4,260	1,796	8,154	681
Hotels	277	–	–	545	822	1,353
	<b>7,831</b>	<b>6,612</b>	<b>14,354</b>	<b>22,990</b>	<b>51,787</b>	<b>38,167</b>
<b>Aviation</b>						
HAECO group	<b>2,404</b>	<b>310</b>	–	<b>4,930</b>	<b>7,644</b>	<b>4,151</b>
<b>Beverages</b>						
Swire Beverages	<b>4,617</b>	<b>429</b>	<b>1,160</b>	–	<b>6,206</b>	<b>867</b>
<b>Marine Services</b>						
Swire Pacific Offshore group	<b>1,317</b>	<b>26</b>	<b>10,183</b>	<b>653</b>	<b>12,179</b>	<b>23</b>
<b>Trading &amp; Industrial</b>						
Swire Retail group	785	58	(267)	–	576	–
Taikoo Motors group	842	34	134	–	1,010	–
Swire Foods group	264	6	–	–	270	147
Swire Pacific Cold Storage group	191	1	258	–	450	–
Other activities	28	18	2	–	48	–
	<b>2,110</b>	<b>117</b>	<b>127</b>	–	<b>2,354</b>	<b>147</b>
Head Office	<b>539</b>	<b>105</b>	<b>(25,824)</b>	<b>40,215</b>	<b>15,035</b>	–
	<b>18,818</b>	<b>7,599</b>	–	<b>68,788</b>	<b>95,205</b>	<b>43,355</b>

The 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 and regularly provided to the executive directors of the Board.

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

There are no differences from the last annual financial statements 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 financial statements 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 financial statements are consistent with those described in the 2014 annual financial statements except for those noted in 2(b) below.

- (b) The following amendments were required to be adopted by the Group effective from 1st January 2015:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010-2012 Cycle
	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions

The improvements to HKFRSs cycles consist of amendments to existing standards. The amendments have had no significant impact on the Group’s financial statements.

The amendment to HKAS 19 applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment permits (but does not require) contributions from employees or third parties that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, rather than being attributed to periods of service as a negative benefit. The amendment has had no significant impact on the Group’s financial statements.

- (c) The preparation of the interim financial statements 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 and areas where assumptions and estimates are significant to the Group’s consolidated financial statements are detailed in the 2014 annual financial statements.

## 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 financial statements 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 2014 annual financial statements. There have been no changes in the Group’s financial risk management structure, policies and procedures since the year end.

#### 4. REVENUE

Revenue represents sales by the Company and its subsidiary companies to external customers and comprises:

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Gross rental income from investment properties	5,339	5,010	10,256
Property trading	3,403	2,707	3,842
Hotels	550	522	1,089
Aircraft and engine maintenance services	5,160	4,797	10,733
Sales of goods	13,836	13,275	27,541
Charter hire	2,641	3,013	6,199
Rendering of other services	704	787	1,641
	<b>31,633</b>	<b>30,111</b>	<b>61,301</b>

#### 5. OTHER NET GAINS

Other net gains include the following:

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
(Loss)/profit on sale of investment properties	(35)	6	(39)
(Loss)/profit on sale of property, plant and equipment	(2)	6	(19)
Profit on the sale of available-for-sale assets	1	–	78
Net foreign exchange (losses)/gains	(100)	27	(168)
Fair value (losses)/gains on cross-currency swaps transferred from cash flow hedge reserve	(6)	(10)	3
Fair value gains/(losses) on forward foreign exchange contracts not qualifying as hedges	6	(1)	(1)
Dividend income on available-for-sale assets	–	–	5
Other income	144	83	212
Total	<b>8</b>	<b>111</b>	<b>71</b>

## 6. EXPENSES BY NATURE

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

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Direct operating expenses of investment properties that generated rental income	813	746	1,698
did not generate rental income	91	57	88
Cost of stocks sold	12,274	12,037	23,647
Write-down of stocks and work in progress	52	16	65
Impairment losses recognised on			
Property, plant and equipment (note 11)	159	23	27
Intangible assets (note 12)	54	–	89
Trade receivables	2	13	49
Impairment reversals on properties held for development	–	(24)	(45)
Depreciation of property, plant and equipment (note 11)	1,397	1,203	2,566
Amortisation of			
Leasehold land and land use rights (note 11)	17	16	33
Intangible assets (note 12)	69	65	136
Initial leasing costs on investment properties	37	46	89
Staff costs	5,837	5,345	11,206
Operating lease rentals			
Properties	476	381	887
Vessels	73	67	137
Plant and equipment	16	19	35
Others	4,384	3,937	8,864
Total cost of sales, distribution costs, administrative expenses and other operating expenses	25,751	23,947	49,571

## 7. NET FINANCE CHARGES

Refer to page 37 for details of the Group's net finance charges.

## 8. TAXATION

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
Current taxation			
Hong Kong profits tax	(684)	(562)	(1,020)
Overseas taxation	(415)	(275)	(530)
Under-provisions in prior years	(4)	(12)	(13)
	<b>(1,103)</b>	(849)	(1,563)
Deferred taxation (note 19)			
Change in fair value of investment properties	(289)	(219)	(265)
Origination and reversal of temporary differences	(61)	(186)	(390)
	<b>(350)</b>	(405)	(655)
	<b>(1,453)</b>	(1,254)	(2,218)

Hong Kong profits tax is calculated at 16.5% (2014: 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 joint venture and associated companies' tax charges for the six months ended 30th June 2015 of HK\$299 million (30th June 2014: HK\$323 million; year ended 31st December 2014: HK\$542 million) and HK\$229 million (30th June 2014: HK\$127 million; year ended 31st December 2014: HK\$333 million) respectively is included in the share of profits less losses of joint venture and associated companies shown in the consolidated statement of profit or loss.

## 9. DIVIDENDS

	Six months ended 30th June		Year ended 31st December
	2015 HK\$M	2014 HK\$M	2014 HK\$M
First interim dividend declared on 20th August 2015 of HK¢112.0 per 'A' share and HK¢22.4 per 'B' share (2014 first interim dividend paid: HK¢110.0 and HK¢22.0)	1,685	1,655	1,655
Second interim dividend paid on 8th May 2015 of HK¢280.0 per 'A' share and HK¢56.0 per 'B' share	–	–	4,213
	<b>1,685</b>	1,655	5,868

The Directors have declared first interim dividends of HK¢112.0 (2014: HK¢110.0) per 'A' share and HK¢22.4 (2014: HK¢22.0) per 'B' share. The first interim dividends, which total HK\$1,685 million (2014: HK\$1,655 million), will be paid on 6th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015.

The register of members will be closed on Friday, 11th September 2015, 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, 10th September 2015.

## 10. 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 2015 of HK\$7,977 million (30th June 2014: HK\$6,484 million; 31st December 2014: HK\$11,069 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 2014: 905,578,500 'A' shares and 2,995,220,000 'B' shares) in the proportion five to one.

## 11. PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND LAND USE RIGHTS AND INVESTMENT PROPERTIES

	Property, plant and equipment HK\$M	Leasehold land and land use rights HK\$M	Total HK\$M
<b>Cost</b>			
At 1st January 2015	61,323	1,412	62,735
Translation differences	27	–	27
Acquisition of a subsidiary company			
– measurement period adjustment (note 23)	69	6	75
Additions	2,143	32	2,175
Disposals	(295)	–	(295)
Revaluation surplus	23	–	23
Net transfers from investment properties	130	–	130
At 30th June 2015	<b>63,420</b>	<b>1,450</b>	<b>64,870</b>
<b>Accumulated depreciation/amortisation and impairment</b>			
At 1st January 2015	17,722	242	17,964
Translation differences	16	–	16
Charge for the period (note 6)	1,397	17	1,414
Disposals	(194)	–	(194)
Net transfers from investment properties	(3)	–	(3)
Impairment losses (note 6)	159	–	159
At 30th June 2015	<b>19,097</b>	<b>259</b>	<b>19,356</b>
<b>Net book value</b>			
At 30th June 2015	<b>44,323</b>	<b>1,191</b>	<b>45,514</b>
At 1st January 2015	43,601	1,170	44,771

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 2015.

Refer to page 13 for details of the Group's investment properties.

## 12. INTANGIBLE ASSETS

	Goodwill HK\$M	Computer software HK\$M	Service, franchise and operating rights HK\$M	Customer relationships HK\$M	Others HK\$M	Total HK\$M
<b>Cost</b>						
At 1st January 2015	5,964	414	764	768	132	8,042
Translation differences	(1)	1	–	–	–	–
Acquisition of a subsidiary company – measurement period adjustment (note 23)	80	–	–	–	–	80
Other transfers	–	–	–	–	38	38
Additions	–	20	82	–	–	102
Disposals	–	(2)	–	–	–	(2)
At 30th June 2015	<b>6,043</b>	<b>433</b>	<b>846</b>	<b>768</b>	<b>170</b>	<b>8,260</b>
<b>Accumulated amortisation and impairment</b>						
At 1st January 2015	127	282	124	45	22	600
Translation differences	–	1	–	–	–	1
Amortisation for the period (note 6)	–	23	17	26	3	69
Impairment losses (note 6)	54	–	–	–	–	54
Disposals	–	(2)	–	–	–	(2)
At 30th June 2015	<b>181</b>	<b>304</b>	<b>141</b>	<b>71</b>	<b>25</b>	<b>722</b>
<b>Net book value</b>						
At 30th June 2015	<b>5,862</b>	<b>129</b>	<b>705</b>	<b>697</b>	<b>145</b>	<b>7,538</b>
At 1st January 2015	5,837	132	640	723	110	7,442

### 13. JOINT VENTURE COMPANIES

	30th June 2015 HK\$M	31st December 2014 HK\$M
Share of net assets, unlisted	11,443	10,515
Goodwill	105	94
	<b>11,548</b>	10,609
Loans due from joint venture companies less provisions		
Interest-free	12,259	12,217
Interest-bearing at 1.71% to 7.50% (2014: 1.71% to 7.50%)	1,314	877
	<b>25,121</b>	23,703

### 14. ASSOCIATED COMPANIES

	30th June 2015 HK\$M	31st December 2014 HK\$M
Share of net assets		
Listed in Hong Kong	24,398	23,017
Unlisted	2,136	2,137
	<b>26,534</b>	25,154
Goodwill	855	850
	<b>27,389</b>	26,004
Loans due from associated companies		
Interest-free	31	31
Interest-bearing at 4.0% to 6.0% (2014: 4.0% to 6.0%)	4	4
	<b>27,424</b>	26,039

The market value of the shares in the listed associated company, Cathay Pacific, at 30th June 2015 was HK\$33,741 million (31st December 2014: HK\$29,917 million).

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments that are measured at fair value are included in the following fair value hierarchy:

	Level 1 HK\$M	Level 2 HK\$M	Level 3 HK\$M	Total carrying amount HK\$M
<b>Assets as per consolidated statement of financial position</b>				
At 30th June 2015				
Available-for-sale assets				
– Shares listed in Hong Kong	118	–	–	118
– Shares listed overseas	272	–	–	272
– Unlisted investments	–	–	342	342
Derivatives used for hedging (note 16)	–	374	–	374
<b>Total</b>	<b>390</b>	<b>374</b>	<b>342</b>	<b>1,106</b>
At 31st December 2014				
Available-for-sale assets				
– Shares listed in Hong Kong	99	–	–	99
– Shares listed overseas	334	–	–	334
– Unlisted investments	–	–	338	338
Derivatives used for hedging (note 16)	–	520	–	520
<b>Total</b>	<b>433</b>	<b>520</b>	<b>338</b>	<b>1,291</b>
<b>Liabilities as per consolidated statement of financial position</b>				
At 30th June 2015				
Derivatives used for hedging (note 16)	–	126	–	126
Put option over non-controlling interest in Brickell City Centre (note 18)	–	–	505	505
Put options over non-controlling interests in subsidiary companies (note 18)	–	–	75	75
Contingent consideration (note 18)	–	–	929	929
<b>Total</b>	<b>–</b>	<b>126</b>	<b>1,509</b>	<b>1,635</b>
At 31st December 2014				
Derivatives used for hedging (note 16)	–	74	–	74
Put option over non-controlling interest in Brickell City Centre (note 18)	–	–	470	470
Put options over non-controlling interests in subsidiary companies (note 18)	–	–	127	127
Contingent consideration (note 18)	–	–	388	388
<b>Total</b>	<b>–</b>	<b>74</b>	<b>985</b>	<b>1,059</b>

Notes:

The levels in the hierarchy represent the following:

Level 1 – Financial instruments measured at fair value using quoted prices in active markets.

Level 2 – Financial instruments measured at fair value using inputs other than quoted prices but where those inputs are based on observable market data.

Level 3 – Financial instruments measured at fair value using inputs not based on observable market data.

There were no transfers of financial instruments between the levels in the fair value hierarchy.

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The following table presents the changes in level 3 financial instruments for the period ended 30th June 2015:

	Unlisted investments HK\$M	Put options over non-controlling interests HK\$M	Contingent consideration HK\$M
At 1st January 2015	338	597	388
Additions	4	9	541
Change in fair value recognised in profit or loss during the period	–	(26)	–
At 30th June 2015	342	580	929
Total gains for the period included in profit or loss in respect of financial instruments held at 30th June 2015	–	26	–
Change in unrealised gains for the period included in profit or loss in respect of financial instruments held at 30th June 2015	–	26	–

There has been no change in valuation techniques for level 2 and level 3 fair value hierarchy classifications.

The fair value of derivatives used for hedging in level 2 has been determined based on quotations from market makers or alternative market participants supported by observable inputs. The most significant inputs are market interest rates, exchange rates and yields and commodity prices.

The fair value estimate of the put option over the non-controlling interest in the retail portion of Brickell City Centre classified as level 3 is determined using a discounted cash flow valuation technique and contains a number of unobservable inputs, including the expected fair value of the investment property at the expected exercise date, the expected exercise date itself and the discount rate used. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would change the valuation of the put option.

The fair value of put options over non-controlling interests in subsidiary companies (other than the subsidiary company holding the non-controlling interest in the retail portion of Brickell City Centre), unlisted investments and contingent consideration classified as level 3 are determined using a discounted cash flow valuation technique. The significant unobservable inputs used are expected future growth rates and discount rates. Changing these unobservable inputs to unobservable inputs based on reasonable alternative assumptions would not significantly change the valuation of the put options, unlisted investments and contingent consideration.

The Group's finance departments perform the valuations of financial instruments required for reporting purposes, including level 3 fair values. The valuations are reviewed and approved by divisional finance directors.

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value:

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31st December 2014 and 30th June 2015 except for the following financial liabilities, for which their carrying amounts and fair value are disclosed below:

	At 30th June 2015		At 31st December 2014	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Perpetual capital securities	2,326	2,419	2,327	2,466
Long-term loans and bonds due after one year	53,487	55,544	60,518	62,963

## 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 2015		31st December 2014	
	Assets HK\$M	Liabilities HK\$M	Assets HK\$M	Liabilities HK\$M
Cross-currency swaps – cash flow hedges	361	82	497	23
Interest rate swaps – cash flow hedges	4	25	11	16
Forward foreign exchange contracts				
Cash flow hedges	3	17	2	30
Not qualifying as hedges	6	–	10	2
Commodity swaps				
Cash flow hedges	–	–	–	2
Not qualifying as hedges	–	2	–	1
<b>Total</b>	<b>374</b>	<b>126</b>	<b>520</b>	<b>74</b>
Less non-current portion:				
Cross-currency swaps – cash flow hedges	287	82	497	23
Interest rate swaps – cash flow hedges	4	23	11	16
Forward foreign exchange contracts				
Cash flow hedges	–	3	–	–
Not qualifying as hedges	–	–	–	1
	<b>291</b>	<b>108</b>	<b>508</b>	<b>40</b>
<b>Current portion</b>	<b>83</b>	<b>18</b>	<b>12</b>	<b>34</b>

## 17. TRADE AND OTHER RECEIVABLES

	30th June 2015 HK\$M	31st December 2014 HK\$M
Trade debtors	4,911	3,719
Amounts due from immediate holding company	3	2
Amounts due from joint venture companies	193	142
Amounts due from associated companies	583	457
Interest-bearing advances to an associated company	123	123
Prepayments and accrued income	2,549	2,314
Other receivables	3,036	2,795
	<b>11,398</b>	<b>9,552</b>

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

	30th June 2015 HK\$M	31st December 2014 HK\$M
Under three months	4,635	3,523
Between three and six months	194	132
Over six months	82	64
	<b>4,911</b>	<b>3,719</b>

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 2015 HK\$M	31st December 2014 HK\$M
Trade creditors	3,392	3,812
Amounts due to immediate holding company	162	191
Amounts due to joint venture companies	201	179
Amounts due to associated companies	353	238
Interest-bearing advances from joint venture companies	330	402
Interest-bearing advances from an associated company	205	128
Advances from non-controlling interests	125	125
Rental deposits from tenants	2,303	2,303
Put option over non-controlling interest in Brickell City Centre	505	470
Put options over non-controlling interests in subsidiary companies	75	127
Contingent consideration	929	388
Accrued capital expenditure	516	734
Other accruals	5,263	5,117
Other payables	4,410	3,719
	<b>18,769</b>	17,933
Amounts due after one year included under non-current liabilities	(1,471)	(1,194)
	<b>17,298</b>	16,739

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

	30th June 2015 HK\$M	31st December 2014 HK\$M
Under three months	3,165	3,606
Between three and six months	196	139
Over six months	31	67
	<b>3,392</b>	3,812

## 19. DEFERRED TAXATION

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

	HK\$M
At 1st January 2015	6,286
Translation differences	(11)
Charged to statement of profit or loss (note 8)	350
Acquisition of a subsidiary company – measurement period adjustment (note 23)	4
Credited to other comprehensive income	(28)
At 30th June 2015	6,601
Represented by:	
Deferred tax assets	(749)
Deferred tax liabilities	7,350
	6,601

## 20. SHARE CAPITAL

	Company		Total HK\$M
	‘A’ shares	‘B’ shares	
<b>Issued and fully paid:</b>			
At 30th June 2015 and 31st December 2014	905,578,500	2,995,220,000	1,294

On 3rd March 2014, the Companies Ordinance (Cap. 662) (the “New CO”) came into effect. This had the following results:

- (a) The Company’s authorised share capital ceased to exist (by virtue of section 98(4) of the New CO).
- (b) The Company’s shares ceased to have nominal or par value (by virtue of section 135 of the New CO).
- (c) The amounts standing to the credit of the Company’s share premium account and capital redemption reserve became part of the Company’s share capital (by virtue of paragraph 37 of Schedule 11 to the New CO).

Except for voting rights, which are equal, the entitlements of ‘A’ and ‘B’ shareholders are in the proportion of five to one. This was unaffected by the Company’s shares ceasing to have nominal or par value as referred to in (b) above. Paragraph 40 of Schedule 11 to the New CO preserved the rights attaching to the Company’s ‘A’ shares and ‘B’ shares as if they still had their nominal values.

## 21. RESERVES

	Revenue reserve* HK\$M	Property revaluation reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Translation reserve HK\$M	Total HK\$M
At 1st January 2015	214,880	1,972	772	(4,094)	3,951	217,481
<b>Profit for the period</b>	7,977	–	–	–	–	7,977
<b>Other comprehensive income</b>						
Defined benefit plans						
– remeasurement gains recognised during the period	5	–	–	–	–	5
– deferred tax	(1)	–	–	–	–	(1)
Cash flow hedges						
– losses recognised during the period	–	–	–	(259)	–	(259)
– transferred to net finance charges	–	–	–	(50)	–	(50)
– transferred to operating profit	–	–	–	10	–	10
– deferred tax	–	–	–	29	–	29
Net fair value changes on available-for-sale assets						
– losses recognised during the period	–	–	(42)	–	–	(42)
– gains transferred to operating profit	–	–	(1)	–	–	(1)
Revaluation of property previously occupied by the Group						
– gains recognised during the period	–	19	–	–	–	19
– deferred tax	–	(3)	–	–	–	(3)
Share of other comprehensive income of joint venture and associated companies	(9)	–	48	942	(1)	980
Net translation differences on foreign operations	–	–	–	–	18	18
<b>Total comprehensive income for the period</b>	<b>7,972</b>	<b>16</b>	<b>5</b>	<b>672</b>	<b>17</b>	<b>8,682</b>
Recognition of contingent consideration	(541)	–	–	–	–	(541)
2014 second interim dividend	(4,213)	–	–	–	–	(4,213)
<b>At 30th June 2015</b>	<b>218,098</b>	<b>1,988</b>	<b>777</b>	<b>(3,422)</b>	<b>3,968</b>	<b>221,409</b>

\* The revenue reserve includes HK\$1,685 million representing the declared first interim dividend (31st December 2014: HK\$4,213 million representing the second interim dividend for 2014).

## 22. NON-CONTROLLING INTERESTS

	HK\$M
<b>At 1st January 2015</b>	<b>43,355</b>
Share of profits less losses for the period	1,838
Share of cash flow hedges	
– recognised during the period	(18)
– transferred to operating profit	2
– deferred tax	3
Share of revaluation gains of property previously occupied by the Group	4
Share of other comprehensive income of joint venture and associated companies	2
Share of translation differences on foreign operations	(4)
<b>Share of total comprehensive income for the period</b>	<b>1,827</b>
Dividends paid and payable	(609)
Non-controlling interests arising on acquisition of a subsidiary company	
– measurement period adjustment (note 23)	11
Capital contribution from non-controlling interests	629
<b>At 30th June 2015</b>	<b>45,213</b>

## 23. BUSINESS COMBINATION

### Acquisition of shares in Chongqing New Qinyuan Bakery Co. Ltd (“Qinyuan Bakery”)

On 5th December 2014, Swire Foods acquired 65% of the equity of Chongqing New Qinyuan Bakery Co. Ltd, a leading bakery chain in southwest China with over 460 stores in Chongqing, Guiyang and Chengdu.

At 31st December 2014, the initial accounting for the business combination of Qinyuan Bakery was incomplete and provisional amounts were reported pending the receipt of final valuations of the assets acquired. After finalisation of the completion financial statements and receipt of the final valuations of the assets acquired, the following measurement period adjustments were recognised in the current period:

	Provisional amounts at 31st December 2014 HK\$M	Final amounts at 30th June 2015 HK\$M	Measurement period adjustments recognised in the current period HK\$M
Purchase consideration:			
Cash paid	749	<b>849</b>	100
Property, plant and equipment	219	<b>288</b>	69
Leasehold land and land use rights	32	<b>38</b>	6
Stocks and work in progress	17	<b>17</b>	–
Cash and cash equivalents	161	<b>145</b>	(16)
Trade and other receivables	87	<b>103</b>	16
Trade and other payables	(110)	<b>(147)</b>	(37)
Taxation payable	(3)	<b>(6)</b>	(3)
Deferred tax liabilities	–	<b>(4)</b>	(4)
Non-controlling interests	(141)	<b>(152)</b>	(11)
Net identifiable assets acquired	262	<b>282</b>	20
Goodwill	487	<b>567</b>	80
	749	<b>849</b>	100
Purchase consideration settled in cash	749	<b>849</b>	100
Cash and cash equivalents acquired	(161)	<b>(145)</b>	16
Net cash outflow on acquisition	588	<b>704</b>	116

## 24. CAPITAL COMMITMENTS

	30th June 2015 HK\$M	31st December 2014 HK\$M
Outstanding capital commitments at the end of the period in respect of:		
Property, plant and equipment		
Contracted for	2,816	3,305
Authorised by Directors but not contracted for	3,901	5,534
Investment properties		
Contracted for	2,557	2,417
Authorised by Directors but not contracted for	14,578	15,773
	<b>23,852</b>	<b>27,029</b>
The Group's share of capital commitments of joint venture companies at the end of the period*		
Contracted for	2,227	2,259
Authorised by Directors but not contracted for	3,283	3,609
	<b>5,510</b>	<b>5,868</b>

\* of which the Group is committed to funding HK\$1,823 million (31st December 2014: HK\$2,650 million).

## 25. CONTINGENCIES

(a) Guarantees outstanding at the end of the period in respect of bank loans and other liabilities of joint venture companies totalled HK\$1,973 million (31st December 2014: HK\$1,977 million). Bank guarantees given in lieu of utility deposits totalled HK\$88 million at the end of the period (31st December 2014: HK\$146 million).

(b) Cathay Pacific Airways

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions except as otherwise noted below. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

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 €57.12 million (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. The appeal was heard by the General Court in Luxembourg in May 2015. The judgment for the appeal has not yet been delivered.

Cathay Pacific is 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, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel and is defending these actions, except as noted below.

## 25. CONTINGENCIES (continued)

### (b) Cathay Pacific Airways (continued)

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers that provide air cargo services fixed the prices of various air cargo charges and surcharges in violation of United States federal antitrust laws. Those were consolidated into one case for all pre-trial purposes, *In re Air Cargo Shipping Services Antitrust Litigation*, MDL No. 1775, EDNY. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in February 2014, by paying the plaintiffs US\$65 million (approximately HK\$504 million at the exchange rate current at date of payment). The settlement, which is subject to Court approval, will resolve claims by all putative class members who chose not to opt out of the agreement.

Cathay Pacific is a defendant in various putative class action cases filed in the United States, in which the plaintiffs allege Cathay Pacific and other carriers fixed certain elements of the price charged for passenger air transportation services in violation of United States antitrust laws. Those cases were consolidated into one case for all pre-trial purposes, *In re Transpacific Passenger Air Transportation Antitrust Litigation*, MDL No. 1913, N.D. Cal. Damages were demanded, but the amounts were not specified. Cathay Pacific reached an agreement to settle this matter in July 2014 by paying the plaintiffs US\$7.5 million (approximately HK\$58.1 million at the exchange rate current at date of payment). The settlement was approved by the Court in May 2015. The settlement resolves claims by all putative class members who chose not to opt out of the agreement.

The proceedings and civil actions, except as otherwise stated above, 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 joint venture 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 2014 and will last for three years until 31st December 2016. For the period ended 30th June 2015, service fees payable amounted to HK\$150 million (2014: HK\$158 million). Expenses of HK\$128 million (2014: HK\$116 million) were reimbursed at cost; in addition, HK\$169 million (2014: HK\$151 million) in respect of shared administrative services was reimbursed.

Under a tenancy framework agreement (“Tenancy Framework Agreement”) between JSSHK, the Company and Swire Properties Limited dated 14th August 2014, 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 Tenancy Framework Agreement is for an initial term of two years ending on 31st December 2015 and will be renewed on 1st October 2015 for a term of three years from 1st January 2016 to 31st December 2018. For the six months ended 30th June 2015, the aggregate rentals payable to the Group under the tenancies subject to the Tenancy Framework Agreement amounted to HK\$49 million (2014: HK\$47 million).

## 26. RELATED PARTY TRANSACTIONS (continued)

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 of Chapter 14A of the Listing Rules.

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 financial statements.

		For the six months ended 30th June							
		Joint venture companies		Associated companies		Fellow subsidiary companies		Immediate holding company	
Note		2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M	2015 HK\$M	2014 HK\$M
	Revenue from								
	Sales of beverage drinks	–	1	8	7	–	–	–	–
	Aircraft and engine maintenance	25	18	1,269	1,302	–	–	–	–
	Rendering of services	1	1	2	2	13	4	–	–
	Purchases of beverage drinks	42	35	1,030	936	–	–	–	–
	Purchases of other goods	3	3	7	3	–	–	–	–
	Purchases of services	9	12	5	11	13	15	–	–
	Rental revenue	3	3	5	4	7	8	42	39
	Interest income	36	22	4	4	–	–	–	–
	Interest charges	7	8	1	–	–	–	–	–

### Notes:

- 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.
- 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.
- Loans advanced to joint venture and associated companies are disclosed in notes 13 and 14. Advances to and from joint venture and associated companies are disclosed in notes 17 and 18.

## 27. EVENTS AFTER THE REPORTING PERIOD

In July 2015, a subsidiary of Swire Properties entered into a framework agreement with a subsidiary of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signifying the parties' intention to jointly develop a retail project with an aggregate gross floor area of approximately 1,330,000 square feet in Qiantan, Pudong New District in Shanghai. Entry into the proposed joint venture and undertaking the project are subject to certain conditions precedent. If the joint venture is formed, it is expected that Swire Properties will have a 50% interest in the project.

In July 2015, Swire Beverages Holdings Limited entered into agreements with CITIC Corporation Limited to acquire a 15% interest in Swire BCD Co., Ltd., a 20% interest in Swire Coca-Cola Beverages Hefei Limited and a 12.86% interest in Swire Coca-Cola Beverages Zhengzhou Limited ("CITIC Interests") for a total cash consideration of RMB1,250 million. On completion of these transactions, the Group's attributable interest in Swire BCD Co., Ltd. will increase from 74.38% to 89.38%, the Group's attributable interest in Swire Coca-Cola Beverages Hefei Limited will increase from 59.50% to 91.50% and the Group's attributable interest in Swire Coca-Cola Beverages Zhengzhou Limited will increase from 60.68% to 85.78%. At 31st December 2014, the audited net asset value attributable to the CITIC Interests was approximately RMB154 million. For the year ended 31st December 2014, the audited net profits before and after taxation attributable to the CITIC Interests were approximately RMB107 million and approximately RMB84 million respectively.

## CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained 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 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. J R Slosar was appointed as a Vice-President of The Real Estate Developers Association of Hong Kong with effect from 19th March 2015.
2. T G Freshwater retired as an Independent Non-Executive Director of COSCO Pacific Limited with effect from the conclusion of its annual general meeting held on 14th May 2015.
3. Baroness Dunn and C K M Kwok retired as Directors of the Company with effect from the conclusion of the 2015 annual general meeting held on 21st May 2015.
4. R W M Lee was appointed as an Independent Non-Executive Director of CK Hutchison Holdings Limited with effect from 3rd June 2015 and ceased to be an Independent Non-Executive Director of Hutchison Whampoa Limited with effect from 8th June 2015.

## DIRECTORS' INTERESTS

At 30th June 2015, 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			Total no. of shares	Percentage of voting shares in the class (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
<b>Swire Pacific Limited</b>						
<b>'A' shares</b>						
T G Freshwater	41,000	–	–	41,000	0.0045	
P A Johansen	31,500	–	–	31,500	0.0035	
J B Rae-Smith	–	–	5,000	5,000	0.0006	1
M C C Sze	6,000	–	–	6,000	0.0007	
<b>'B' shares</b>						
P A Johansen	200,000	–	–	200,000	0.0067	
C Lee	850,000	–	21,605,000	22,455,000	0.7497	2
J B Rae-Smith	17,500	–	–	17,500	0.0006	
I S C Shiu	–	20,000	–	20,000	0.0007	

	Capacity			Total no. of shares	Percentage of issued capital (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
<b>John Swire &amp; Sons Limited</b>						
<b>Ordinary Shares of £1</b>						
J B Rae-Smith	97,066	–	97,659	194,725	0.19	1
M B Swire	3,150,523	–	19,222,920	22,373,443	22.37	3
S C Swire	1,297,305	–	19,222,920	20,520,225	20.52	3
<b>8% Cum. Preference Shares of £1</b>						
J B Rae-Smith	18,821	–	9,628	28,449	0.09	1
M B Swire	846,476	–	5,655,441	6,501,917	21.67	3
S C Swire	291,240	–	5,655,441	5,946,681	19.82	3

	Capacity			Total no. of shares	Percentage of voting shares (%)	Note
	Beneficial interest		Trust interest			
	Personal	Family				
<b>Swire Properties Limited</b>						
<b>Ordinary Shares</b>						
T G Freshwater	28,700	–	–	28,700	0.00049	
P A Johansen	50,050	–	–	50,050	0.00086	
C Lee	200,000	–	3,024,700	3,224,700	0.05512	2
J B Rae-Smith	2,450	–	3,500	5,950	0.00010	1
I S C Shiu	–	2,800	–	2,800	0.00005	
M C C Sze	4,200	–	–	4,200	0.00007	

**Cathay Pacific Airways Limited****Ordinary Shares**

I S C Shiu

	Capacity		Total no. of shares	Percentage of voting shares (%)
	Beneficial interest			
	Personal	Family		
I S C Shiu	1,000	–	1,000	0.00003

**Hong Kong Aircraft Engineering Company Limited****Ordinary Shares**

T G Freshwater

I S C Shiu

M C C Sze

	Capacity		Total no. of shares	Percentage of voting shares (%)
	Beneficial interest			
	Personal	Other		
T G Freshwater	10,000	–	10,000	0.0060
I S C Shiu	1,600	–	1,600	0.0010
M C C Sze	12,800	–	12,800	0.0077

## Notes:

1. All the shares held by J B Rae-Smith under "Trust interest" are held by him as beneficiary of trusts.
2. All the shares held by C Lee under "Trust interest" are held by him as beneficiary of trusts.
3. M B Swire and S C Swire are trustees of trusts which held 7,899,584 ordinary shares and 2,237,039 preference shares in John Swire & Sons Limited included under "Trust interest" and do 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 at 30th June 2015 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	'A' shares	Percentage of voting shares in the class (%)	'B' shares	Percentage of voting shares in the class (%)	Note
<b>Long position</b>					
<b>Substantial Shareholders</b>					
John Swire & Sons Limited	338,236,720	37.35	2,051,533,782	68.49	1
Aberdeen Asset Management plc	126,616,217	13.98	435,779,326	14.55	2

Notes:

- John Swire & Sons Limited was deemed to be interested in a total of 338,236,720 'A' shares and 2,051,533,782 'B' shares of the Company at 30th June 2015, comprising:
  - 885,861 'A' shares and 13,367,962 'B' shares held directly;
  - 12,632,302 'A' shares and 37,597,019 'B' shares held directly by its wholly-owned subsidiary Taikoo Limited;
  - 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
  - the following shares held directly by wholly-owned subsidiaries of John Swire & Sons (H.K.) Limited: 248,461,700 '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 27,536,500 'A' shares held by Waltham Limited.
- 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.

At 30th June 2015, the Swire group was interested in 49.75% of the equity of the Company and controlled 61.26% of the voting rights attached to shares in the Company.

## TERMS

### FINANCIAL

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

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

**Net debt** 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 investment properties, unrecognised valuation gains on hotels held as part of mixed-use developments, revaluation of investment properties occupied by the Group and cumulative depreciation of investment properties occupied by the Group.

**Underlying profit** Reported profit adjusted principally for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.

### 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.

**Revenue tonne kilometres ("RTK")** Traffic volume, measured in load tonnes from the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

## 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 2015

Interim Report sent to shareholders	7th September
'A' and 'B' shares trade ex-dividend	9th September
Share registers closed	11th September
Payment of 2015 first interim dividends	6th October
Annual results announcement	March 2016
Second interim dividends payable	May 2016
Annual General Meeting	May 2016

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## 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.

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