



## Contents

- 2 Financial and Operating Highlights
- 3 Chairman's Letter
- 4 2001 Interim Review
- 8 Review of Operations
- 10 Financial Review
- 12 Condensed Financial Statements
- 22 Information Provided in Accordance with the Listing Rules

## Corporate information

Cathay Pacific Airways Limited is incorporated in Hong Kong with limited liability.

### Investor relations

For further information about Cathay Pacific Airways, please contact:

Corporate Communication Department  
 Cathay Pacific Airways Limited  
 7th Floor, North Tower  
 Cathay Pacific City  
 Hong Kong International Airport  
 Hong Kong

Tel : 2747 5210

Fax : 2810 6563

Cathay Pacific's main Internet address is <http://www.cathaypacific.com>

Cathay Pacific Airways is an international airline based in Hong Kong offering scheduled passenger and cargo services to 49 destinations around the world.

We are deeply committed to Hong Kong where the company was founded in 1946. We have made substantial investments in Hong Kong's aviation industry which, in addition to our fleet of aircraft, include catering, maintenance, ground handling and our own corporate headquarters at Hong Kong International Airport.

Cathay Pacific has a 75 percent shareholding in the all-freight carrier AHK Air Hong Kong Limited, which operates scheduled cargo services to Japan, Korea, Europe and the Middle East. In association with Hong Kong Dragon Airlines Limited, our global network extends to a further 27 destinations in China and around the region.

Cathay Pacific is a founder member of the **oneworld** global alliance whose combined network serves over 560 destinations worldwide. Other members of **oneworld** are Aer Lingus, American Airlines, British Airways, Finnair, Iberia, LanChile and Qantas.

Cathay Pacific is a member of the Swire Group and is listed on the Stock Exchange of Hong Kong.

## FINANCIAL AND OPERATING HIGHLIGHTS

<b>Financial (Group)</b>		2001	2000	Change
<b>Results</b>		<b>Six months ended 30th June</b>		
Turnover	<i>HK\$ million</i>	<b>15,843</b>	16,143	<b>-1.9%</b>
Profit attributable to shareholders	<i>HK\$ million</i>	<b>1,319</b>	2,176	<b>-39.4%</b>
Earnings per share	<i>HK cents</i>	<b>39.6</b>	64.4	<b>-38.5%</b>
Dividend per share	<i>HK cents</i>	<b>12.5</b>	20.0	<b>-37.5%</b>
Profit margin	%	<b>8.3</b>	13.5	<b>-5.2%pt</b>
<b>Balance Sheet</b>		<b>30th June</b>	<b>31st December</b>	
Shareholders' funds	<i>HK\$ million</i>	<b>32,813</b>	32,832	<b>-0.06%</b>
Net borrowings	<i>HK\$ million</i>	<b>11,147</b>	9,886	<b>+12.8%</b>
Net debt/equity ratio	<i>Times</i>	<b>0.34</b>	0.30	<b>+0.04Times</b>
<b>Operating (Cathay Pacific)</b>		<b>Six months ended 30th June</b>		
Available tonne kilometres ("ATK")	<i>Million</i>	<b>5,936</b>	5,483	<b>+8.3%</b>
Passenger load factor	%	<b>71.9</b>	75.7	<b>-3.8%pt</b>
Passenger yield	<i>HK cents</i>	<b>47.3</b>	47.6	<b>-0.6%</b>
Cargo and mail load factor	%	<b>65.1</b>	71.9	<b>-6.8%pt</b>
Cargo and mail yield	<i>HK\$</i>	<b>1.89</b>	2.06	<b>-8.3%</b>
Cost per ATK	<i>HK\$</i>	<b>2.32</b>	2.33	<b>-0.4%</b>
Cost per ATK without fuel	<i>HK\$</i>	<b>1.89</b>	1.92	<b>-1.6%</b>
Aircraft utilisation	<i>Hours per day</i>	<b>12.7</b>	13.0	<b>-2.3%</b>
On-time performance	%	<b>84.8</b>	85.3	<b>-0.5%pt</b>

All definitions are the same as those used in the 2000 Annual Report.

## CHAIRMAN'S LETTER

The Cathay Pacific Group made a profit attributable to shareholders of HK\$1,319 million during the first six months of 2001. Although lower than last year's record interim result, this was a reasonable performance given the economic slowdown in the majority of our key markets. Our turnover decreased by 1.9 percent to HK\$15,843 million.

When announcing our results for 2000, I suggested that 2001 would be a challenging year. It has certainly turned out that way. The slowdown in the United States, Japan and other major economies has been more severe than originally foreseen, affecting markets throughout the rest of Asia. The economic weakness has had a significant impact on both our passenger and, particularly, our cargo operations.

Passenger numbers increased by 2.3 percent compared to the corresponding period last year whilst capacity grew by 8.6 percent and, as a result, our passenger load factor declined. Passenger yield also declined due to lower demand for front-end traffic and weaker Asian currencies.

Demand for Cathay Pacific's cargo services was weak, with sharp falls in exports from Asia to the United States. The amount of cargo carried fell by 5.2 percent and both the cargo load factor and yield declined sharply.

Despite these adverse developments, we have continued to develop and invest in our product. In the first half of the year we took delivery of five new aircraft, launched a new service to Delhi and added more flights to South East Asia and North America. We launched a new inflight entertainment system and a new inflight food promotion. We also introduced a range of e-Business customer service enhancements, helping us to win a number of awards including Best Airline website from *OAG*, and Best e-Commerce Strategy from *FinanceAsia* magazine.

Our scheduled operations were badly disrupted in July when our pilots union initiated industrial action; the effects of this were further compounded by Typhoon Utor. In response we chartered a fleet of 17 aircraft to help ensure schedule reliability. After temporarily suspending services to nine destinations, operations are now almost back to normal. The costs of the disruption are estimated at HK\$350 million. I must apologise to all customers and staff who were inconvenienced during this difficult period.

The outcome for the full year will also be adversely affected by the continuing global economic slowdown. Cargo traffic is traditionally stronger in the second half of the year; but persistent weak demand is likely to be accompanied by weak load factors and yields. So far, passenger demand has been less affected, but load factors have fallen and yields are under downward pressure.

Despite the current weak trading conditions, we remain confident about the long-term future of our home base Hong Kong and its aviation industry. Hong Kong International Airport continues to strengthen its reputation as Asia's leading aviation centre and one of the busiest airports in the world in terms of both passenger numbers and cargo volumes. We are proud to have played a part in its success and look forward to contributing to its future growth.

I would like to close by again thanking our loyal staff for their hard work in what is turning out to be a demanding year.

**James Hughes-Hallett**

*Chairman*

Hong Kong, 8th August 2001

## 2001 INTERIM REVIEW

### Meeting the challenges

The first half of the year has been challenging for Cathay Pacific due to the economic slowdown in many key markets. Despite this we remain confident over our future and have continued with our long-term growth plans. These include adding new aircraft, new destinations and new products.

### An even better product

Throughout the year, we have enhanced our product in a number of ways.

- We have launched a new inflight entertainment system Studio<sup>CX</sup>, offering passengers a far wider range of entertainment – and more than doubling the choice to over 20 channels of video entertainment.
- A new season of the popular “Best Chinese Food in the Air” promotion was launched in April offering passengers dishes from some of Hong Kong’s most famous Chinese restaurants.
- We have also launched the world’s first comprehensive Online Check-In service allowing passengers to check in for flights via the Internet before heading to the airport.
- An interactive seat map was added to our Online Booking and Online Check-In services, allowing passengers to select their favourite seats over the Internet.
- Our new Downloadable Timetable gives users access to a huge database of travel-related information from around the world including airline flights, airport maps, Cathay Pacific contact details, and lounge information.
- The Asia Mile Travel Reward Programme has grown strongly in the first half with over one million members, 16 airlines and over 100 non-airline partners by the end of June. During the first half, Asia Miles welcomed a number of new partners including China Eastern Airlines, Asiana, and Diners Club.
- Cathay Pacific won a number of awards including Best Airline – Business Class at the *TTG* Annual Awards, Best e-Commerce Strategy at *FinanceAsia*’s Best Companies 2001 awards, Best Airline Website at the *OAG* Airline of the Year Awards, and one of Asia’s two gold SuperBrand airlines by *Reader’s Digest* magazine.

### Important new destinations

- Cathay Pacific launched a new non-stop service between Hong Kong and Delhi starting on 26th March. Delhi is an important addition to Cathay Pacific’s passenger network and further strengthens Hong Kong’s place as Asia’s leading aviation centre.
- The **oneworld** global airline alliance – of which Cathay Pacific is a founding member – continued to grow and develop. A number of new management positions were added to the **oneworld** Management Team in Vancouver. **oneworld** airlines currently offer services to over 560 destinations in 134 countries.

## Building our fleet of aircraft

- During the first half of the year five new aircraft joined the Cathay Pacific fleet, namely three Airbus A330-300s, one A340-300, and one Boeing 747-400 freighter.
- The A340-300 which arrived in February was the first of Cathay Pacific's Airbus aircraft to be installed with its highly acclaimed new First Class cabin. By the end of June, two Airbus aircraft had been installed with this cabin.
- In February, Cathay Pacific announced orders for seven additional aircraft to further grow its fleet over the next 18 months. The orders were for three of Airbus Industrie's new ultra-long range A340-600s, three A340-300s, and one A330-300.
- At the end of June, the airline's average passenger fleet age was just 5.9 years, amongst the lowest of any major airline.

## Fleet profile

Aircraft type	Number per fleet as at 30th June 2001				Firm orders				Expiry of operating leases			Options
	Owned	Leased		Total	'01	'02	'03	Total	'01	'02	'03	
		Finance	Operating									
<b>Aircraft operated by Cathay Pacific :</b>												
B747-400	2	15	2	19						1	1	
B747-200F	3	1		4								
B747-400F	1	3		4	1			1				
B777-200	1	4		5								
B777-300		7		7								3 <sup>(a)</sup>
A330-300		15		15	5			5				1 <sup>(b)</sup>
A340-300		11	4	15	3			3 <sup>(c)</sup>		3		
A340-600						2	1	3 <sup>(c)</sup>				
<b>Total</b>	<b>7</b>	<b>56</b>	<b>6</b>	<b>69</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>12</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>
<b>Aircraft not operated by Cathay Pacific :</b>												
B747-200	2			2								
B747-300	3	3		6 <sup>(d)</sup>								
B747-200F		3		3 <sup>(e)</sup>								
<b>Total</b>	<b>5</b>	<b>6</b>		<b>11</b>								

(a) The operating lease options expire in 2007 and are for any B777 model.

(b) The option exercisable in 2002 is interchangeable between A330/A340.

(c) Aircraft are on five year operating leases.

(d) One aircraft is not leased out as at 30th June 2001.

(e) Aircraft operated by AHK.

## Harnessing new technologies

- Cathay Pacific's jointly owned Asia-Pacific Travel Exchange appointed Travelocity as its primary technology provider and Abacus as its primary Global Distribution System provider.
- IBM agreed to take over responsibility for the maintenance and management of Cathay Pacific's desktop personal computers and workstations in Hong Kong.
- Cathay Pacific was a corporate investor in the initial public offering of TravelSky, a unit of the Beijing-based Civil Aviation Computer Information Centre.
- Cathay Pacific has invested in Tenzing Communication Inc., a premier provider of connectivity solutions for frequent travellers.

## The best people, delivering the best service

- We currently employ over 14,700 people in 30 countries and territories around the world including more than 10,600 in Hong Kong.
- We have leased 130 apartments for our newly recruited overseas cabin crew at the Gold Coast residential complex opposite Hong Kong International Airport.
- A new Learjet 45 business jet has been ordered from Canadian aircraft manufacturer Bombardier Aerospace. The new aircraft will be used for pilot training.
- We have announced plans to purchase a range of human resource management software from e-Business applications provider PeopleSoft.
- We have selected Asian software company NetDimensions to help build our global e-Learning network. The network will provide a range of customer service and management courses to Cathay Pacific staff.
- Our staff remuneration policies are reviewed frequently with reference to individual performance, market conditions and the latest legislation.

## The Hong Kong community

The Hong Kong community has always been important to Cathay Pacific, and once again we have given high priority to participation in community projects.

- We were the title sponsor of the Hong Kong Chinese New Year Parade for a third consecutive year. Over 250,000 people watched the parade on 24th January.
- We were the official airline sponsor for the Fortune Global Forum 2001 held in Hong Kong in May. The Forum brought together the world's leading chief executives, academics, and government officials.
- We were also title sponsor for the Hong Kong season of the award-winning musical *Miss Saigon*. The musical was performed from 18th May to 15th July.
- The Spirit of Kai Tak, a Hong Kong team sponsored by Cathay Pacific, came first in the speed category of the London to Sydney Air Race 2001. The team was led by Cathay Pacific Training Captain Mike Miller.
- In conjunction with the Hong Kong Federation of Youth Groups, we invited 60 students from Hong Kong and the rest of Asia to take part in the Cathay Pacific International Wilderness Experience Programme 2001 held in South Africa.
- We announced in May that we had raised HK\$4.3 million for the United Nations Children's Fund (UNICEF) through the Change for Good inflight fund raising programme in 2000. The programme for 2001 started in July.
- A Hong Kong to Taipei charity flight was held in May to raise funds for the Community Chest of Hong Kong. Local celebrity Leon Lai was on board to distribute souvenirs and inflight meals to passengers. Underprivileged children and elderly were special guests.

## Environment

- In April the Hong Kong Institute of Architects awarded the airline a Certificate of Merit for its headquarters complex, Cathay City, reflecting the advanced environmental features incorporated in its design.
- Cathay Pacific has continued with its tree and mangrove planting activities in 2001. Tree saplings and mangroves were planted at Hong Kong's Sai Kung Country Park.



## REVIEW OF OPERATIONS

### Passenger services

Available seat kilometres ("ASK"), load factor and yield:

	ASK (million)			Load factor (%)			Yield
	2001	2000	Change	2001	2000	Change	Change
North Asia	5,071	4,882	+3.9%	72.8	70.7	+2.1%pt	-0.6%
South East Asia and Middle East	6,971	5,669	+23.0%	65.1	75.3	-10.2%pt	-6.4%
Europe	7,230	7,004	+3.2%	76.2	78.9	-2.7%pt	-1.6%
Pacific and South Africa	13,147	12,284	+7.0%	72.7	76.0	-3.3%pt	+2.0%
Overall	32,419	29,839	+8.6%	71.9	75.7	-3.8%pt	-0.6%

- Passenger revenue grew by 2.5% during the first six months of the year, whilst capacity increased by 8.6% as a result of additional frequencies, mainly within South East Asia, and the introduction of new services to Delhi and Karachi.
- Load factor declined by 3.8 percentage points, while yield reduced to HK\$47.3 due to the negative impact of declining regional currencies and lower front-end traffic.
- Front-end revenue declined despite a 5.3% capacity growth.
- Revenue earned from Japan and Australia fell due to the weakness of the local currencies.
- In contrast, revenue earned from Hong Kong increased in part due to a series of successful sales campaigns.
- Economic weakness saw the load factors on both North American and European routes decline.
- The load factor on South East Asian routes fell in part due to a reduced leisure travel market.
- The new service to Delhi performed well.
- Our operation to Zurich was suspended in May due to poor performance.

### Cargo services

	ATK (million)			Cargo and mail load factor (%)			Yield
	2001	2000	Change	2001	2000	Change	Change
Cathay Pacific	2,852	2,643	+7.9%	65.1	71.9	-6.8%pt	-8.3%
AHK Air Hong Kong	478	587	-18.6%	72.0	72.1	-0.1%pt	-13.4%

#### Cathay Pacific Airways Limited

- A new Boeing 747-400 freighter was delivered in April increasing the size of the freighter fleet to eight aircraft. The additional capacity was deployed on European and North American routes.
- Most cargo markets showed weakness, mainly due to the slowdown in the US economy.
- The general slowdown affected both yields and load factors and was exacerbated by over capacity in the cargo market.
- The dedicated overnight services operated by Cathay Pacific for DHL Worldwide Express between Hong Kong and Osaka, Seoul, Singapore and Taipei continued to perform well.
- Cathay Pacific Cargo continued to invest in its website, launching a number of enhanced functions including the ability to trace the status of cargo shipments.

## Cargo services (continued)

### **AHK Air Hong Kong Limited**

- The performance of the company in the first half of 2001 was adversely affected by the over-capacity on its main air cargo routes and the slowdown in exports from Hong Kong.
- The company launched a twice weekly freighter service to Seoul in May.
- Capacity measured by ATKs decreased by 18.6%. The overall yield fell by 13.4% and the load factor fell marginally by 0.1 percentage point.

## Review of affiliated businesses and associated companies

### **Hong Kong Dragon Airlines Limited (“Dragonair”)**

- Dragonair recorded a lower interim profit as a result of the global economic slowdown.
- Frequencies to major destinations in Mainland China were increased in the summer schedule.
- During the first six months of 2001, two A330-300s aircraft joined the fleet whilst one A320 aircraft was returned from a lessee. Together with the two B747-300 freighters which will be delivered in the second half of the year, Dragonair will be operating a fleet of 19 aircraft by the end of 2001.

### **Airline services**

- Profit attributable to the shareholders of Hong Kong Aircraft Engineering Company Limited (“HAECO”) for the six months to June 2001 was HK\$175.3 million, representing a 34.4% decrease over 2000. This decrease was due to the HK\$108 million profit arising in 2000 on the sale of properties and interests in joint ventures.
- HAECO’s revenue increased as a result of higher activity at Hong Kong International Airport. Margins improved due to a better mix of maintenance work and there was a higher contribution from joint ventures.
- Taikoo (Xiamen) Aircraft Engineering Company Limited (“TAECO”) performed strongly in the first half. Construction work on TAECO’s third hangar has commenced and is expected to be operational by the end of next year.
- Hong Kong Airport Services Limited achieved a higher interim profit than last year due to increased aircraft movements at Hong Kong International Airport and new customers.

### **Airline catering**

- Cathay Pacific Catering Services (H.K.) Limited reported a satisfactory profit in the first six months of 2001 despite intense competition.
- The interim performance of our other flight kitchens in Asia and Canada continue to be satisfactory.

## FINANCIAL REVIEW

### Turnover

	Group		Cathay Pacific	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Passenger services	11,092	10,820	11,092	10,820
Cargo services	4,005	4,598	3,515	3,906
Catering and other services	746	725	–	–
<b>Turnover</b>	<b>15,843</b>	<b>16,143</b>	<b>14,607</b>	<b>14,726</b>

- Cathay Pacific increased capacity by 8.3% while turnover decreased by 0.8% as a result of the economic slowdown in a number of our key markets.

### Operating expenses

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2001 HK\$M	2000 HK\$M	Change	2001 HK\$M	2000 HK\$M	Change
Staff	3,989	3,643	+9.5%	3,605	3,283	+9.8%
Inflight service and passenger expenses	832	810	+2.7%	832	810	+2.7%
Landing, parking and route expenses	2,483	2,440	+1.8%	2,362	2,271	+4.0%
Fuel	2,754	2,458	+12.0%	2,592	2,268	+14.3%
Aircraft maintenance	1,664	1,414	+17.7%	1,592	1,345	+18.4%
Aircraft depreciation and operating leases	1,607	1,479	+8.7%	1,534	1,407	+9.0%
Other depreciation and operating leases	480	484	-0.8%	353	359	-1.7%
Commissions	315	362	-13.0%	312	359	-13.1%
Exchange (gain)/loss	(10)	56	-117.9%	(13)	53	-124.5%
Others	689	628	+9.7%	478	414	+15.5%
<b>Operating expenses</b>	<b>14,803</b>	<b>13,774</b>	<b>+7.5%</b>	<b>13,647</b>	<b>12,569</b>	<b>+8.6%</b>
Net finance charges	168	250	-32.8%	146	219	-33.3%
<b>Total operating expenses</b>	<b>14,971</b>	<b>14,024</b>	<b>+6.8%</b>	<b>13,793</b>	<b>12,788</b>	<b>+7.9%</b>

## Operating expenses (continued)

- Staff costs increased as a result of the increase in staff numbers and the end of the contribution holiday for our main pension funds.
- The 2.7% increase in inflight service and passenger expenses was due to product enhancements and the increase in passenger numbers.
- Landing, parking and route expenses rose as a result of additional flights being operated; weak foreign currencies reduced the overall increase.
- Fuel costs increased due to higher fuel prices and to additional consumption arising from the capacity growth.
- The increase in aircraft maintenance expenditure was due to fleet expansion and increased engine overhaul work.
- Aircraft depreciation and operating lease charges were higher as a result of the new aircraft that have recently joined the fleet.
- Net finance charges decreased due to favourable exchange rate movements and improved returns from short-term funds.
- Cost per ATK decreased by 0.4% to HK\$2.32 whilst cost per ATK without fuel decreased by 1.6% to HK\$1.89.

## Financial position

- Expenditure on aircraft and product improvements was HK\$2,801 million which included final payments for the purchase of three new A330-300s and one B747-400 freighter aircraft.
- Borrowings increased by 4.9% to HK\$21,850 million.
- Liquid funds, 90% of which are denominated in US dollar, decreased by 2.4% to HK\$10,778 million.
- Net borrowings increased by 12.8% to HK\$11,147 million.
- Net debt/equity ratio increased to 0.34 times.
- Borrowings, which are fully repayable by 2017, are mainly denominated in US dollar, Japanese yen, Sterling, and Euro with 87% being on fixed rates of interest.
- The Group's policy on financial risk management and the management of currency and interest rate exposures is set out in the 2000 annual report.

## CONDENSED FINANCIAL STATEMENTS

## Consolidated profit and loss account – unaudited

for the six months ended 30th June 2001

	Note	2001 HK\$M	2000 HK\$M	2001 US\$M	2000 US\$M
<b>Turnover</b>					
Passenger services		11,092	10,820	1,422	1,387
Cargo services		4,005	4,598	513	590
Catering and other services		746	725	96	93
<b>Total turnover</b>	2	<b>15,843</b>	16,143	<b>2,031</b>	2,070
<b>Expenses</b>					
Staff		(3,989)	(3,643)	(512)	(467)
Route		(3,315)	(3,250)	(425)	(417)
Fuel		(2,754)	(2,458)	(353)	(315)
Aircraft maintenance		(1,664)	(1,414)	(213)	(181)
Depreciation and operating leases		(2,087)	(1,963)	(268)	(252)
Commissions		(315)	(362)	(40)	(46)
Others		(679)	(684)	(87)	(88)
<b>Operating expenses</b>		<b>(14,803)</b>	(13,774)	<b>(1,898)</b>	(1,766)
<b>Operating profit</b>	3	<b>1,040</b>	2,369	<b>133</b>	304
Finance charges		(1,276)	(1,456)	(163)	(187)
Finance income		1,108	1,206	142	155
Net finance charges	4	(168)	(250)	(21)	(32)
Profit on sale of investments	5	452	–	58	–
Share of profits of associated companies		127	136	16	17
<b>Profit before taxation</b>		<b>1,451</b>	2,255	<b>186</b>	289
Taxation	6	(124)	(41)	(16)	(5)
<b>Profit after taxation</b>		<b>1,327</b>	2,214	<b>170</b>	284
Minority interests		(8)	(38)	(1)	(5)
<b>Profit attributable to shareholders</b>		<b>1,319</b>	2,176	<b>169</b>	279
<b>Basic earnings per share</b>	7	<b>39.6¢</b>	64.4¢	<b>5.1¢</b>	8.3¢
<b>Diluted earnings per share</b>	7	<b>39.3¢</b>	63.8¢	<b>5.0¢</b>	8.2¢

The US\$ figures are for information only and are translated at HK\$7.80.

## Consolidated balance sheet – unaudited

	Note	(Audited)		(Audited)	
		30th June 2001 HK\$M	31st December 2000 HK\$M	30th June 2001 US\$M	31st December 2000 US\$M
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets and liabilities</b>					
Fixed assets	8	49,777	48,548	6,382	6,224
Intangible assets		426	411	55	53
Investments in associated companies		1,604	1,532	206	196
Other long-term receivables and investments		1,948	2,224	249	285
		<b>53,755</b>	<b>52,715</b>	<b>6,892</b>	<b>6,758</b>
Long-term liabilities		(35,939)	(36,863)	(4,608)	(4,726)
Related pledged security deposits		16,409	17,808	2,104	2,283
Net long-term liabilities	9	(19,530)	(19,055)	(2,504)	(2,443)
Deferred taxation		(7,212)	(7,146)	(925)	(916)
		<b>(26,742)</b>	<b>(26,201)</b>	<b>(3,429)</b>	<b>(3,359)</b>
<b>Net non-current assets</b>		<b>27,013</b>	<b>26,514</b>	<b>3,463</b>	<b>3,399</b>
<b>Current assets and liabilities</b>					
Stock		661	647	85	83
Trade and other receivables	10	4,541	5,006	582	642
Liquid funds		10,778	11,040	1,382	1,415
		<b>15,980</b>	<b>16,693</b>	<b>2,049</b>	<b>2,140</b>
Current portion of long-term liabilities		(3,837)	(2,918)	(492)	(374)
Related pledged security deposits		1,517	1,135	195	146
Net current portion of long-term liabilities	9	(2,320)	(1,783)	(297)	(228)
Trade and other payables	11	(5,118)	(5,619)	(656)	(720)
Unearned transportation revenue		(2,062)	(2,254)	(264)	(289)
Taxation		(609)	(620)	(79)	(80)
		<b>(10,109)</b>	<b>(10,276)</b>	<b>(1,296)</b>	<b>(1,317)</b>
<b>Net current assets</b>		<b>5,871</b>	<b>6,417</b>	<b>753</b>	<b>823</b>
<b>Total assets less current and non-current liabilities</b>		<b>32,884</b>	<b>32,931</b>	<b>4,216</b>	<b>4,222</b>
Minority interests		(71)	(99)	(9)	(13)
<b>Net assets</b>		<b>32,813</b>	<b>32,832</b>	<b>4,207</b>	<b>4,209</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	12	666	670	85	86
Reserves	13	32,147	32,162	4,122	4,123
<b>Shareholders' funds</b>		<b>32,813</b>	<b>32,832</b>	<b>4,207</b>	<b>4,209</b>

The US\$ figures are for information only and are translated at HK\$7.80.

## Consolidated cash flow statement - unaudited

for the six months ended 30th June 2001

<i>Note</i>	2001 HK\$M	2000 HK\$M	2001 US\$M	2000 US\$M
<b>Net cash inflow from operating activities</b>	<b>2,833</b>	4,323	<b>363</b>	555
<b>Returns on investments and servicing of finance</b>				
Interest received	368	364	47	47
Dividends received from associated companies	35	18	4	2
Net interest paid	(885)	(869)	(113)	(111)
Dividends paid – to shareholders	(1,499)	(911)	(192)	(117)
– to minority interests	(36)	(39)	(4)	(5)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,017)</b>	(1,437)	<b>(258)</b>	(184)
<b>Tax paid</b>	<b>(112)</b>	(82)	<b>(14)</b>	(11)
<b>Investing activities</b>				
Sales of fixed assets	11	11	1	1
Payments for fixed and intangible assets	(2,938)	(2,162)	(376)	(277)
Net (increase)/decrease in long-term receivables and investments	(2)	53	–	7
Net decrease in liquid funds other than cash and cash equivalents	339	268	43	34
Repayment of loans from associated companies	3	2	–	–
<b>Net cash outflow from investing activities</b>	<b>(2,587)</b>	(1,828)	<b>(332)</b>	(235)
<b>Net cash (outflow)/inflow before financing</b>	<b>(1,883)</b>	976	<b>(241)</b>	125
<b>Financing</b>				
New financing	3,867	77	495	10
Purchases of bonds and security deposits placed	(1,238)	(500)	(158)	(64)
Loan and finance lease repayments	(928)	(982)	(119)	(126)
Net cash benefit from financing arrangements	250	–	32	–
Shares repurchased and issued	(259)	(193)	(33)	(25)
<b>Net cash inflow/(outflow) from financing</b>	<b>1,692</b>	(1,598)	<b>217</b>	(205)
<b>Decrease in cash and cash equivalents</b>	<b>(191)</b>	(622)	<b>(24)</b>	(80)
Cash and cash equivalents at 1st January	1,187	1,786	152	229
Effect of exchange differences	(9)	(16)	(1)	(2)
<b>Cash and cash equivalents at 30th June</b>	<b>987</b>	1,148	<b>127</b>	147

The US\$ figures are for information only and are translated at HK\$7.80.

## Consolidated statement of recognised gains and losses – unaudited

for the six months ended 30th June 2001

	2001 HK\$M	2000 HK\$M
Exchange differences on cash flow hedges		
– recognised during the period	1,040	671
– transferred to the profit and loss account	(174)	84
Revaluation surplus/(deficit)		
– recognised during the period	7	(59)
– transferred to the profit and loss account	(452)	–
Exchange differences on foreign investments	(1)	–
<b>Net gains not recognised in the profit and loss account</b>	<b>420</b>	<b>696</b>
Profit attributable to shareholders		
– as previously reported	–	2,183
– prior period adjustment for goodwill	–	(7)
<b>Profit attributable to shareholders (2000: restated)</b>	<b>1,319</b>	<b>2,176</b>
<b>Total recognised gains</b>	<b>1,739</b>	<b>2,872</b>

## Reconciliation of movements in consolidated shareholders' funds – unaudited

for the six months ended 30th June 2001

	2001 HK\$M	2000 HK\$M
<b>Shareholders' funds at 1st January – as previously reported</b>	<b>31,324</b>	<b>27,215</b>
Prior period adjustment for dividends	1,508	914
As restated	<b>32,832</b>	<b>28,129</b>
Total disclosed in statement of recognised gains and losses	1,739	2,872
Transactions with shareholders		
– Dividends paid (note 14)	(1,499)	(911)
– Payment for purchase of Company's shares	(260)	(194)
– Premium received from share options exercised	1	1
<b>Shareholders' funds at 30th June</b>	<b>32,813</b>	<b>29,897</b>



## Notes to the accounts

**1. Basis of preparation and accounting policies**

The unaudited interim report has been prepared on a basis consistent with the principal accounting policies adopted in the 2000 annual report except for the accounting policy on dividends. In prior years, dividends were recognised in the period to which they relate. With the introduction of the revised HK SSAP 9 "Events after the balance sheet date", the Group now recognises dividends as a liability in the period in which they are declared by the Board of Directors. This change has been accounted for retrospectively and the comparative statements for 2000 have been restated.

Principal accounting policy 4 in the 2000 annual report gives an explanation of the policy in respect of foreign exchange translation which does not comply with HK SSAP 11.

The interim report has been prepared in accordance with HK SSAP 25 "Interim financial reporting" and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited ("The Stock Exchange").

**2. Turnover**

Turnover comprises revenue from transportation services, airline catering and other services provided to third parties.

	Six months ended 30th June	
	2001 HK\$M	2000 HK\$M
Turnover by origin of sales		
North Asia		
– Hong Kong and Mainland China	5,566	5,819
– Japan, Korea and Taiwan	3,610	3,694
South East Asia and Middle East	2,017	1,881
Europe	1,843	1,931
Pacific and South Africa	2,807	2,818
	15,843	16,143

Countries included in each region are defined in the 2000 annual report. Geographical analysis of segment results, segment assets and segment liabilities are not disclosed for the reasons set out in the 2000 annual report.

**3. Operating profit**

	Six months ended 30th June	
	2001 HK\$M	2000 HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
– Leased	977	977
– Owned	641	686
Amortisation of intangible assets	54	36
Operating lease rentals		
– Land and buildings	165	183
– Aircraft and related equipment	308	213
– Others	20	18
Operating lease income		
– Aircraft and related equipment	(78)	(150)
Cost of stock recognised as an expense	712	612
Exchange differences	(10)	56
Auditors' remuneration	3	3
Income from unlisted investments	(14)	(22)

#### 4. Net finance charges

	Six months ended 30th June	
	2001 HK\$M	2000 HK\$M
Net interest charges:		
– Obligations under finance leases	1,163	1,213
– Interest income on related security deposits, notes and bonds	(690)	(686)
	473	527
– Bank loans and overdrafts	109	235
– Interest income on related security deposits	(10)	(132)
	99	103
– Other loans and bonds wholly repayable within five years	4	8
	576	638
Income from liquid funds :		
– Funds with investment managers	(229)	(210)
– Bank deposits and investments	(179)	(178)
	(408)	(388)
	168	250

Finance income and charges relating to defeasance arrangements have been netted off in the above figures.

#### 5. Profit on sale of investments

During the period, the Group's indirect interest in Equant N.V. was disposed of in exchange for an indirect interest in France Telecom S.A. and the mark to market gain previously recognised in equity has, in accordance with HK SSAP 24, been transferred to the profit and loss account.

#### 6. Taxation

	Six months ended 30th June	
	2001 HK\$M	2000 HK\$M
The taxation charge comprises:		
The Company and its subsidiary companies		
– Hong Kong profits tax	14	13
– Overseas taxation	66	65
– Deferred taxation	37	24
– Over provision for prior years	(10)	(71)
Share of associated companies' taxation	17	10
	124	41

Hong Kong profits tax is calculated at 16% (2000: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

## 7. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to shareholders of HK\$1,319 million (2000: HK\$2,176 million) by the daily weighted average number of shares in issue throughout the period of 3,332 million (2000: 3,379 million) shares and 3,356 million (2000: 3,408 million) shares respectively with the latter adjusted for the effects of the stock options.

	2001 million	2000 million
Weighted average number of ordinary shares used in calculating basic earnings per share	3,332	3,379
Deemed issue of ordinary shares for no consideration	24	29
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,356	3,408

## 8. Fixed assets

	Aircraft and related equipment	Other equipment	Properties	Total
	HK\$M	HK\$M	HK\$M	HK\$M
<b>Cost</b>				
At 1st January 2001	58,656	3,135	6,329	68,120
Exchange differences	–	–	(1)	(1)
Additions	2,801	49	19	2,869
Disposals	(38)	(15)	–	(53)
At 30th June 2001	61,419	3,169	6,347	70,935
<b>Depreciation</b>				
At 1st January 2001	17,340	1,613	619	19,572
Exchange differences	–	(1)	–	(1)
Charge for the period	1,375	122	121	1,618
Disposals	(17)	(14)	–	(31)
At 30th June 2001	18,698	1,720	740	21,158
<b>Net book value</b>				
At 30th June 2001	42,721	1,449	5,607	49,777
At 1st January 2001	41,316	1,522	5,710	48,548

Fixed assets at 30th June 2001 include leased assets of HK\$34,323 million (31st December 2000: HK\$32,204 million).

## 9. Long-term liabilities

	(Unaudited) 30th June 2001		(Audited) 31st December 2000	
	Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Long-term loans, bonds and other liabilities	1,197	2,534	553	2,657
Obligations under finance leases	1,123	16,996	1,230	16,398
	2,320	19,530	1,783	19,055

**10. Trade and other receivables**

	(Unaudited) 30th June	(Audited) 31st December
	2001 HK\$M	2000 HK\$M
Trade debtors	2,230	2,840
Other receivables and prepayments	2,301	2,150
Due from associated companies	9	15
Due from other related companies	1	1
	<b>4,541</b>	<b>5,006</b>

	(Unaudited) 30th June	(Audited) 31st December
	2001 HK\$M	2000 HK\$M
Analysis of trade debtors by age:		
Current	2,081	2,627
One to three months overdue	110	170
More than three months overdue	39	43
	<b>2,230</b>	<b>2,840</b>

The Company normally grants a credit term of 30 days to customers or follows the local industry standard with the debt partially protected by bank guarantee or other monetary collateral.

**11. Trade and other payables**

	(Unaudited) 30th June	(Audited) 31st December
	2001 HK\$M	2000 HK\$M
Trade creditors	1,721	2,087
Other payables	3,079	3,151
Due to associated companies	139	72
Due to other related companies	104	221
Bank overdrafts – unsecured	75	88
	<b>5,118</b>	<b>5,619</b>

	(Unaudited) 30th June	(Audited) 31st December
	2001 HK\$M	2000 HK\$M
Analysis of trade creditors by age:		
Current	1,129	1,315
One to three months overdue	326	493
More than three months overdue	266	279
	<b>1,721</b>	<b>2,087</b>

## 12. Share capital

During the period under review, Cathay Pacific Airways Limited made the following purchases of its shares on The Stock Exchange. These purchases were made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the shares purchased were cancelled.

Month	Number Purchased	Highest Price Paid HK\$	Lowest Price Paid HK\$	Total Paid HK\$
January	17,300,000	14.00	12.10	214,228,178
February	3,700,000	12.55	12.25	45,990,507
Total	21,000,000	14.00	12.10	260,218,685

As at 30th June 2001, 3,329,753,848 shares were in issue (31st December 2000: 3,350,621,848 shares).

The Company adopted a share option scheme on 10th March 1999, whereby certain flight deck crew were granted options to subscribe for shares at a price not less than the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of the shares. Options to subscribe for a total of 67,837,097 shares at a subscription price of HK\$7.47 per share were granted under the share option scheme, of which options to subscribe for 67,358,097 shares were outstanding as at 30th June 2001. Other than in limited circumstances, the options in relation to 50% of the shares will become exercisable on 15th March 2002, and the balance on 15th March 2004. The options will, except in limited circumstances, be exercisable until 14th March 2009. During the first six months of 2001, the Company issued a total of 132,000 shares for the options exercised and received HK\$986,040 in total for the subscription of the shares.

## 13. Reserves

	Non-distributable						Total HK\$M
	Retained profit HK\$M	Share premium HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Other reserves HK\$M	Cash flow hedge reserve HK\$M	
At 1st January 2001	20,551	7,161	17	984	26	1,915	30,654
Prior period adjustment for dividends	1,508	–	–	–	–	–	1,508
As restated	22,059	7,161	17	984	26	1,915	32,162
Profit attributable to shareholders for the period	1,319	–	–	–	–	–	1,319
Dividends paid (note 14)	(1,499)	–	–	–	–	–	(1,499)
Purchase of Company's shares							
– premium paid on purchase	(256)	–	–	–	–	–	(256)
– transfer between reserves	(4)	–	4	–	–	–	–
Premium received from share options exercised	–	1	–	–	–	–	1
Exchange differences on cash flow							
– recognised during the period	–	–	–	–	–	1,040	1,040
– transferred to profit for the period	–	–	–	–	–	(174)	(174)
Revaluation surplus							
– recognised during the period	–	–	–	7	–	–	7
– transferred to profit for the period on disposal	–	–	–	(452)	–	–	(452)
Exchange differences	–	–	–	–	(1)	–	(1)
At 30th June 2001	21,619	7,162	21	539	25	2,781	32,147

## 14. Dividends

	2001 HK\$M	2000 HK\$M
2000 final dividend of HK¢45 per share (1999 final dividend: HK¢27 per share)	1,508	914
Dividends for purchased shares written back	(9)	(3)
<b>Dividends paid</b>	<b>1,499</b>	<b>911</b>

2000 final dividend of HK¢45 per share was proposed on 7th March 2001 and was paid on 1st June 2001.

On 8th August 2001, the Board of Directors declared an interim dividend of HK¢12.5 per share for the period ended 30th June 2001. This interim dividend which totals HK\$416 million will be paid on 3rd October 2001 to shareholders registered at the close of business on 14th September 2001. The share register will be closed from 10th September 2001 to 14th September 2001, both dates inclusive.

## 15. Commitments and contingencies

Outstanding payment commitments in respect of capital items and investments authorised at the end of the period but not provided for in the accounts amounted to:

	(Unaudited) 30th June 2001 HK\$M	(Audited) 31st December 2000 HK\$M
<b>Authorised and contracted for</b>		
– aircraft and related equipment	3,351	6,752
– others	1	2
	<b>3,352</b>	<b>6,754</b>
<b>Authorised but not contracted for</b>		
– aircraft and related equipment	219	407
– others	–	3
	<b>219</b>	<b>410</b>
	<b>3,571</b>	<b>7,164</b>

These commitments are expected to be paid as follows:

	HK\$M
2001	3,424
2002	147
	<b>3,571</b>

Commitments at 30th June 2001 include amounts for the acquisition of one B747-400 freighter and five A330-300 aircraft.

There has been no material change in contingencies since 31st December 2000.

## INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### Corporate governance

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

### Directors' interests

At 30th June 2001, the register maintained under Section 29 of the Securities (Disclosures of Interests) Ordinance ("SDI") showed that Directors held the following beneficial interests (all being personal interests) in the shares of Cathay Pacific Airways Limited:

	Number of shares
Philip Chen	9,000
Derek Cridland	17,000
James Hughes-Hallett	12,000
Lee Hon Chiu	10,000
Peter Sutch	20,000
Tony Tyler	5,000
Raymond Yuen	9,000

Neither during nor prior to the period under review, has any right been granted to, or exercised by, any Director of Cathay Pacific Airways Limited, or to or by the spouse or minor children of any Director, to subscribe for shares, warrants or debentures of Cathay Pacific Airways Limited.

Other than as stated above, no Director of Cathay Pacific Airways Limited held any interest, whether beneficial or non-beneficial, in the share capital or warrants of Cathay Pacific Airways Limited or any of its associated corporations (within the meaning of the SDI).

### Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 30th June 2001 the Company had been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

		Remarks
1. John Swire & Sons Limited	1,526,606,246	
2. Swire Pacific Limited	1,526,606,246	) Duplications of John Swire &
3. John Swire & Sons (H.K.) Limited	1,526,606,246	) Sons Limited's holding
4. CITIC Pacific Limited	859,353,462	
5. Super Supreme Company Limited	787,753,462	) Duplication of CITIC Pacific Limited's holding
	6,226,925,662	
Less: Duplications	3,840,965,954	
	2,385,959,708	