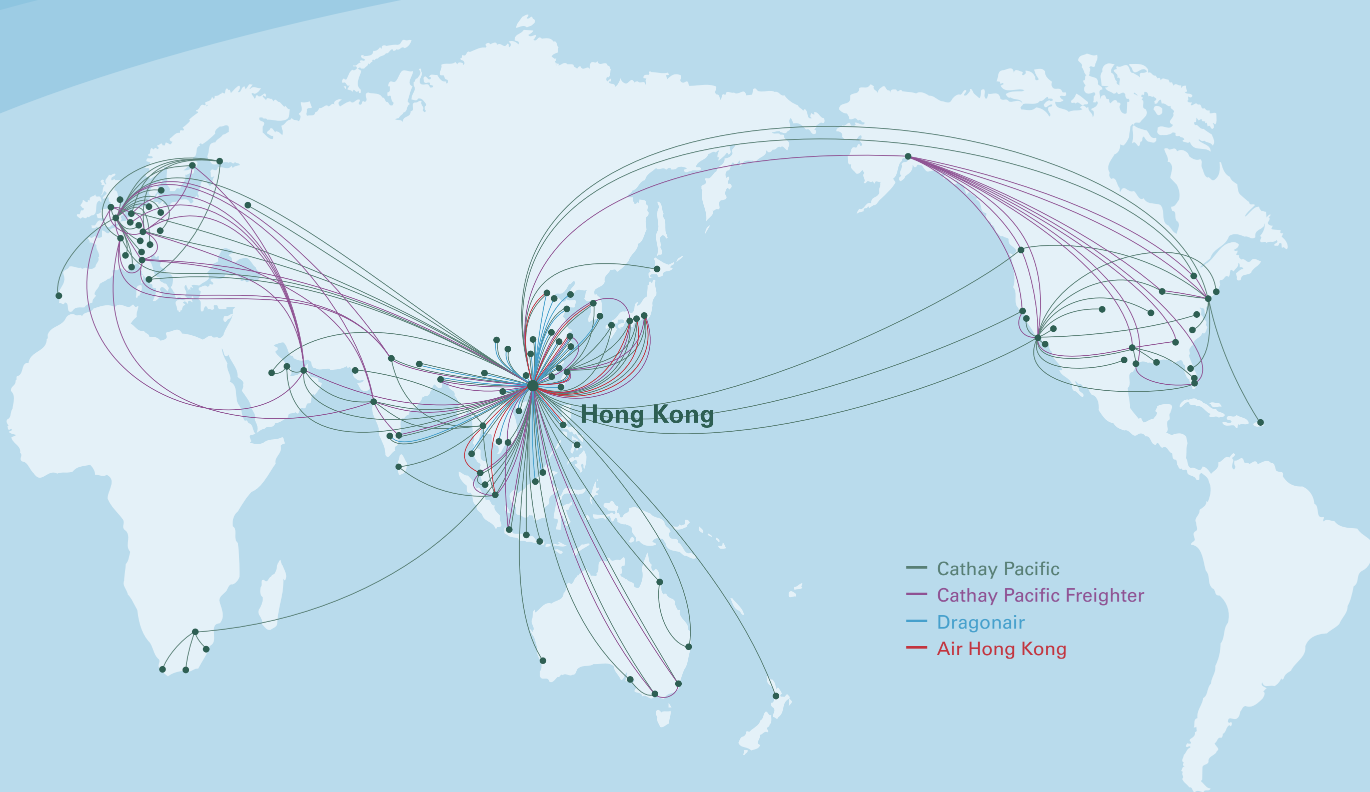
Cathay Pacific Airways Limited

2009 Interim Report

Stock Code: 00293



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CORPORATE INFORMATION

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

INVESTOR RELATIONS

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Cathay Pacific is an international airline registered and based in Hong Kong, offering scheduled passenger and cargo services to 114 destinations in 35 countries and territories.

The Company was founded in Hong Kong in 1946 and remains deeply committed to its home base, making substantial investments to develop Hong Kong as one of the world's leading global transportation hubs. In addition to the fleet of 122 wide-bodied aircraft, these investments include catering, aircraft maintenance, ground handling companies and the corporate headquarters, Cathay Pacific City, at Hong Kong International Airport.

Hong Kong Dragon Airlines Limited ("Dragonair"), an Asian regional airline registered and based in Hong Kong offering scheduled passenger and cargo services to 30 destinations in 10 countries and territories with the fleet of 31 aircraft, is a wholly owned subsidiary of Cathay Pacific. Cathay Pacific owns 18.1% of Air China Limited ("Air China"), the national flag carrier and a leading provider of passenger, cargo and other airline related services in Mainland China, and is the major shareholder in AHK Air Hong Kong Limited ("Air Hong Kong"), an all-cargo carrier offering scheduled services in the Asian region.

Cathay Pacific and its subsidiaries employ some 20,000 people in Hong Kong. Cathay Pacific is listed on The Stock Exchange of Hong Kong Limited, as are its substantial shareholders Swire Pacific Limited ("Swire Pacific"), Air China and CITIC Pacific Limited ("CITIC Pacific").

Cathay Pacific is a founding member of the **one**world global alliance, whose combined network serves almost 700 destinations worldwide. Dragonair is an affiliate member of **one**world.

Financial and Operating Highlights

GROUP FINANCIAL STATISTICS

		2009	2008 (restated)	
		Six months ended 30th June		Change
Results				
Turnover	*HK$ million*	**30,921**	42,390	**-27.1%**
Profit/(loss) attributable to owners of Cathay Pacific	*HK$ million*	**812**	(760)	**+1,572**
Earnings/(loss) per share	*HK cents*	**20.6**	(19.3)	**+39.9**
Dividend per share	*HK cents*	**–**	3.0	**-100.0%**
Profit/(loss) margin	*%*	**2.6**	(1.8)	**+4.4%pt**

		30th June	31st December (restated)	
Financial position				
Funds attributable to owners of Cathay Pacific	*HK$ million*	**37,755**	36,709	**+2.8%**
Net borrowings	*HK$ million*	**30,668**	25,198	**+21.7%**
Shareholders' funds per share	*HK$*	**9.6**	9.3	**+3.2%**
Net debt/equity ratio	*Times*	**0.81**	0.69	**+0.12 times**

OPERATING STATISTICS – CATHAY PACIFIC AND DRAGONAIR

		2009	2008 (restated)	
		Six months ended 30th June		Change
Available tonne kilometres ("ATK")	*Million*	**11,035**	12,081	**-8.7%**
Passengers carried	*'000*	**11,938**	12,463	**-4.2%**
Passenger load factor	*%*	**78.5**	80.0	**-1.5%pt**
Passenger yield	*HK cents*	**49.7**	61.9	**-19.7%**
Cargo and mail carried	*'000 tonnes*	**701**	828	**-15.3%**
Cargo and mail load factor	*%*	**66.2**	66.4	**-0.2%pt**
Cargo and mail yield	*HK$*	**1.66**	2.47	**-32.8%**
Cost per ATK	*HK$*	**2.57**	3.46	**-25.7%**
Cost per ATK without fuel	*HK$*	**1.98**	1.89	**+4.8%**
Aircraft utilisation	*Hours per day*	**11.1**	11.4	**-2.6%**
On-time performance	*%*	**88.3**	79.4	**+8.9%pt**

Chairman's Letter

The Cathay Pacific Group reported a profit of HK$812 million for the first six months of 2009. This compares to a loss of HK$760 million in the first half of 2008. Earnings per share rose by HK39.9 cents to HK20.6 cents. Turnover for the period fell by 27.1% to HK$30,921 million.

The global recession in the first half of 2009 saw extremely challenging business conditions for commercial aviation. The downturn in Cathay Pacific's key markets has been deep and sustained and has sharply reduced passenger and cargo revenues. A number of measures were introduced to help address the revenue shortfall, including reducing passenger and freight capacity at Cathay Pacific and Dragonair, introducing an unpaid leave scheme for staff of both airlines, and cutting operating costs and capital expenditure.

Fuel prices fell significantly compared to the first half of 2008 but were still higher than in previous years. Prices moved up rapidly in the second quarter with May recording the largest monthly rise in 10 years. This increase in fuel cost was not matched by the fuel surcharges approved by the Hong Kong Civil Aviation Department. Cathay Pacific's and Dragonair's surcharges remain below those charged by most of the airlines' international competitors. There were gains on fuel hedging contracts in the first six months of 2009, with unrealised mark to market gains of HK$2.1 billion compared to losses of HK$7.6 billion for the whole of 2008. These gains reflect increases in the forward prices for fuel during the periods in which the relevant fuel hedging contracts will mature.

On the passenger side Cathay Pacific saw a fall in premium business as many major corporate clients, particularly in the financial sector, either reduced or downgraded travel. Load factors in the Economy Class cabin were maintained at high levels but a combination of low fares, due to strong competition in the market, and the impact of the stronger dollar reduced revenue. As a result passenger yield fell by 19.7% to HK49.7 cents. The number of passengers carried by Cathay Pacific and Dragonair fell by 4.2% to 11.9 million against a capacity reduction of 2.1%. The overall passenger load factor fell by 1.5 percentage points to 78.5%.

Cargo demand was very weak. The amount of freight carried by both airlines decreased by 15.3% compared with the first half of 2008 to 700,693 tonnes. The cargo load factor fell by 0.2 percentage point to 66.2%. Capacity was reduced by 14.1% in response to the sustained fall in demand. Yield was under constant pressure for the whole six-month period and fell by 32.8% to HK$1.66.

The high price of fuel coupled with increasing environmental concerns around the world and ever-rising pressure on costs make it imperative that Cathay Pacific operates a fuel-efficient fleet. Cathay Pacific continues to take delivery of new, more efficient aircraft, with two more Boeing 777-300ER "Extended Range" aircraft entering the fleet in the first half of 2009 and the last of six Boeing 747-400ERF "Extended Range Freighters" arriving in April. At the same time the airline accelerated the retirement of the older, fuel-inefficient Boeing 747-200/300 "Classic" freighters. They have all now left the fleet. In response to the substantial reduction in cargo demand the Company has taken six of its Boeing 747-400BCF "Boeing Converted Freighters" out of service – five from Cathay Pacific and one from Dragonair. One of these has been wet-leased to Air Hong Kong.

Cathay Pacific continues to work with aircraft manufacturers with a view to deferring some of the deliveries of aircraft on firm order and has deferred other capital expenditure. Staff were asked to join an unpaid leave scheme. The scheme received strong support from staff around the world and it will play an important role in reducing overheads.

Perhaps the most important aspect of the cost-reduction programme in response to the business downturn was a readjustment of capacity for both carriers with effect from May. Cathay Pacific reduced passenger capacity by 8% and cargo capacity (including freight carried in passenger aircraft bellies) by 11%. Dragonair reduced passenger capacity by 13%. No Cathay Pacific destinations have been eliminated as a result of the capacity changes, though six Dragonair destinations – Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian – have been suspended. The capacity adjustment was a measured response to the circumstances the airlines face. The airlines' capacity and network will be kept under constant review as the demand and cost picture changes.

The global aviation industry, hit hard by soaring fuel prices in 2008, is now having to confront one of the most severe demand downturns in living memory. There are cautious signs that the fall in demand has bottomed but there is, as yet, no indication when a sustained pick-up will begin. The recent strengthening of fuel prices is a cause for concern. Cathay Pacific has taken appropriate measures to get through the current slump and will take further measures as necessary should the cost and demand picture not improve. However, the Company will ensure that quality and brand are not compromised and that the service proposition to the customer remains intact and strong.

Despite today's difficult economic conditions Cathay Pacific remains confident in its future. The Company has a capable, committed workforce and management team and a superb international network centred on Asia's premier aviation hub. Cathay Pacific will be in a strong position when the business rebound comes.

Christopher Pratt
Chairman
Hong Kong, 5th August 2009

2009 Interim Review

Cathay Pacific and Dragonair both retained their commitment to providing superior products and services and to helping maintain Hong Kong's position as a leading international aviation hub, despite the gloomy business environment in the first half of 2009. The airlines had to respond to the sharp fall in passenger and cargo revenues by adjusting capacity and reducing costs, but without compromising standards of service.

AWARD WINNING PRODUCTS AND SERVICES

Cathay Pacific

- Cathay Pacific was once again named "Airline of the Year" in the World Airline Awards run by London-based research company Skytrax. This was the third year for the airline to take the honour in the 10 years the awards have been run. It was estimated that some 16 million people around the world voted in the awards.

- Our innovative three-class cabin designs continue to be rolled out across the Cathay Pacific fleet. All medium- and long-haul aircraft will be retrofitted with the cabins by the end of 2009 and all new passenger aircraft are arriving with the cabins in place in either two or three classes.

- Cathay Pacific took four honours in the 2008 Customer Service Excellence Awards, organised by the Hong Kong Association for Customer Service Excellence, with two staff taking individual gold awards for their service abilities.

- We were a winner in the airline category of the Hong Kong Tourism Awards, presented to recognise the work we have done to promote tourism and trade ties between Hong Kong and Japan.

- Cathay Pacific was named Best Asia Pacific Carrier at the annual awards organised by Air Cargo News in the UK.

Dragonair

- Dragonair continued to provide superior service on its extensive network of routes in Mainland China and around the region.

- The excellence of Dragonair inflight services was highlighted when flight attendant Anthony Fung won the top award at the 2009 International Sales Person of the Year contest. Anthony beat off competition from major airlines around the world to take the title.

- The airline introduced Business Class travel kits for the first time in March, helping to improve the inflight experience for passengers on certain routes.

HUB DEVELOPMENT

Cathay Pacific

- In recent years Cathay Pacific has made a concerted effort to expand its network, increase frequencies and generally work to further the development of Hong Kong as one of the world's leading aviation hubs. However, the depth of the current downturn meant it was necessary for the airline to make a temporary adjustment of both passenger and freighter capacity in an effort to align capacity with market demand. From May onwards we put in place an 8% reduction in passenger capacity and an 11% reduction in cargo capacity.

- Four flights per week have been added to the Denpasar service from July to September to meet demand from the market during the summer peak.

- Sapporo moved from four flights a week to daily during the summer peak in July and August.

- We added one flight per week to the Bahrain/ Riyadh service in May and will add a further two flights a week making it daily from August.

- Cathay Pacific launched a new weekly freighter service to Jakarta and Ho Chi Minh City in January.
- A three-times-weekly freighter service to Miami and Houston was launched in March, giving improved access to the increasingly important markets of Latin America.

Dragonair

- In response to the downturn in demand, Dragonair implemented a 13% reduction in overall capacity from May. Services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian have been temporarily suspended.
- Frequencies to Phuket were increased from seven to nine per week in response to sustained customer demand.
- Dragonair will launch a new twice-daily service to and from Guangzhou in September. Morning and evening departures will connect passengers from the biggest city in the Pearl River Delta to international destinations through the Hong Kong hub.

FLEET DEVELOPMENT

Cathay Pacific

- We took delivery of two new Boeing 777-300ER passenger aircraft in the first half of 2009, taking the total to 11. Nineteen aircraft of this type are still on firm order but the airline has been working to defer some of the deliveries with a view to aligning capacity with expected demand.
- The sixth and final Boeing 747-400ERF freighter was delivered in April, helping to improve the operational efficiency of the freighter fleet.
- In the first half of 2009 we retired four Boeing 747-200F "Classic" freighters. The last "Classic" freighter has retired by end of July, bringing to an end the fleet's 27 year history at Cathay Pacific.
- We will park a total of six passenger aircraft as part of our effort to operate a fleet best suited to our current needs. Four Airbus A340-300s will be taken out of service by October 2009, while two Boeing 747-400s are being parked – one in September 2009 and another in January next year.
- We took five of our Boeing 747-400BCF freighters out of service in the first half of the year. A further Boeing 747-400BCF freighter was wet leased to Air Hong Kong.
- Cathay Pacific has a total of 10 Boeing 747-8F advanced freighters on order. Delivery was originally due to commence later in 2009 but the first of the type will now arrive in March 2010.

Dragonair

- The last of Dragonair's Boeing 747-200 "Classic" freighters was retired from the fleet in January.
- The two Boeing 747-400BCF freighters in Dragonair's fleet have both been withdrawn from service, with one being leased to Cathay Pacific during the period. The airline is currently not operating any freighters but it continues to sell cargo space in passenger aircraft bellies.
- Two Airbus A330-300 aircraft whose leases expired were returned in June. Dragonair now operates a passenger fleet comprising 10 Airbus A320-200s, six Airbus A321-200s and 14 Airbus A330-300 aircraft.

PIONEER IN TECHNOLOGY

Cathay Pacific

- The Self-Print Boarding Pass facility has proved very popular with passengers. After being introduced in Hong Kong late last year it was introduced in 11 overseas destinations in January and in Japanese ports in April. The service is now available in 28 destinations.

- Cathay Pacific made greater inroads in the social networking area, boosting its presence on Facebook and launching a Twitter feed. The airline also has a YouTube channel and has launched a blog to promote the airline's brand, people and services.

- The rollout of the new Manage My Booking facility in April enabled passengers to retrieve the latest booking information online and to update their personal information.

- A new version of the internet booking engine featuring a useful fare calendar was introduced in Hong Kong in May.

- An innovative CX Mobile application was made available for users of iPhones, BlackBerrys and other smart phones, enabling passengers to check in for flights and retrieve other useful Cathay Pacific travel information.

Dragonair

- In line with its sister airline, Dragonair has continued to introduce web-technology initiatives, including the Self-Print Boarding Pass and Manage My Booking. The airline will continue to provide more self-service options.

PARTNERSHIPS

Cathay Pacific

- The **one**world alliance celebrated its 10th anniversary in February. To mark its commitment to the alliance, Cathay Pacific is painting three of its aircraft in a special **one**world livery. One aircraft already has the livery – the other two will be painted later this year.

- The Asia Miles travel reward programme also celebrated its 10th anniversary in February and now has more than 300 air and non-air partners and more than three million members around the world.

- **one**world partner Finnair now puts its "AY" code on Cathay Pacific flights to Brisbane. The "AY" code also appears on services to Bangkok, Melbourne, Perth and Sydney. In Europe, Cathay Pacific codeshares on Finnair services between Helsinki and Amsterdam, Frankfurt, London, Paris and Rome.

Dragonair

- As an affiliate member of the **one**world alliance, Dragonair continued to provide alliance passengers with access to destinations in Mainland China through the Hong Kong hub.

ENVIRONMENT

Cathay Pacific

- The airline's move to a more-efficient fleet continued with the arrival of more new Boeing 777-300ER passenger aircraft and Boeing 747-400ERF freighter. At the same time the airline retired the last of its older, fuel-inefficient Boeing 747-200F "Classic" freighters in July.

- In February we hosted the first formal meeting of the Aviation Global Deal Group, which aims to contribute to the debate to include emissions from international aviation in a global climate change treaty.

- Cathay Pacific participated in Earth Hour – a World Wildlife Fund for Nature-sponsored activity – in March. We switched off all non-essential lighting in our buildings and billboards for a one-hour period.

- We received a Bronze Award for the Transport and Logistics Sector in The Government of the Hong Kong Special Administrative Region's Hong Kong Awards for Environmental Excellence.

- In April we joined the Climate Group-sponsored Carbon Reduction Programme, which encourages staff to practice environmentally friendly behaviour in their homes.

- In the same month we received a National Enterprise Environmental Achievement Award from the Hong Kong Environmental Protection Association.

- Cathay Pacific purchased 20,000 tonnes of offsets from JP Morgan Climate Care for the "FLY greener" offset programme. These offsets come from three projects in Mainland China – a natural gas project in Beijing, a hydro power plant project in Guizhou and a group of 20 wind turbines in Heilongjiang.

- Cathay Pacific was included as one of the case studies in the Climate Change Business Forum's "Capitalising on the Business Opportunity – the Hong Kong Business Guide to Emission Reductions" activity.

- In June we participated in the Friends of the Earth-sponsored carbon-reduction activity called "Dim It 6.21" which called on Hong Kong companies to dim billboard lights, exterior lights and decorative lights from 8pm to 10pm. Also billboard lights are to be turned off no later than 11pm every day.

- In July 2009, we published our Corporate Social Responsibility ("CSR") Report for 2008, obtaining an A+ Global Reporting Initiative Rating as verified by consultancy firm Environmental Resources Management.

Dragonair

- Dragonair's environmental initiatives continue to be covered in the CSR Report published by the Cathay Pacific Group.

- Dragonair launched its CSR stakeholder consultation programme in March in order to obtain views and feedback on its CSR programme. The first session was with cabin crew. Discussions with other stakeholder groups are planned for the second half of 2009.

- Dragonair participated in Earth Hour organised by The World Wide Fund for Nature in March and the "Dim It 6.21" environmental initiative arranged by Friends of the Earth in June.

CONTRIBUTION TO THE COMMUNITY

Cathay Pacific

- Staff from the airline's "CX Volunteers" team continue to run the English on Air programme, helping to improve the standard of spoken English among Tung Chung students through informal gatherings. In the first half of the year some 160 students benefited from the programme.

- Staff volunteers helped to distribute refurbished computers to more than 200 underprivileged children in Tin Shui Wai and Sham Shui Po in cooperation with Caritas Hong Kong.

- The Hong Kong Red Cross presented a certificate to Cathay Pacific to acknowledge the continued support given by staff for the organisation's blood-donation drives.

- Cathay Pacific passengers gave more than HK$10 million to the Change for Good inflight fundraising programme in 2008. The United Nations Children's Fund (UNICEF) was presented with the bulk of the proceeds at a presentation in February, with the remainder of the funds going to help the Cathay Pacific Wheelchair Bank. More than HK$91 million has been raised through Change for Good since 1991.

- A group of staff from Cathay Pacific took part in a field trip organised by UNICEF in February to see how money donated to Change for Good is being put to good use in northern Thailand.

- A number of our employees took part in a humanitarian mission in Bangkok in April involving staff from various **one**world carriers. The 100-member delegation worked on various children's projects in the Toey Klong area of the city.

- Our staff continued to contribute to the running of the Sunnyside Club, which provides financial support to, and organises outdoor activities for, mentally and physically handicapped young people in Hong Kong.

- We continued our sponsorship of the popular Chinese New Year International Night Parade (in January) and of the Hong Kong Sevens rugby competition (in March).

- Around 100 guided visits to the Cathay Pacific City complex were arranged for schools, universities and community organisations, so as to give the Hong Kong community a broader understanding of aviation in Hong Kong.

Dragonair

- For the fourth consecutive year, Dragonair was named as a Caring Company by the Hong Kong Council of Social Service in recognition of its corporate social responsibility efforts.

- The annual Dragonair Aviation Certificate Programme was launched in April, with 16 cadets – the highest number ever – going through an eight month programme to learn about all aspects of aviation. Dragonair pilots act as mentors to the cadets.

- The airline continued to raise funds to help The Nature Conservancy's environmental projects in Yunnan, China, through the "Change for Conservation" inflight fundraising programme.

COMMITMENT TO STAFF

Cathay Pacific

- Cathay Pacific and its subsidiaries employed some 26,800 people worldwide on 30th June 2009. Of those, 18,800 worked for the airline itself, with 12,700 employed in Hong Kong. The workforce decreased by 1% in the first half of the year.

- A suspension of hiring, announced in October last year, remains in place, though we continue to replace staff in operationally crucial roles. The airline has made clear its intention to do everything it can to keep the team together in the midst of the current global economic downturn.

- Cathay Pacific continues to run the Cadet Pilot Programme to nurture the next generation of pilots. A total of nine cadets graduated in the first half of 2009 and another 12 graduated in mid-July. There are currently 46 cadets being trained in Adelaide. The programme has recently been opened up to those who do not hold a Hong Kong permanent identity card.

- In April Cathay Pacific introduced a Special Leave Scheme as part of its response to the sustained drop in revenues. The scheme is in addition to the voluntary unpaid leave scheme introduced in 2008. The response from all staff groups to the Special Leave Scheme was extremely positive, with 99.9% of Hong Kong ground staff, 98.7% of overseas staff and 96.2% of Hong Kong-based cabin crew giving consent. Around 94.0% of the airline's pilots agreed to support the scheme. A key feature of the scheme was that senior staff were asked to take more unpaid leave than junior staff.

- We took a number of steps to ensure that staff were kept fully informed about the Influenza A (H1N1) virus, with information and advice updated regularly on the intranet.

- A special website developed as part of our "People and Service" marketing campaign features up to 100 of our staff, highlighting the stories of the people who help to provide our unique brand of customer service.

- We regularly review our human resource and remuneration policies in the light of local legislation, industry practice, market conditions and the performance of individuals and the Company.

Dragonair

- Dragonair staff gave full support to the Cathay Pacific Group's Special Leave Scheme, designed to contain costs during the global economic downturn. The scheme received 100% support from ground staff in Hong Kong and overseas. 99.2% of cabin crew and 95.9% of pilots supported the scheme.

- The airline employed a total of more than 2,400 staff on 30th June 2009.

- A hiring freeze remains in place at Dragonair, though we continue to replace staff in operationally crucial roles.

- A new corporate safety publication, DragonFLY, is to be launched to highlight the fact that safety is the responsibility of every staff member.

A full report on CSR is available online at *www.cathaypacific.com.*

FLEET PROFILE*

	Number as at 30th June 2009				Firm orders				Expiry of operating leases						
		Leased													
Aircraft type	Owned	Finance	Operating	**Total**	'09	'10	'11 and beyond	**Total**	'09	'10	'11	'12	'13	'14 and beyond	Purchase rights
Aircraft operated by Cathay Pacific:															
A330-300	9	17	6	**32**		2	6	**8**			3			3	
A340-300	6	5	4	**15**							4				
747-400	17		6	**23**								3		3	
747-200F	1			**1**											
747-400F	2	4		**6**											
747-400BCF	7	1	4[a]	**12**									3	1	
747-400ERF		6		**6**											
747-8F						4	6	**10**							
777-200	2	3		**5**											
777-300	3	9		**12**											
777-300ER	2	4	5	**11**	2	5	12	**19**						5	20[b]
Total	49	49	25	**123**	2	11	24	**37**			7	3	3	12	20
Aircraft operated by Dragonair:															
A320-200	4	1	5	**10**	1	1		**2**[c]	1	1	3				
A321-200	2		4	**6**						2	2				
A330-300	4	1	9	**14**						1	2	3	3		
747-400BCF	1			**1**											
Total	11	2	18	**31**	1	1		**2**	1	4	7	3	3		
Aircraft operated by Air Hong Kong:															
A300-600F	2	6		**8**											
Grand total	**62**	**57**	**43**	**162**	**3**	**12**	**24**	**39**	**1**	**4**	**14**	**6**	**6**	**12**	**20**

* Include parked aircraft but exclude wet-leased aircraft.

(a) One aircraft under conversion.
(b) Purchase rights for aircraft delivered by 2017.
(c) Two aircraft on 8 year operating leases.

REVIEW OF OTHER SUBSIDIARIES AND ASSOCIATES

AHK Air Hong Kong Limited ("Air Hong Kong")

- Air Hong Kong is the only all-cargo carrier in Hong Kong and is 60% owned by Cathay Pacific. It operates express cargo services for DHL Express as its core business.
- Air Hong Kong operates a fleet of eight Airbus A300-600F freighters and three wet-leased aircraft. One of the wet-leased aircraft is a Boeing 747-400BCF freighter leased from Cathay Pacific.
- Air Hong Kong serves 11 Asian cities – Bangkok, Beijing, Manila, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo.
- During the first half of 2009, capacity has increased by 12.4%. Despite a decrease in load factor and yield by 3.5 percentage points and 15.5% respectively over the comparative period in 2008, Air Hong Kong still achieved a higher profit in the first half of 2009 than in the first half of 2008.

Cathay Pacific Catering Services (H.K.) Limited ("CPCS")

- Despite effective cost controls, CPCS reported a lower profit in the first half of 2009 than in the first half of 2008, with lower meal volumes and meal yield. Airline customers' cost saving initiatives adversely affected profit margins.
- All overseas kitchens, except the Vancouver operation, experienced declining volumes and margins, and consequently lower profits. The Vancouver operation showed a moderate improvement.

Hong Kong Airport Services Limited ("HAS")

- HAS, a wholly owned subsidiary, is the largest franchised ground-handling company at Hong Kong International Airport ("HKIA"), offering both ramp and passenger handling services to 46 airlines.
- The business environment was extremely difficult in the first half of 2009, with a reduction in business volume and an increase in costs. However, HAS maintained its market share of ramp and passenger handling business.
- Despite a number of cost-saving initiatives being put in place to mitigate the impact of the adverse economic conditions (including an unpaid leave scheme for management), profits in the first half of 2009 were lower than in the first half of 2008.

Air China Limited ("Air China")

- Air China, in which Cathay Pacific owns 18.1%, is the national flag carrier and a leading provider of passenger, cargo and other airline related services in Mainland China.
- The airline serves 88 domestic and 56 international (regional) destinations, connecting 31 countries and regions in the world.
- The Group's share of Air China's result is based on accounts drawn up three months in arrears and consequently the 2009 interim results include Air China's six months' results ended 31st March 2009. This excludes the Group's share of Air China's fuel hedging losses of HK$1 billion in 2008 which were included in the Group's 2008 annual results.
- The Group shared a loss from Air China's results.

Hong Kong Aircraft Engineering Company Limited ("HAECO")

- HAECO, in which Cathay Pacific owns a 27.5% interest, provides a range of aviation maintenance and repair services, primarily in Hong Kong and Xiamen. The group recorded a profit of HK$430 million for the first half of 2009, a decrease of 27% compared with the first half of 2008. The result reflects the slowdown in demand following the deterioration in aviation market conditions from the second half of 2008.

- Demand for heavy maintenance work fell both in Hong Kong and in Xiamen as a result of aircraft being grounded and deferral of work by customers. Line maintenance operations experienced a decline in demand, resulting from reduced aircraft movements at HKIA. Profits of both HAECO itself and Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") were lower than in the first half of 2008. However, the engine overhaul business of Hong Kong Aero Engine Services Limited ("HAESL") remained satisfactory and reported a 10% increase in profit.

- Business for the HAECO group will be weaker in the second half of 2009 as demand for its services is expected to continue to decline in the current aviation market conditions.

- Construction of the third hangar in Hong Kong remains on schedule, with opening planned for September 2009. TAECO's sixth hangar in Xiamen is expected to open in mid-2010. Taikoo Engine Services (Xiamen) Company Limited is upgrading its engine overhaul facility, with the first engine induction expected in the second quarter of 2010. Taikoo Sichuan Aircraft Engineering Services Company Limited is constructing its first hangar in Chengdu, with opening due in mid-2010. HAESL's additional component repair extension is expected to commence operations in the first quarter of 2011.

PASSENGER SERVICES

Cathay Pacific and Dragonair carried a total of 11.9 million passengers in the first half of 2009, a decrease of 4.2% from the same period last year. Demand, in particular for premium class travel, was substantially reduced in the adverse economic conditions. A decision to reduce capacity was taken in May (by 8.0% at Cathay Pacific and 13.0% at Dragonair), with a view to matching capacity with demand and to containing costs. Revenue from passenger services fell by 22.9% to HK$21,809 million and yield fell by 19.7% to HK49.7 cents, reflecting weak demand from premium class travellers, competitive pressure on economy class fares and the strong US dollar.

Available seat kilometres ("ASK"), load factor and yield by region for Cathay Pacific and Dragonair passenger services for the first half of 2009 were as follows:

	ASK (million)			Load factor (%)			Yield
	2009	2008	**Change**	**2009**	2008	**Change**	**Change**
South West Pacific and South Africa	**9,155**	8,617	**+6.2%**	**79.1**	76.3	**+2.8%pt**	**-25.8%**
Europe	**10,450**	9,781	**+6.8%**	**83.1**	86.7	**-3.6%pt**	**-27.0%**
North Asia	**11,458**	11,896	**-3.7%**	**68.0**	73.3	**-5.3%pt**	**-15.9%**
South East Asia and Middle East	**12,054**	10,445	**+15.4%**	**75.5**	80.6	**-5.1%pt**	**-17.5%**
North America	**12,633**	16,210	**-22.1%**	**86.6**	82.6	**+4.0%pt**	**-15.8%**
Overall	**55,750**	56,949	**-2.1%**	**78.5**	80.0	**-1.5%pt**	**-19.7%**

Cathay Pacific

- Economy class demand remained fairly robust, in part reflecting competitive pressure on fares. Demand from premium class passengers was significantly reduced. Changes to corporate travel policies resulted in staff of companies flying less and often being downgraded to economy class on shorter sectors.

- Capacity reductions were introduced on selected routes from May. There were cuts in flight frequencies or seat capacity on routes to Bangkok, Frankfurt, London, Mumbai, Paris, Seoul, Singapore, Sydney, Taipei and Tokyo.

- Cross-Strait traffic on our Taiwan and Mainland China flights has been significantly and adversely affected by the start (in July 2008) of direct cross-Strait charter flights. The impact has been partially offset by an increase in Mainland China tourists travelling to Taiwan via Hong Kong.

- There was healthy growth in traffic from the Pearl River Delta through Hong Kong. Cathay Pacific intends to do more in the Pearl River Delta. Cathay Pacific will codeshare on Dragonair flights to and from Guangzhou when the destination launches in September.

- Passenger traffic to and from Japan was weak due to the economic downturn, with traffic from Hong Kong affected by the appreciation of the Yen. Influenza A (H1N1) has further dampened demand in this key market and a number of flights to Japan were cancelled as a result.

- The Korean market was affected by the economic downturn, though the weak Won helped to draw in travellers from Hong Kong.

- Economy class travel on Southeast Asian routes was generally stable. There was a reduction in premium class travel. Heavy discounts stimulated demand on the Singapore route. Malaysian destinations were subject to strong competition. Demand on the Bangkok route was affected by political instability in Thailand.

- The Philippines route performed well, helped by additional flights to the Middle East and more traffic through Hong Kong to and from North America.

- In India, there was a reduction in traffic on the Mumbai route with reduced traffic through Hong Kong to and from North America. Demand to and from Chennai remained steady. The performance of the Delhi route improved, with a new triangular routing through Bangkok.

- Demand on Middle Eastern routes was generally robust. We added one more flight a week to Riyadh from mid May, making four per week, and plan to make it a daily service from August.

- Traffic on European routes benefited from good growth on Southeast Asian routes to leisure destinations. However, revenue from European markets was adversely affected by weak currencies.

- Loads to and from South Africa were generally satisfactory, but yields were significantly down.

- South West Pacific routes did well, with high load factors and volume growth in line with capacity growth. However, weak local currencies had a negative impact on revenues.

- Economy class demand on North American routes was quite strong. However, demand from premium class travellers was greatly reduced, so yield fell significantly.

Dragonair

- Dragonair saw a sharp reduction in premium class passenger traffic as a result of adverse global economic conditions, while cross-Strait direct charters had an impact on travel in all classes. As with Cathay Pacific, economy class demand continued to be reasonably robust, though yields were affected by group traffic taking up a higher proportion of capacity and competitive pressure on fares.

- Dragonair's capacity was 2.6% higher than the first half last year despite a capacity reduction of 13% in May in order to contain operating costs. Services to Bengaluru, Busan, Kota Kinabalu, Ningbo, Sanya, Shanghai and Taipei were reduced. Services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian were suspended.

- Sales in the local Mainland China market in the first half of 2009 provided good support to the network.

- Demand on the Taiwan route was adversely affected by the introduction of direct cross-Strait charter flights. However, this was partly offset by an increase in leisure travellers from secondary Mainland Chinese cities flying to Taiwan through Hong Kong.

- New services launched late last year – to Hanoi and Manila – have both been enjoying strong loads.

- Overall demand on the Kathmandu route has been encouraging, though loads on the Dhaka route have been below expectations.

- The Kota Kinabalu route moved from a daily service to four flights a week from April but demand has since been reasonably steady. The Phuket route moved from a daily service to nine flights a week from March. Traffic was assisted by strong demand from passengers on Cathay Pacific's European flights.

CARGO SERVICES

Cargo demand in the first half was very weak, reflecting global economic conditions. Cathay Pacific and Dragonair tonnage fell by 15.3% to 700,693 tonnes in the period. Capacity was reduced in line with the fall in demand, reducing by 14.1% compared to the same period last year. The cargo load factor fell by 0.2 percentage point to 66.2%, while yield dropped by 32.8% to HK$1.66, reflecting intense competition. Unlike in previous downturns, all markets have been affected. While there are signs the bottom may have been reached, the outlook remains uncertain. A long-term recovery in the airfreight industry will not happen quickly.

Available tonne kilometres ("ATK"), load factor and yield for Cathay Pacific and Dragonair cargo services for the first half of 2009 were as follows:

	ATK (million)			Load factor (%)			Yield
	2009	2008	**Change**	**2009**	2008	**Change**	**Change**
Cathay Pacific and Dragonair	**5,727**	6,666	**-14.1%**	**66.2**	66.4	**-0.2%pt**	**-32.8%**

Cathay Pacific

- The fall in consumer demand in the world's major economies had a significant adverse impact on the key export markets of Hong Kong and Mainland China. Air cargo tonnage fell and with it yields, as carriers competed for less freight.
- Cathay Pacific was able to maintain market share on most of its major route groups.
- We reduced capacity with a view to it being better aligned with demand. This was achieved by ad-hoc cancellations and a more structured reduction of schedules from May onwards. Capacity and frequency were reduced on most route groupings, with the exception of India and the Middle East.
- The weekly frequency of the freighter fleet was reduced to 84 compared to the 124 operated during the peak weeks in 2008. Notwithstanding these adjustments the freighter network remains intact. Five Boeing 747-400BCF freighters have been taken out of service. A further Boeing 747-400BCF has been wet leased to Air Hong Kong.
- Operational efficiency improved as a consequence of a significant change in the fleet's composition. The less fuel efficient Boeing 747-200 aircraft have been retired by end of July and the airline has taken delivery of its sixth and final Boeing 747-400ERF freighter.
- The freighter network was expanded and strengthened with the introduction of a new service to Jakarta and Ho Chi Minh City in January and a three-times-weekly service to Miami and Houston in March. Three additional frequencies were added to the Milan service in February.
- The introduction of cross-Strait direct freighter services in November 2008 adversely affected cargo volumes to and from Taiwan and Mainland China.
- Cargo volumes to and from India held up well and our freighter services performed satisfactorily on Indian routes.

Dragonair

- The phased retirement of Dragonair's older Boeing 747-200 and Boeing 747-300 freighters is complete. The last aircraft of these types left the fleet in January.

- Both of Dragonair's Boeing 747-400BCF freighters have been taken out of service with one of them being leased to Cathay Pacific. The airline is currently a passenger-only operation. However, the airline retains its Dragonair Cargo brand and continues to sell space in the belly of passenger aircraft on all routes.

ASIA MILES

- Asia Miles, our travel reward programme, continued to grow and at the end of June 2009 had more than three million members (end of June 2008: three million).

- The number of partners increased to more than 300 in nine categories including airlines, hotels and major financial institutions.

- Over 90% of Cathay Pacific flights carried frequent flyer redemptions.

- There was a 22% growth in flight redemptions from Asia Miles members on its 20 partner airlines in the first half of 2009.

ANTITRUST INVESTIGATIONS

Cathay Pacific remains the subject of antitrust investigations by competition authorities in various jurisdictions and continues to cooperate with these authorities and, where applicable, defend itself vigorously. These investigations are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities and is therefore not in a position to make any provisions at this stage.

Financial Review

TURNOVER

	Group		Cathay Pacific and Dragonair	
	Six months ended 30th June		Six months ended 30th June	
	2009 HK$M	2008 (restated) HK$M	**2009 HK$M**	2008 (restated) HK$M
Passenger services	**21,809**	28,287	**21,809**	28,287
Cargo services	**7,264**	12,005	**6,295**	10,931
Catering, recoveries and other services	**1,848**	2,098	**1,467**	1,443
Turnover	**30,921**	42,390	**29,571**	40,661

- Group passenger turnover fell 22.9%, against a 2.1% reduction in capacity.
- Group cargo turnover fell by 39.5%. Combined Cathay Pacific and Dragonair cargo turnover fell by 42.4% against a 14.1% reduction in capacity.
- Turnover from catering, recoveries and other services decreased by 11.9%.
- Fuel surcharges, insurance surcharges and cargo security charges have been reclassified as traffic turnover under passenger services and cargo services instead of being classified as recoveries.

OPERATING EXPENSES

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2009 HK$M	2008 (restated) HK$M	**Change**	**2009 HK$M**	2008 (restated) HK$M	**Change**
Staff	**6,075**	6,284	**-3.3%**	**5,535**	5,701	**-2.9%**
Inflight service and passenger expenses	**1,433**	1,646	**-12.9%**	**1,433**	1,646	**-12.9%**
Landing, parking and route expenses	**4,999**	5,452	**-8.3%**	**4,910**	5,384	**-8.8%**
Fuel	**6,645**	19,307	**-65.6%**	**6,478**	18,977	**-65.9%**
Aircraft maintenance	**3,326**	3,923	**-15.2%**	**3,260**	3,862	**-15.6%**
Aircraft depreciation and operating leases	**4,187**	3,532	**+18.5%**	**4,093**	3,440	**+19.0%**
Other depreciation and operating leases	**540**	512	**+5.5%**	**423**	394	**+7.4%**
Commissions	**258**	461	**-44.0%**	**258**	460	**-43.9%**
Others	**1,415**	1,503	**-5.9%**	**1,545**	1,513	**+2.1%**
Operating expenses	**28,878**	42,620	**-32.2%**	**27,935**	41,377	**-32.5%**
Net finance charges	**437**	468	**-6.6%**	**398**	412	**-3.4%**
Total operating expenses	**29,315**	43,088	**-32.0%**	**28,333**	41,789	**-32.2%**

- Group total operating expenses fell 32.0% to HK$29,315 million.
- The combined cost per ATK of Cathay Pacific and Dragonair fell from HK$3.46 to HK$2.57 due to the 51.9% decrease in the average fuel price.

CATHAY PACIFIC AND DRAGONAIR OPERATING RESULTS

	Six months ended 30th June	
	2009 HK$M	2008 HK$M
Turnover	**29,571**	40,661
Total operating expenses	**(28,333)**	(41,789)
Reversal of fuel hedging gains	**(2,003)**	(365)
Operating loss before tax and fuel hedging	**(765)**	(1,493)

- The operating loss for Cathay Pacific and Dragonair combined was HK$765 million compared to a loss of HK$1,493 million in the first half of 2008.

UNDERLYING LOSS

The following provides a reconciliation on the Group's interim reported profit/(loss) and underlying loss.

	2009 HK$M	2008 HK$M
Profit/(loss) attributable to owners of Cathay Pacific	**812**	(760)
Adjustment to reverse the impact of Hong Kong Accounting Standards 39*		
– Fuel derivatives		
– Reversal of fuel hedging gains	**(2,003)**	(365)
– Recognition of settlement amounts in profit/loss	**(2,873)**	268
– Currency and interest rate derivatives	**(431)**	(199)
Provision for operating lease charge for parked aircraft	**396**	–
Provision for aircraft impairment	**169**	–
Settlement of the United States Department of Justice Cargo Investigations	**–**	468
Taxation effect of the above	**463**	(17)
Underlying loss	**(3,467)**	(605)

* The adjustment reverses both the unrealised mark to market gain/(loss) and the subsequent realised gain/(loss) and instead recognises the cash amount received/(paid) on settlement.

UNDERLYING LOSS (continued)

The change in the interim underlying loss can be analysed as follows:

	HK$M	
2008 interim underlying loss	(605)	
Passenger and cargo turnover	(11,219)	**Passenger** – Decreased HK$594 million due to 2.1% reduction in capacity. – 1.5% points decrease in load factor contributed to a decrease of HK$533 million. – HK$5,351 million decrease from the 19.7% decrease in yield. **Cargo** – Decreased HK$1,539 million due to 14.1% decrease in capacity. – 0.2% point decrease in load factor contributed to a decrease of HK$38 million. – HK$3,059 million decrease from the 32.8% decrease in yield. – HK$105 million decrease from Air Hong Kong.
Catering, recoveries and other services	(250)	
Staff	209	– Decreased due to no provision for bonus and introduction of no pay leave partly offset by a rise in the average number of staff and higher retirement fund costs.
Inflight service and passenger expenses	213	– Decreased due to a 4.2% decrease in passenger numbers.
Landing, parking and route expenses	453	– Decreased as a result of reduction in capacity.
Fuel	7,883	– Fuel costs decreased due to a 51.9% decrease in the average into-plane fuel price to US$63.7 per barrel and an 8.1% reduction in consumption to 17.5 million barrels.
Aircraft maintenance	597	– Decreased with capacity reduction partly offset by provisions for return conditions.
Depreciation and operating leases	(287)	– Increased due to new aircraft deliveries.
Net finance charges	(97)	– Increased as a result of increase in gross borrowings and lower return on investment funds.
Share of losses/profits of associates	(932)	– The reduction was mainly a result of the Group's share of Air China's losses.
Taxation	214	– The tax charge decreased with a higher underlying loss.
Others	354	
2009 interim underlying loss	**(3,467)**	

FUEL EXPENDITURE

A breakdown of the Group's fuel cost is shown below:

	Six months ended 30th June	
	2009 HK$M	2008 HK$M
Gross fuel cost	**8,648**	19,672
Realised hedging losses/(gains)	**71**	(171)
Unrealised mark to market gains	**(2,074)**	(194)
Net fuel cost	**6,645**	19,307

FINANCIAL POSITION

- Additions to fixed assets were HK$4,864 million, comprising HK$4,596 million for aircraft and related equipment and HK$268 million for other equipment and buildings.
- Borrowings increased by 4.2% to HK$41,972 million. These are fully repayable by 2023 and are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars, Japanese yen and Euros with 42.0% at fixed rates of interest net of derivatives.
- Liquid funds, 61.5% of which are denominated in US dollars, decreased by 24.8% to HK$11,341 million.
- Net borrowings increased by 21.7% to HK$30,668 million.
- Funds attributable to owners of Cathay Pacific increased by 2.8% to HK$37,755 million while the net debt/equity ratio increased to 0.81 times.
- The Group's policy on financial risk management and the management of currency, interest rate and fuel price exposures is set out in the 2008 Annual Report.

Review Report

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CATHAY PACIFIC AIRWAYS LIMITED

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 35 which comprises the consolidated statement of financial position of Cathay Pacific Airways Limited as of 30th June 2009 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th June 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
5th August 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30th June 2009 – Unaudited

	Note	2009 HK$M	2008 (restated) HK$M	2009 US$M	2008 (restated) US$M
Turnover					
Passenger services		**21,809**	28,287	**2,796**	3,627
Cargo services		**7,264**	12,005	**931**	1,539
Catering, recoveries and other services		**1,848**	2,098	**237**	269
Total turnover	2	**30,921**	42,390	**3,964**	5,435
Expenses					
Staff		**(6,075)**	(6,284)	**(779)**	(806)
Inflight service and passenger expenses		**(1,433)**	(1,646)	**(184)**	(211)
Landing, parking and route expenses		**(4,999)**	(5,452)	**(641)**	(699)
Fuel		**(6,645)**	(19,307)	**(852)**	(2,475)
Aircraft maintenance		**(3,326)**	(3,923)	**(426)**	(503)
Aircraft depreciation and operating leases		**(4,187)**	(3,532)	**(537)**	(453)
Other depreciation and operating leases		**(540)**	(512)	**(69)**	(66)
Commissions		**(258)**	(461)	**(33)**	(59)
Others		**(1,415)**	(1,503)	**(181)**	(193)
Operating expenses		**(28,878)**	(42,620)	**(3,702)**	(5,465)
Operating profit/(loss) before non-recurring items		**2,043**	(230)	**262**	(30)
Settlement of the United States Department of Justice cargo investigations		**–**	(468)	**–**	(60)
Operating profit/(loss)	4	**2,043**	(698)	**262**	(90)
Finance charges		**(891)**	(1,147)	**(114)**	(147)
Finance income		**454**	679	**58**	87
Net finance charges	5	**(437)**	(468)	**(56)**	(60)
Share of (losses)/profits of associates		**(426)**	506	**(55)**	65
Profit/(loss) before tax		**1,180**	(660)	**151**	(85)
Taxation	6	**(259)**	7	**(33)**	1
Profit/(loss) for the period		**921**	(653)	**118**	(84)
Other comprehensive income					
Cash flow hedges		**175**	(98)	**23**	(12)
Revaluation surplus arising from available-for-sale financial assets		**11**	218	**1**	28
Share of other comprehensive income of associates		**40**	(125)	**5**	(16)
Exchange differences on translation of foreign operations		**–**	562	**–**	72
Other comprehensive income for the period, net of tax	7	**226**	557	**29**	72
Total comprehensive income for the period		**1,147**	(96)	**147**	(12)
Profit/(loss) attributable to					
Owners of Cathay Pacific		**812**	(760)	**104**	(98)
Minority interests		**109**	107	**14**	14
		921	(653)	**118**	(84)
Total comprehensive income attributable to					
Owners of Cathay Pacific		**1,038**	(203)	**133**	(26)
Minority interests		**109**	107	**14**	14
		1,147	(96)	**147**	(12)
Earnings/(loss) per share					
Basic	8	**20.6¢**	(19.3¢)	**2.6¢**	(2.5¢)
Diluted	8	**20.6¢**	(19.3¢)	**2.6¢**	(2.5¢)

The accounts are prepared and presented in HK$, the functional currency. The US$ figures are shown only as supplementary information and are translated at HK$7.8.

The notes on pages 26 to 35 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June 2009 – Unaudited

	Note	**30th June 2009 HK$M**	31st December 2008 (restated) HK$M	**30th June 2009 US$M**	31st December 2008 (restated) US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Fixed assets	*10*	**66,846**	66,039	**8,570**	8,466
Intangible assets	*11*	**7,817**	7,782	**1,002**	998
Investments in associates	*12*	**9,056**	9,581	**1,161**	1,228
Other long-term receivables and investments		**4,649**	4,949	**596**	635
		88,368	88,351	**11,329**	11,327
Long-term liabilities		**(39,977)**	(43,221)	**(5,125)**	(5,541)
Related pledged security deposits		**5,615**	7,196	**720**	922
Net long-term liabilities	*13*	**(34,362)**	(36,025)	**(4,405)**	(4,619)
Other long-term payables	*14*	**(1,947)**	(4,606)	**(250)**	(590)
Deferred taxation		**(5,156)**	(4,831)	**(661)**	(619)
		(41,465)	(45,462)	**(5,316)**	(5,828)
Net non-current assets		**46,903**	42,889	**6,013**	5,499
Current assets and liabilities					
Stock		**1,014**	960	**130**	123
Trade, other receivables and other assets	*15*	**8,428**	10,647	**1,080**	1,365
Liquid funds		**11,341**	15,088	**1,454**	1,934
		20,783	26,695	**2,664**	3,422
Current portion of long-term liabilities		**(8,586)**	(4,556)	**(1,101)**	(584)
Related pledged security deposits		**976**	301	**125**	39
Net current portion of long-term liabilities	*13*	**(7,610)**	(4,255)	**(976)**	(545)
Trade and other payables	*16*	**(12,720)**	(17,722)	**(1,630)**	(2,272)
Unearned transportation revenue		**(7,952)**	(8,649)	**(1,019)**	(1,109)
Taxation		**(1,464)**	(2,129)	**(188)**	(273)
		(29,746)	(32,755)	**(3,813)**	(4,199)
Net current liabilities		**(8,963)**	(6,060)	**(1,149)**	(777)
Net assets		**37,940**	36,829	**4,864**	4,722
CAPITAL AND RESERVES					
Share capital	*17*	**787**	787	**101**	101
Reserves		**36,968**	35,922	**4,739**	4,606
Funds attributable to owners of Cathay Pacific		**37,755**	36,709	**4,840**	4,707
Minority interests		**185**	120	**24**	15
Total equity		**37,940**	36,829	**4,864**	4,722

The accounts are prepared and presented in HK$, the functional currency. The US$ figures are shown only as supplementary information and are translated at HK$7.8.

The notes on pages 26 to 35 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30th June 2009 – Unaudited

	2009 HK$M	2008 HK$M	2009 US$M	2008 US$M
Operating activities				
Cash (used in)/generated from operations	**(98)**	3,907	**(13)**	501
Dividends received from associates	**129**	312	**16**	40
Interest received	**46**	168	**6**	21
Net interest paid	**(587)**	(784)	**(75)**	(100)
Tax paid	**(657)**	(242)	**(84)**	(31)
Net cash (outflow)/inflow from operating activities	**(1,167)**	3,361	**(150)**	431
Investing activities				
Net decrease in liquid funds other than cash and cash equivalents	**2,733**	1,419	**350**	182
Sales of fixed assets	**331**	49	**43**	6
Net decrease/(increase) in other long-term receivables and investments	**3**	(48)	**1**	(6)
Payments for fixed and intangible assets	**(4,913)**	(4,273)	**(630)**	(548)
Payments for investment in an associate	**–**	(439)	**–**	(56)
Net cash outflow from investing activities	**(1,846)**	(3,292)	**(236)**	(422)
Financing activities				
New financing	**4,160**	3,200	**533**	410
Shares repurchased and issued	**8**	(137)	**1**	(18)
Loan and finance lease repayments	**(2,729)**	(2,328)	**(350)**	(298)
Dividends paid – to shareholders	**–**	(2,320)	**–**	(297)
– to minority interests	**(44)**	(115)	**(5)**	(15)
Net cash inflow/(outflow) from financing activities	**1,395**	(1,700)	**179**	(218)
Decrease in cash and cash equivalents	**(1,618)**	(1,631)	**(207)**	(209)
Cash and cash equivalents at 1st January	**7,045**	6,773	**903**	868
Effect of exchange differences	**31**	255	**4**	33
Cash and cash equivalents at 30th June	**5,458**	5,397	**700**	692

The accounts are prepared and presented in HK$, the functional currency. The US$ figures are shown only as supplementary information and are translated at HK$7.8.

The notes on pages 26 to 35 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2009 – Unaudited

	Attributable to owners of Cathay Pacific							Minority interests	Total equity
			Non-distributable						
	Share capital HK$M	Retained profit (restated) HK$M	Share premium HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Capital redemption reserve and others HK$M	Total HK$M	HK$M	HK$M
At 31st December 2008	**787**	**21,626**	**16,287**	**638**	**(1,712)**	**699**	**38,325**	**120**	**38,445**
Adjustment on investment in Air China	**–**	**(192)**	**–**	**–**	**–**	**–**	**(192)**	**–**	**(192)**
Adjustment on adopting HK (IFRIC) Interpretation 13	**–**	**(1,424)**	**–**	**–**	**–**	**–**	**(1,424)**	**–**	**(1,424)**
As restated	**787**	**20,010**	**16,287**	**638**	**(1,712)**	**699**	**36,709**	**120**	**36,829**
Total comprehensive income for the period	**–**	**812**	**–**	**11**	**175**	**40**	**1,038**	**109**	**1,147**
Dividends paid to minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44)**	**(44)**
Share options exercised	**–**	**–**	**8**	**–**	**–**	**–**	**8**	**–**	**8**
	–	**812**	**8**	**11**	**175**	**40**	**1,046**	**65**	**1,111**
At 30th June 2009	**787**	**20,822**	**16,295**	**649**	**(1,537)**	**739**	**37,755**	**185**	**37,940**
At 31st December 2007	788	32,771	16,272	1,068	(677)	327	50,549	178	50,727
Adjustment on investment in Air China	–	(158)	–	–	–	–	(158)	–	(158)
Adjustment on adopting HK (IFRIC) Interpretation 13	–	(1,320)	–	–	–	–	(1,320)	–	(1,320)
As restated	788	31,293	16,272	1,068	(677)	327	49,071	178	49,249
Total comprehensive income for the period	–	(760)	–	218	(98)	437	(203)	107	(96)
2007 final dividend	–	(2,320)	–	–	–	–	(2,320)	–	(2,320)
Dividends paid to minority interests	–	–	–	–	–	–	–	(115)	(115)
Repurchase of Company's shares	(2)	(149)	–	–	–	2	(149)	–	(149)
Share options exercised	1	–	11	–	–	–	12	–	12
	(1)	(3,229)	11	218	(98)	439	(2,660)	(8)	(2,668)
At 30th June 2008	787	28,064	16,283	1,286	(775)	766	46,411	170	46,581

The notes on pages 26 to 35 form part of these accounts.

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 2008 Annual Report except that the following new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants were adopted:

(a) HK (IFRIC) Interpretation 13 "Customer Loyalty Programmes"

Prior to adopting HK (IFRIC) Interpretation 13, the incremental cost of providing awards in exchange for redemption of miles earned by members was accrued as an operating cost and a liability after allowing for miles which were not expected to be redeemed. As members redeem their miles the liability was reduced to reflect the reduction in the outstanding obligation. Effective from 1st January 2009, part of the revenue from the initial sales transaction equal to the awards at their fair value is deferred until the awards are redeemed and for redemption on the Group's flights the transportation service is provided. This change in accounting treatment results in a reduction of the opening retained earnings as at 1st January 2008 and 2009 by HK$1,320 million and HK$1,424 million respectively. There is a positive impact of HK$68 million on the 2009 result up to 30th June 2009.

During the year ended 31st December 2008, Air China made certain adjustments to its opening retained profits as at 1st January 2008 on adopting HK (IFRIC) Interpretation 13. Accordingly, adjustments have been made to decrease the opening retained profits as at 1st January 2008 and 2009 by HK$158 million and HK$192 million.

(b) HKAS 1 (revised) "Presentation of Financial Statements"

Derivative financial assets and liabilities were previously classified as current assets and current liabilities. However, with the adoption of HKAS 1 (revised), derivative financial instruments that are not expected to be realised within 12 months after the reporting period are classified as non-current assets or non-current liabilities. The effects of the reclassification of derivative financial instruments as at 31st December 2008 are as follows:

	HK$M
Increase in other long-term receivables and investments	1,862
Increase in long-term payables	4,325
Decrease in trade, other receivables and other assets	1,365
Decrease in trade and other payables	3,828

The above changes have been applied retrospectively and 2008 comparatives have been restated accordingly.

The interim report has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Turnover

Turnover comprises revenue and surcharges from transportation services, airline catering, recoveries and other services provided to third parties. Fuel surcharges, insurance surcharges and cargo security charges collected upon sales of transportation services are treated as traffic turnover and a total amount of HK$6,659 million has been reclassified in the 2008 comparatives.

3. Segment information

(a) Primary reporting by business segment

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2009 HK$M	2008 (restated) HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 HK$M	**2009 HK$M**	2008 (restated) HK$M
Profit or loss								
Sales to external customers	**30,487**	41,674	**434**	716			**30,921**	42,390
Inter-segment sales	**–**	12	**605**	650			**605**	662
Segment revenue	**30,487**	41,686	**1,039**	1,366			**31,526**	43,052
Segment results	**1,999**	(821)	**44**	123			**2,043**	(698)
Net finance charges	**(426)**	(469)	**(11)**	1			**(437)**	(468)
	1,573	(1,290)	**33**	124			**1,606**	(1,166)
Share of (loss)/profits of associates					**(426)**	506	**(426)**	506
Profit/(loss) before tax	**1,573**	(1,290)	**33**	124	**(426)**	506	**1,180**	(660)
Taxation	**(252)**	26	**(7)**	(19)			**(259)**	7
Profit/(loss) for the period							**921**	(653)

The Group's two reportable segments are classified according to the nature of the business. The airline business segment comprises the Group's passenger and cargo operations. The non-airline business segment includes mainly catering, ground handling and aircraft ramp handling services.

The major revenue earning asset is the aircraft fleet which is jointly used by the passenger and cargo services. Management considers that there is no suitable basis for allocating such assets and related operating costs between the two segments. Accordingly, passenger and cargo services are not disclosed as separate business segments.

Inter-segment sales are based on prices set on an arm's length basis.

3. Segment information (continued)

(b) Secondary reporting by geographical segment

	Six months ended 30th June	
	2009 HK$M	2008 (restated) HK$M
Turnover by origin of sale:		
North Asia		
– Hong Kong and Mainland China	**13,053**	17,597
– Japan, Korea and Taiwan	**3,785**	5,885
South West Pacific and South Africa	**2,148**	3,008
Europe	**3,803**	5,197
South East Asia and Middle East	**4,027**	4,581
North America	**4,105**	6,122
	30,921	42,390

Countries included in each region are defined in the 2008 Annual Report. Geographical analysis of segment results, segment assets and segment liabilities is not disclosed for the reasons set out in the 2008 Annual Report.

4. Operating profit/(loss)

	Six months ended 30th June	
	2009 HK$M	2008 HK$M
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
– Leased	**967**	984
– Owned	**1,821**	1,551
Amortisation of intangible assets	**14**	13
Operating lease rentals		
– Land and buildings	**325**	287
– Aircraft and related equipment	**1,590**	1,197
– Others	**10**	12
Operating lease income		
– Aircraft and related equipment	**–**	(48)
Impairment loss for aircraft held for sale	**169**	–
Cost of stock expensed	**930**	1,006
Exchange differences	**(274)**	(386)
Auditors' remuneration	**4**	3
Net gains on financial assets and liabilities classified as held for trading	**(2,102)**	(361)
Net (gains)/loss on financial assets and liabilities designated as at fair value through profit and loss	**(208)**	188
Income from listed investments	**–**	(3)
Income from unlisted investments	**(44)**	(42)

5. Net finance charges

	Six months ended 30th June	
	2009 HK$M	2008 HK$M
Net interest charges comprise:		
– Obligations under finance leases stated at amortised cost	**519**	639
– Interest income on related security deposits, notes and bonds	**(208)**	(257)
	311	382
– Bank loans and overdrafts	**143**	260
– Other loans wholly repayable within five years	**44**	60
	498	702
(Income)/loss from liquid funds:		
– Funds with investment managers and other liquid investments	**5**	(118)
– Bank deposits and other receivables	**(38)**	(168)
	(33)	(286)
Fair value change:		
– Obligations under finance leases designated as at fair value through profit and loss	**(208)**	188
– Financial derivatives	**180**	(136)
	(28)	52
	437	468

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

6. Taxation

	Six months ended 30th June	
	2009 HK$M	2008 (restated) HK$M
Current tax expenses		
– Hong Kong profits tax	**12**	18
– Overseas tax	**152**	181
– Over provision for prior years	**(210)**	(20)
Deferred tax		
– Origination and reversal of temporary differences	**305**	(110)
– Decrease in tax rate	**–**	(76)
	259	(7)

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Overseas tax 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 (see note 18(d) to the accounts).

7. Other comprehensive income

	Six months ended 30th June	
	2009 HK$M	2008 HK$M
Cash flow hedges		
– recognised during the period	**79**	(253)
– transferred to profit and loss	**116**	147
– deferred tax recognised	**(20)**	8
Revaluation surplus arising from available–for–sale financial assets	**11**	218
Share of other comprehensive income of associates	**40**	(125)
Exchange differences on translation of foreign operations	**–**	562
Other comprehensive income for the period	**226**	557

8. Earnings/(loss) per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to owners of Cathay Pacific of HK$812 million (2008: a loss of HK$760 million (restated)) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2008: 3,935 million) shares and 3,934 million (2008: 3,937 million) shares respectively with the latter adjusted for the effects of the share options.

	2009 million	2008 million
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	**3,934**	3,935
Deemed issue of ordinary shares for no consideration	**–**	2
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	**3,934**	3,937

9. Dividends

No interim dividends were declared by the Board of Directors (2008: HK¢3 per share) for the period ended 30th June 2009.

10. Fixed assets

	Aircraft and related equipment HK$M	Other equipment HK$M	Buildings HK$M	Building under construction HK$M	Total HK$M
Cost					
At 1st January 2009	**104,227**	**3,329**	**5,104**	**620**	**113,280**
Exchange differences	**(10)**	**–**	**–**	**–**	**(10)**
Additions	**4,596**	**69**	**16**	**183**	**4,864**
Disposals	**(3,086)**	**(57)**	**–**	**–**	**(3,143)**
Reclassification to trade, other receivables and other assets	**(1,136)**	**–**	**–**	**–**	**(1,136)**
At 30th June 2009	**104,591**	**3,341**	**5,120**	**803**	**113,855**
Accumulated depreciation					
At 1st January 2009	**42,962**	**2,165**	**2,114**	**–**	**47,241**
Charge for the period	**2,597**	**108**	**83**	**–**	**2,788**
Disposals	**(2,699)**	**(56)**	**–**	**–**	**(2,755)**
Reclassification to trade, other receivables and other assets	**(265)**	**–**	**–**	**–**	**(265)**
At 30th June 2009	**42,595**	**2,217**	**2,197**	**–**	**47,009**
Net book value					
At 30th June 2009	**61,996**	**1,124**	**2,923**	**803**	**66,846**
At 31st December 2008	61,265	1,164	2,990	620	66,039

Fixed assets at 30th June 2009 include leased assets of HK$30,455 million (31st December 2008: HK$28,689 million).

11. Intangible assets

	Goodwill HK$M	Computer HK$M	Total HK$M
Cost			
At 1st January 2009	**7,666**	**692**	**8,358**
Additions	**–**	**49**	**49**
At 30th June 2009	**7,666**	**741**	**8,407**
Accumulated amortisation			
At 1st January 2009	**–**	**576**	**576**
Charge for the period	**–**	**14**	**14**
At 30th June 2009	**–**	**590**	**590**
Net book value			
At 30th June 2009	**7,666**	**151**	**7,817**
At 31st December 2008	7,666	116	7,782

12. Investment in associates

	30th June 2009 HK$M	31st December 2008 (restated) HK$M
Share of net assets		
– listed in Hong Kong	**5,912**	6,436
– unlisted	**352**	350
Goodwill	**2,792**	2,795
	9,056	9,581

13. Long-term liabilities

	30th June 2009		31st December 2008	
	Current HK$M	Non-current HK$M	Current HK$M	Non-current HK$M
Long-term loans	**3,912**	**13,927**	1,964	16,504
Obligations under finance leases	**3,698**	**20,435**	2,291	19,521
	7,610	**34,362**	4,255	36,025

14. Other long-term payables

Other long-term payables include retirement benefit obligations and derivative financial liabilities.

15. Trade, other receivables and other assets

	30th June 2009 HK$M	31st December 2008 (restated) HK$M
Trade debtors	**3,713**	4,640
Derivative financial assets	**778**	2,463
Other receivables and prepayments	**3,189**	3,496
Due from associates	**46**	48
Aircraft held for sale	**702**	–
	8,428	10,647

	30th June 2009 HK$M	31st December 2008 HK$M
Analysis of trade debtors by age:		
Current	**3,556**	4,558
One to three months overdue	**148**	69
More than three months overdue	**9**	13
	3,713	4,640

Aircraft held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. An impairment loss amounted to HK$169 million was recognised for the period ended 30th June 2009.

The Group normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantees or other monetary collateral.

16. Trade and other payables

	30th June 2009 HK$M	31st December 2008 (restated) HK$M
Trade creditors	**4,248**	5,571
Derivative financial liabilities	**2,833**	6,639
Other payables	**5,415**	5,297
Due to associates	**118**	170
Due to other related companies	**69**	39
Bank overdrafts – unsecured	**37**	6
	12,720	17,722

	30th June 2009 HK$M	31st December 2008 HK$M
Analysis of trade creditors by age:		
Current	**4,174**	5,321
One to three months overdue	**55**	240
More than three months overdue	**19**	10
	4,248	5,571

17. Share capital

During the period under review, the Group did not purchase, sell or redeem any shares in the Company. At 30th June 2009, 3,933,844,572 shares were in issue (31st December 2008: 3,932,746,072 shares).

The Company adopted a share option scheme (the "Scheme") on 10th March 1999 for the purpose of providing flight deck crew with an incentive to contribute towards the Company's results. All participants of the Scheme were flight deck crew who paid HK$1 each on acceptance of their share options and were granted options to subscribe for shares of the Company 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. The Scheme had been closed and no share options were available for issue under the Scheme during the period under review. The entitlement of each participant has not exceeded 0.32% of the maximum aggregate number of shares in respect of which options have been granted under the Scheme.

Options to subscribe for a total of 68,327,000 shares at the exercise price of HK$7.47 per share were granted under the Scheme on the date of grant 15th March 1999. Other than in limited circumstances, the options in relation to 50% of the shares became exercisable on 15th March 2002, and the balance on 15th March 2004. The options were, except in limited circumstances, exercisable until 14th March 2009. All unexercised options lapsed in accordance with the terms of the Scheme on 15th March 2009, being 10 years after the date of grant 15th March 1999.

Hong Kong Financial Reporting Standard 2 "Share-based Payment" does not apply to this Scheme as share options were granted before 7th November 2002.

17. Share capital (continued)

Upon exercise of share options, equity was increased by the number of options exercised. The options were exercised at HK$7.47 per share.

	2009 Number of shares	2008 Number of shares
Movements in options outstanding comprise:		
At 1st January	**2,619,500**	4,730,500
Options exercised	**(1,098,500)**	(1,561,100)
Options lapsed	**(1,521,000)**	–
At 30th June	**–**	3,169,400
Options vested at 30th June	**–**	3,169,400

No options were granted under the Scheme during the period.

	2009	2008
Details of share options exercised during the period:		
Exercise date	**3/2/09 – 14/3/09**	8/1/08 – 20/6/08
Proceeds received (HK$)	**8,205,795**	11,661,417
Weighted average closing share price immediately before the exercise date (HK$)	**8.13**	15.91

18. Commitments and contingencies

(a) Outstanding commitments for capital expenditure authorised at the end of the period but not provided for in the accounts:

	30th June 2009 HK$M	31st December 2008 HK$M
Authorised and contracted for	**38,372**	43,000
Authorised but not contracted for	**3,858**	4,255
	42,230	47,255

(b) Guarantees in respect of bank loans and other liabilities outstanding at the end of the period:

	30th June 2009 HK$M	31st December 2008 HK$M
Associates	**84**	70
Staff	**200**	200
	284	270

(c) The Company has under certain circumstances undertaken to maintain specified rates of return within the Group's leasing arrangements. The Directors do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

18. Commitments and contingencies (continued)

(d) The Company operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

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

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

On 15th December 2008, the Company received a Statement of Claim from the New Zealand Commerce Commission with regard to the Company's air cargo operations. The Company, with the assistance of legal counsel, is evaluating the allegations and will respond.

On 17th July 2009, the Company received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to the Company's air cargo operations. The Company, with the assistance of legal counsel, is evaluating the allegations and will respond.

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

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. The Company is not in a position at the present time to make a sufficiently reliable estimate of the amount of any potential liability. Accordingly no provision has been made in the accounts. The information usually required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.

19. Financial risk management

Exposure to fluctuations in foreign exchange rates, interest rates and fuel prices are reviewed regularly and positions amended to comply with policies and guidelines.

Information Provided in Accordance with the Listing Rules

CORPORATE GOVERNANCE

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

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

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

DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:
1. Peter Lee has resigned as a Director of Maersk China Limited.
2. Christopher Pratt has been appointed Chairman of Swire Beverages Limited.

DIRECTORS' INTERESTS

At 30th June 2009, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that Directors held the following beneficial interests (all being personal interests) in the shares of Cathay Pacific Airways Limited and Hong Kong Aircraft Engineering Company Limited, its associated corporation (within the meaning of Part XV of the SFO):

	No. of shares	Percentage of issued capital
Cathay Pacific Airways Limited		
Philip Chen	9,000	0.00023
Ian Shiu	1,000	0.00003
Tony Tyler	5,000	0.00013
Hong Kong Aircraft Engineering Company Limited		
Ian Shiu	1,600	0.00096
John Slosar	10,000	0.00601

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

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th June 2009 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	No. of shares	Percentage of issued capital	Type of interest (Note)
1. Air China Limited	2,948,122,554	74.94	Attributable interest [a]
2. China National Aviation Holding Company	2,948,122,554	74.94	Attributable interest [b]
3. CITIC Group	2,948,122,554	74.94	Attributable interest [c]
4. CITIC Pacific Limited	2,948,122,554	74.94	Attributable interest [a]
5. Swire Pacific Limited	2,948,122,554	74.94	Attributable interest [a]
6. John Swire & Sons Limited	2,948,122,554	74.94	Attributable interest [d]

Note: At 30th June 2009:

(a) Under Section 317 of the SFO, each of Air China, China National Aviation Company Limited ("CNAC"), CITIC Pacific and Swire Pacific, being a party to the Shareholders' Agreement in relation to the Company dated 8th June 2006, was deemed to be interested in a total of 2,948,122,554 shares of the Company, comprising:

(i) 1,572,332,028 shares directly held by Swire Pacific;

(ii) 687,895,263 shares indirectly held by CITIC Pacific and its wholly owned subsidiary Super Supreme Company Limited, comprising the following shares held by their wholly owned subsidiaries: 286,451,154 shares held by Custain Limited, 189,976,645 shares held by Grand Link Investments Holdings Ltd., 21,809,399 shares held by Perfect Match Assets Holdings Ltd., and 189,658,065 shares held by Smooth Tone Investments Ltd.; and

(iii) 687,895,263 shares indirectly held by Air China and its subsidiaries CNAC and Total Transform Group Limited, comprising the following shares held by their wholly owned subsidiaries: 288,596,335 shares held by Angel Paradise Ltd., 191,922,273 shares held by Easerich Investments Inc. and 207,376,655 shares held by Motive Link Holdings Inc.

(b) China National Aviation Holding Company is deemed to be interested in a total of 2,948,122,554 shares of the Company, in which its subsidiary Air China is deemed interested.

(c) CITIC Group is deemed to be interested in a total of 2,948,122,554 shares of the Company, in which its subsidiary CITIC Pacific Limited is deemed interested.

(d) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited are deemed to be interested in a total of 2,948,122,554 shares of the Company by virtue of the Swire group's interests in shares of Swire Pacific representing approximately 38.50% of the issued capital and approximately 56.65% of the voting rights.

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