CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00293)

Announcement
2010 Interim Results

Financial and Operating Highlights

Group Financial Statistics

		2010	2009	**Change**
Results		Six months ended 30th June		
Turnover	*HK$ million*	**41,337**	30,921	**+33.7%**
Profit attributable to owners of Cathay Pacific	*HK$ million*	**6,840**	812	**+742.4%**
Earnings per share	*HK cents*	**173.9**	20.6	**+744.2%**
Dividend per share	*HK cents*	**33**	-	**N/A**
Profit margin	*%*	**16.5**	2.6	**+13.9%pt**
Financial position		**30th June**	31st December	
Funds attributable to owners of Cathay Pacific	*HK$ million*	**48,720**	42,238	**+15.3%**
Net borrowings	*HK$ million*	**19,698**	26,131	**-24.6%**
Shareholders' funds per share	*HK$*	**12.4**	10.7	**+15.9%**
Net debt/equity ratio	*Times*	**0.40**	0.62	**-0.22 times**

Operating Statistics – Cathay Pacific and Dragonair

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

Capacity, load factor and yield - Cathay Pacific and Dragonair

	Capacity ASK/ATK (million)#			Load factor (%)			Yield
	2010	2009	**Change**	**2010**	2009	**Change**	**Change**
Passenger services							
India, Middle East, Pakistan and Sri Lanka	**5,475**	5,106	**+7.2%**	**78.3**	74.1	**+4.2%pt**	**+5.7%**
Southeast Asia	**6,811**	6,948	**-2.0%**	**82.4**	76.6	**+5.8%pt**	**+13.4%**
Southwest Pacific and South Africa	**9,173**	9,155	**+0.2%**	**80.6**	79.1	**+1.5%pt**	**+25.4%**
Europe	**9,838**	10,450	**-5.9%**	**85.8**	83.1	**+2.7%pt**	**+20.5%**
North Asia	**11,548**	11,458	**+0.8%**	**80.3**	68.0	**+12.3%pt**	**+10.2%**
North America	**12,835**	12,633	**+1.6%**	**91.7**	86.6	**+5.1%pt**	**+20.6%**
Overall	**55,680**	55,750	**-0.1%**	**84.0**	78.5	**+5.5%pt**	**+17.5%**
Cargo services	**6,135**	5,727	**+7.1%**	**78.0**	66.2	**+11.8%pt**	**+36.1%**

Capacity is measured in available seat kilometres ("ASK") for passenger services and available tonne kilometres ("ATK") for cargo services.

Passenger services

- Demand in economy class remained robust and there was a significant improvement in yield compared to the first half of 2009.
- There was a rise in demand for first and business class travel and a corresponding rise in corporate sales, particularly in the key Hong Kong market. Yields improved significantly, though premium class traffic and revenue were both still below pre-downturn levels.
- Capacity which had been reduced during 2009 in response to the economic downturn was gradually restored by both Cathay Pacific and Dragonair. By the end of the first half of 2010, capacity had almost been restored to pre-downturn levels.
- The Cathay Pacific fleet was strengthened by the addition of four new Boeing 777-300ERs. Of the six passenger aircraft parked in the desert, the four Airbus A340-300s will be returned under terms of their operating leases in 2011, leaving two Boeing 747-400s.
- We launched two new routes. The Milan route was launched in March. Loads on the four-times-weekly service have been encouraging, particularly in business class. A three-times-weekly service to Moscow was launched in July.
- Business to and from Mainland China saw healthy growth, particularly to secondary cities. The 2010 Shanghai Expo helped to generate more traffic to Mainland China's major commercial city and there was a general increase in the number of people travelling from overseas to major commercial cities in Mainland China.
- Flights to four Dragonair destinations in Mainland China – Dalian, Guilin, Shenyang and Xian - remain suspended and the airline has yet to resume services to Taichung in Taiwan. However, the daily services to Fukuoka will be resumed in October.
- Business to and from the Pearl River Delta continued to grow, assisted by the Dragonair service to Guangzhou which was launched in September last year. Capacity on the route was increased over the Canton Fair period.
- Business on the Taiwan route, particularly traffic from Taiwan to the Mainland, continued to be affected by cross-Strait direct flights. An increase in the number of direct flights from 270 to 370 per week progressively from June will have a further impact. Despite this, we added two Cathay Pacific flights per day to Taipei – one in June and another in July – and also added four Dragonair flights per week to Kaohsiung in July.
- The Japan routes were strong for travel in both directions. We will launch a twice-daily service to Tokyo's Haneda Airport from October. We saw growth on our Korean routes with business showing a gradual pick-up in both directions.

- Southeast Asian destinations performed well in general, though business on the Bangkok route was affected by continued political unrest in the country. The Philippines and Indonesian routes performed well, though traffic on the Denpasar route has been affected by the introduction of more direct flights from Europe.
- Premium class travel to Australia and New Zealand is still not back to previous levels. However, business to secondary cities in Australia such as Brisbane and Perth was above expectations and we will look for opportunities to increase capacity on these routes.
- In India, the Delhi and Mumbai routes were affected by strong competition from Indian carriers, though business on the Chennai and Bengaluru routes has been steadily improving. Dragonair resumed a daily service to the latter city in March.
- In the Middle East, demand on the Saudi Arabia routes has been strong and we now operate a daily service on the Jeddah route, which was launched last October.
- Business traffic from Mainland China and Japan helped to improve our performance on the South African route. The World Cup was another positive factor and we increased capacity in June in response to increased demand during the period of the competition.
- Demand on the London route was strong with premium business traffic recovering more quickly than on other routes. Demand on other European routes was affected by an increase in competition and a relatively slow recovery in business travel. Performance on the new Milan flight has been satisfactory with good load factors continuing on the Rome route.
- In North America, the Toronto route experienced the strongest recovery in premium class travel. All other routes experienced continued high load factors in economy class.

Cargo services

- Despite continued economic uncertainty, in particular relating to a number of Eurozone economies, demand for airfreight services remained strong throughout the first half of 2010. The Cathay Pacific Group saw high demand on the major trunk routes to North America and Europe as well as on its regional network in Asia.
- Strong demand allowed us to operate our freighter network at higher than expected load factors throughout the first six months. Outbound demand from the major markets of Hong Kong and Shanghai was consistently strong and inbound services also experienced load factors which were higher than expected.
- We restored capacity on key trunk routes and to regional destinations by increasing flights and, more recently, by bringing back into service the five freighters that were parked in the desert in 2009. However, ATKs flown in the first half of 2010 were still below those flown in the same period in 2008.
- Services were added as well as restored during the period. Frequencies to Miami increased from three to five flights per week, a third rotation was added on the Dhaka/Hanoi service, additional weekly flights were added to both Osaka and Tokyo, and extra services were put on to India and the Middle East.
- A number of charter flights and additional scheduled services were also mounted, when aircraft and aircrew resources allowed. This contributed to the freighter fleet being able to operate at very high levels of utilisation.
- Demand on the North American and European routes was consistently strong, assisted by new product launches in the consumer sector and companies starting to invest again in IT and other capital projects. Activity in the automotive industry component sector increased and companies' general wish to keep inventory levels to a minimum and maintain flexibility also helped to increase demand for airfreight services.
- A round-the-world freighter service was launched in July, flying eastwards to Chicago, thence to Amsterdam and Dubai, and thence back to Hong Kong. The twice-weekly flight offers significant commercial and operational benefits. This is the first time we have operated transatlantic flights.
- While Dragonair currently operates passenger aircraft only, it continues to sell space for cargo in the bellies of its aircraft on all routes. In the first half of 2010 the airline experienced a significant increase in cargo tonnage and revenue in line with overall market trends.
- A new cargo joint venture with Air China will come into operation in October, enabling us to exploit opportunities in the important Yangtze River Delta region. A total of four of Cathay Pacific's Boeing 747-400BCF freighters will be sold to the joint venture as part of joint venture arrangements, with one aircraft due to leave service with Cathay Pacific this year as a consequence.
- We remain deeply committed to our home base and to the continued development of Hong Kong as the world's leading international air cargo hub. To this end, we have recommenced work on our HK$5.5 billion cargo terminal at HKIA, which will come into operation in 2013. At the same time we will continue to build the Cathay Pacific freighter fleet, taking delivery of 10 new Boeing 747-8Fs beginning in January 2011.

Chairman's Letter

The Cathay Pacific Group reported a profit of HK$6,840 million for the first six months of 2010. This compares to a profit of HK$812 million in the first half of 2009. Earnings per share were up 8.4 times to HK173.9 cents. Turnover for the period increased by 33.7% to HK$41,337 million.

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

Our passenger business experienced a marked improvement from the lows of 2009 with revenues returning almost to pre-financial crisis levels. In economy class, load factors were generally high, as they were during much of the previous year, and yields increased. In the premium classes there was a sharp increase in demand for business travel originating in Hong Kong although this was not matched by a comparable increase in demand for travel originating in other major cities. The two airlines carried a total of 13.0 million passengers in the first six months of 2010 – an increase of 8.5% from the first six months of 2009. The load factor increased by 5.5 percentage points. Capacity decreased by 0.1%. Passenger revenue for the half-year period was HK$27,411 million – an increase of 25.7% from the first half of 2009. Yield increased by 17.5% to HK58.4 cents.

Our cargo business was very robust for the whole of the first half with strong demand in all key markets. The cargo load factor increased by 11.8 percentage points compared with the first half of 2009, hitting a record of 78.0%. By July we had brought back into service all five aircraft parked in the desert during last year's downturn which helped us to meet demand. In the half year the amount of freight carried by both airlines increased by 24.4% to 872,000 tonnes. Cargo revenue increased by 63.1% to HK$11,844 million. Yield increased by 36.1% to HK$2.26.

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

After the extremely challenging conditions of much of 2009 the subsequent turnround in business has been very welcome. Aviation had been deeply affected by the global economic downturn and we had to take a number of significant measures – including parking aircraft, reducing services and asking our staff to take unpaid leave – in response. However, in 2010 we have been able to get our business back on track, restoring capacity and reinstating services. The improved financial situation enabled us to make an ex-gratia payment to all the staff who voluntarily took unpaid leave in support of the Company during the most difficult time of the financial crisis in 2009. The ex-gratia payment was made in recognition of the loyalty and support of our staff.

It is our policy to maintain a conservative balance sheet. This policy proved its worth in the downturn. The turnround in our business has afforded us the opportunity to rebuild our balance sheet and to strengthen our financial position to the extent that we are now in a stronger position to proceed with our core objectives of growth and of further strengthening the position of our home city, Hong Kong, as one of the world's leading international aviation hubs. In the first half of 2010 we continued to strengthen our fleet by adding modern, fuel-efficient aircraft, taking delivery of four more Boeing 777-300ER passenger aircraft. We will take delivery of another 12 aircraft of this type between now and 2013. We will significantly increase the operational efficiency of our freighter fleet when we begin taking delivery of a total of 10 Boeing 747-8Fs in January next year. Our passenger and freighter schedules have been restored almost to their pre-downturn levels. We have added two new passenger destinations – Milan in March and Moscow in July. We are confident in the long-term success of both these routes.

Our strategic partnership with Air China continues to go from strength to strength. In February we announced an important development in our relationship – the formation of a new cargo joint venture based in Shanghai. The two airlines will use an existing Air China subsidiary, Air China Cargo (in which we will take equity and economic interest of 49%), as the platform for the joint venture, which is expected to begin operations in October. As part of the joint venture arrangements, we will sell four Boeing 747-400BCF freighters and two spare engines to Air China Cargo, with one of the aircraft being transferred later this year. The joint venture will enable us to exploit air cargo opportunities in the important Yangtze River Delta region. However, I would like to emphasise that our commitment to the Hong Kong hub remains unwavering. Indeed, we reaffirmed this commitment by recommencing work in March on our own cargo terminal at Hong Kong International Airport – a state-of-the-art HK$5.5 billion facility designed to enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.

One requirement of the agreement with the Hong Kong Airport Authority in relation to the new cargo terminal was the disposal of the Company's 10% shareholding in Hong Kong Air Cargo Terminals Limited ("HACTL"). This was completed in May realising cash of HK$640 million and a profit of HK$328 million. In June the Company also sold its remaining 15% interest in Hong Kong Aircraft Engineering Company Limited ("HAECO"), realising cash of HK$2,620 million and a profit of HK$1,837 million. This disposal, at a 25% premium to the latest market price of HAECO shares immediately before the public announcement of the transaction, was consistent with our strategy of focusing on our core operations and has freed up cash for forthcoming investments.

If present trends continue, we expect our financial results to continue to be strong in the second half of 2010. That said, conditions can change rapidly in the airline industry. Our results would be adversely affected, and very quickly so, by a significant further increase in fuel prices or any return to the recessionary economic conditions of 2008 and much of 2009. We remain confident in the long-term future of the Cathay Pacific Group and Hong Kong. We are in a challenging and unpredictable industry and we have to be mindful of the many things – economic fluctuations, rising fuel prices, even volcanic eruptions – that can quickly have an impact on our business. Nevertheless, we have a number of things working in our favour, including our capable, supportive and committed team, a superb international network, effective management of costs, our quality service and product offering, a strong relationship with Air China, and our position in Hong Kong – one of the world's great cities and a premier international aviation hub. These core strengths will, I believe, ensure the continued success of the Company.

Christopher Pratt

Chairman

Hong Kong, 4th August 2010

Consolidated Statement of Comprehensive Income

for the six months ended 30th June 2010 – Unaudited

	Note	2010 HK$M	2009 HK$M
Turnover			
Passenger services		**27,411**	21,809
Cargo services		**11,844**	7,264
Catering, recoveries and other services		**2,082**	1,848
Total turnover	*2*	**41,337**	30,921
Expenses			
Staff		**(6,759)**	(6,075)
Inflight service and passenger expenses		**(1,551)**	(1,433)
Landing, parking and route expenses		**(5,280)**	(4,999)
Fuel		**(13,169)**	(6,645)
Aircraft maintenance		**(3,167)**	(3,326)
Aircraft depreciation and operating leases		**(4,091)**	(4,187)
Other depreciation and operating leases		**(547)**	(540)
Commissions		**(357)**	(258)
Others		**(1,454)**	(1,415)
Operating expenses		**(36,375)**	(28,878)
Operating profit before non-recurring items		**4,962**	2,043
Profit on disposal of investments	*4*	**2,165**	-
Operating profit	*5*	**7,127**	2,043
Finance charges		**(887)**	(891)
Finance income		**325**	454
Net finance charges		**(562)**	(437)
Share of profits/(losses) of associates		**827**	(426)
Profit before tax		**7,392**	1,180
Taxation	*6*	**(462)**	(259)
Profit for the period		**6,930**	921
Other comprehensive income			
Cash flow hedges		**234**	175
Revaluation of available-for-sale financial assets		**(293)**	11
Share of other comprehensive income of associates		**17**	40
Exchange differences on translation of foreign operations		**77**	-
Other comprehensive income for the period, net of tax	*7*	**35**	226
Total comprehensive income for the period		**6,965**	1,147
Profit attributable to			
Owners of Cathay Pacific		**6,840**	812
Minority interests		**90**	109
		6,930	921
Total comprehensive income attributable to			
Owners of Cathay Pacific		**6,875**	1,038
Minority interests		**90**	109
		6,965	1,147
Earnings per share (basic and diluted)	*8*	**173.9¢**	20.6¢

Consolidated Statement of Financial Position

at 30th June 2010 - Unaudited

	Note	**30th June 2010 HK$M**	31st December 2009 HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Fixed assets		**66,243**	65,495
Intangible assets		**7,934**	7,850
Investments in associates		**10,168**	9,042
Other long-term receivables and investments		**4,930**	5,307
		89,275	87,694
Long-term liabilities		**(40,014)**	(40,416)
Related pledged security deposits		**5,336**	5,602
Net long-term liabilities		**(34,678)**	(34,814)
Other long-term payables		**(940)**	(1,059)
Deferred taxation		**(5,637)**	(5,255)
		(41,255)	(41,128)
Net non-current assets		**48,020**	46,566
Current assets and liabilities			
Stock		**910**	947
Trade and other receivables	*10*	**9,386**	8,161
Liquid funds		**21,262**	16,522
		31,558	25,630
Current portion of long-term liabilities		**(6,733)**	(9,023)
Related pledged security deposits		**459**	1,195
Net current portion of long-term liabilities		**(6,274)**	(7,828)
Trade and other payables	*11*	**(14,068)**	(12,965)
Unearned transportation revenue		**(9,435)**	(8,075)
Taxation		**(926)**	(943)
		(30,703)	(29,811)
Net current assets/(liabilities)		**855**	(4,181)
Net assets		**48,875**	42,385
CAPITAL AND RESERVES			
Share capital	*12*	**787**	787
Reserves		**47,933**	41,451
Funds attributable to owners of Cathay Pacific		**48,720**	42,238
Minority interests		**155**	147
Total equity		**48,875**	42,385

Notes:

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 2009 Annual Report.

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.

3. Segment information

(a) Segment results

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2010 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M
Sales to external customers	**40,865**	30,487	**472**	434			**41,337**	30,921
Inter-segment sales	**-**	-	**642**	605			**642**	605
Segment revenue	**40,865**	30,487	**1,114**	1,039			**41,979**	31,526
Segment results	**7,059**	1,999	**68**	44			**7,127**	2,043
Net finance charges	**(546)**	(426)	**(16)**	(11)			**(562)**	(437)
	6,513	1,573	**52**	33			**6,565**	1,606
Share of profits/(losses) of associates					**827**	(426)	**827**	(426)
Profit/(loss) before tax	**6,513**	1,573	**52**	33	**827**	(426)	**7,392**	1,180
Taxation	**(452)**	(252)	**(10)**	(7)			**(462)**	(259)
Profit for the period							**6,930**	921

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 used both for 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) Geographical information

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	**19,008**	13,053
- Japan, Korea and Taiwan	**5,121**	3,785
India, Middle East, Pakistan and Sri Lanka	**2,193**	1,823
Southeast Asia	**2,776**	2,204
Southwest Pacific and South Africa	**2,954**	2,148
Europe	**4,092**	3,803
North America	**5,193**	4,105
	41,337	30,921

In view of the growing significance of the Southeast Asia and Middle East region during the period under review, Management has decided to split it into two separate regions, the India, Middle East, Pakistan and Sri Lanka region and the Southeast Asia region. The 2009 comparatives have been reclassified accordingly.

India, Middle East, Pakistan and Sri Lanka includes Indian sub-continent, Middle East, Pakistan, Sri Lanka and Bangladesh. Southeast Asia includes Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Cambodia. Southwest Pacific and South Africa includes Australia, New Zealand and Southern Africa. Europe includes continental Europe, the United Kingdom, Scandinavia, Russia, Baltic and Turkey. North America includes U.S.A., Canada and Latin America. Geographic analysis of segment results is not disclosed for the reasons set out in the 2009 Annual Report.

4. Profit on disposal of investments

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Profit on disposal of an associate	**1,837**	-
Profit on disposal of a long-term investment	**328**	-
	2,165	-

In June 2010, the Company sold its remaining 15% interest in HAECO to Swire Pacific for HK$2,620 million. The disposal constitutes a related party transaction as the Company is an associate of Swire Pacific.

5. Operating profit

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- Leased	**942**	967
- Owned	**2,179**	1,821
Amortisation of intangible assets	**16**	14
Operating lease rentals		
- Land and buildings	**334**	325
- Aircraft and related equipment	**1,155**	1,590
- Others	**12**	10
Net provision for impairment of aircraft and related equipment	**9**	169
Cost of stock expensed	**914**	930
Exchange differences	**(48)**	(274)
Auditors' remuneration	**4**	4
Net losses/(gains) on financial assets and liabilities classified as held for trading	**212**	(2,102)
Net gains on financial assets and liabilities designated as at fair value through profit and loss	**(49)**	(208)
Income from unlisted investments	**(19)**	(44)

6. Taxation

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Current tax expenses		
- Hong Kong profits tax	**43**	12
- Overseas tax	**114**	152
- Over provision for prior years	**(54)**	(210)
Deferred tax		
- Origination and reversal of temporary differences	**359**	305
	462	259

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at 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 19(d) to the accounts in the 2010 Interim Report).

7. Other comprehensive income

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Cash flow hedges		
- recognised during the period	**(243)**	79
- transferred to profit and loss	**502**	116
- deferred tax recognised	**(25)**	(20)
Revaluation of available-for-sales financial assets		
- recognised during the period	**(30)**	11
- transferred to profit and loss	**(263)**	-
Share of other comprehensive income of associates	**17**	40
Exchange differences on translation of foreign investments	**77**	-
Other comprehensive income for the period	**35**	226

8. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to owners of Cathay Pacific of HK$6,840 million (2009: HK$812 million) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2009: 3,934 million) shares.

9. Dividends

The Directors declared an interim dividend of HK¢33 per share (2009: nil per share) for the period ended 30th June 2010. This interim dividend which totals HK$1,298 million (2009: nil) will be paid on 4th October 2010 to shareholders registered at the close of business on the record date, 10th September 2010.

The register of members will be closed from 6th September 2010 to 10th September 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 3rd September 2010.

10. Trade and other receivables

	30th June 2010 HK$M	31st December 2009 HK$M
Trade debtors	**5,555**	4,771
Derivative financial assets - current portion	**965**	746
Other receivables and prepayments	**2,851**	2,631
Due from associates	**15**	13
	9,386	8,161

	30th June 2010 HK$M	31st December 2009 HK$M
Analysis of trade debtors by age:		
Current	**5,505**	4,741
One to three months overdue	**41**	27
More than three months overdue	**9**	3
	5,555	4,771

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.

11. Trade and other payables

	30th June 2010 HK$M	31st December 2009 HK$M
Trade creditors	**5,112**	4,832
Derivative financial liabilities – current portion	**1,963**	1,884
Other payables	**6,624**	5,970
Due to associates	**68**	131
Due to other related companies	**293**	137
Bank overdrafts - unsecured	**8**	11
	14,068	12,965

	30th June 2010 HK$M	31st December 2009 HK$M
Analysis of trade creditors by age:		
Current	**4,993**	4,713
One to three months overdue	**105**	106
More than three months overdue	**14**	13
	5,112	4,832

12. Share capital

During the period under review, the Group did not purchase, sell or redeem any of its shares. At 30th June 2010, 3,933,844,572 shares were in issue (31st December 2009: 3,933,844,572 shares).

13. Corporate governance

Cathay Pacific Airways is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of 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 contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the accounting period covered by the interim report.

The 2010 interim result has been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2009 Annual Report and in the 2010 Interim Report.

14. Interim report

The 2010 Interim Report will be sent to shareholders on 18th August 2010. It will also be available on the Stock Exchange's website and the Company's website *www.cathaypacific.com* by 17th August 2010.

Operating expenses

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2010 HK$M	2009 HK$M	**Change**	**2010 HK$M**	2009 HK$M	**Change**
Staff	**6,759**	6,075	**+11.3%**	**6,190**	5,535	**+11.8%**
Inflight service and passenger expenses	**1,551**	1,433	**+8.2%**	**1,551**	1,433	**+8.2%**
Landing, parking and route expenses	**5,280**	4,999	**+5.6%**	**5,195**	4,910	**+5.8%**
Fuel	**13,169**	6,645	**+98.2%**	**12,898**	6,478	**+99.1%**
Aircraft maintenance	**3,167**	3,326	**-4.8%**	**3,095**	3,260	**-5.1%**
Aircraft depreciation and operating leases	**4,091**	4,187	**-2.3%**	**4,006**	4,093	**-2.1%**
Other depreciation and operating leases	**547**	540	**+1.3%**	**432**	423	**+2.1%**
Commissions	**357**	258	**+38.4%**	**357**	258	**+38.4%**
Others	**1,454**	1,415	**+2.8%**	**1,620**	1,545	**+4.9%**
Operating expenses	**36,375**	28,878	**+26.0%**	**35,344**	27,935	**+26.5%**
Net finance charges	**562**	437	**+28.6%**	**536**	398	**+34.7%**
Total operating expenses	**36,937**	29,315	**+26.0%**	**35,880**	28,333	**+26.6%**

- Group total operating expenses increased 26.0% to HK$36,937 million.
- The combined cost per ATK of Cathay Pacific and Dragonair rose from HK$2.57 to HK$3.14 due to the 44.8% increase in the average fuel price.

Cathay Pacific and Dragonair operating results analysis

	Six months ended 30th June	
	2010 HK$M	2009 HK$M
Airlines operating profit/(loss) before fuel hedging, non-recurring items and tax	**4,195**	(200)
Profit on disposal of HACTL and HAECO shares	**2,165**	-
Provision for operating lease charge for parked aircraft	**-**	(396)
Net provision for impairment of aircraft and related equipment	**(9)**	(169)
Airlines profit/(loss) before fuel hedging (losses)/gains and tax	**6,351**	(765)
Realised and unrealised fuel hedging (losses)/gains	**(104)**	2,003
Tax charge	**(403)**	(185)
Airlines profit after tax	**5,844**	1,053
Share of profit/(loss) from subsidiaries and associates	**996**	(241)
Attributable profit	**6,840**	812

Cathay Pacific and Dragonair operating results analysis (continued)

The changes in the interim airlines' operating profit/(loss) before fuel hedging, non-recurring items and tax can be analysed as follows:

	HK$M	
2009 interim airlines' operating loss before fuel hedging, non-recurring items and tax	**(200)**	
Passenger and cargo turnover	**10,101**	**Passenger** - Decreased HK$27 million due to a 0.1% reduction in capacity. - A 5.5% points increase in load factor contributed to an increase of HK$1,529 million. - HK$4,080 million increase from a 17.5% increase in yield resulting from higher front end demand and favourable currency movements. - Income from excess baggage increased by HK$20 million. **Cargo** - Increased HK$448 million due to a 7.1% increase in capacity. - An 11.8% points increase in load factor contributed to an increase of HK$1,205 million. - HK$2,846 million increase from a 36.1% increase in yield.
Recoveries and other services	**290**	
Staff	**(655)**	- Increased due to higher bonus provisions and the effect of the "no pay leave" scheme implemented during the first half of 2009.
Inflight service and passenger expenses	**(118)**	- Increased due to an 8.5% increase in passenger numbers.
Landing, parking and route expenses	**(285)**	- Increased due to overall passenger and cargo growth.
Fuel	**(4,313)**	- Fuel costs increased due to a 44.8% increase in the average into-plane fuel price to US$92.2 per barrel and a 3.9% increase in consumption to 750.0 million barrels.
Aircraft maintenance	**165**	- Decreased due to lower provisions for return conditions and stock.
Depreciation and operating leases	**(318)**	- Increased due to a revision of estimated residual values of certain aircraft.
Net finance charges	**(138)**	- Increased as a result of mark to market losses on interest rate derivatives partly offset by the effect of lower interest rates and a higher return on investment funds.
Others	**(334)**	
2010 interim airlines' operating profit before fuel hedging, non-recurring items and tax	**4,195**	

Fuel expenditure and hedging

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

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Gross fuel cost	**13,065**	8,648
Realised hedging losses	**72**	71
Unrealised mark to market losses/(gains)	**32**	(2,074)
Net fuel cost	**13,169**	6,645

Financial position

- Additions to fixed assets were HK$4,235 million, comprising HK$4,020 million for aircraft and related equipment and HK$215 million for other equipment and buildings.
- Borrowings decreased by 4.0% to HK$40,952 million. These are fully repayable by 2023 and are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars, Japanese yen and Euros with 57% at fixed rates of interest after the effect of related derivatives.
- Liquid funds, 75.9% of which are denominated in US dollars, increased by 28.7% to HK$21,262 million.
- Net borrowings decreased by 24.6% to HK$19,698 million.
- Funds attributable to the owners of Cathay Pacific increased by 15.3% to HK$48,720 million while the net debt/equity ratio decreased to 0.40 times.
- The Group's policies in relation to financial risk management and the management of currency, interest rate and fuel price exposures are set out in the 2009 Annual Report.

Fleet profile *

Aircraft type	Number as at 30th June 2010	Leased			Firm orders				Expiry of operating leases					Purchase rights
	Owned	Finance	Operating	Total	'10	'11	'12 and beyond	Total	'11	'12	'13	'14	'15 and beyond	
Aircraft operated by Cathay Pacific:														
A330-300	10	15	6	31	1	3	4	8	3				3	
A340-300	6	5	4	15					4					
747-400	17		5	22						2			3	
747-400F	3	3		6										
747-400BCF	7	1	5	13							3	1	1	
747-400ERF		6		6										
747-8F						6	4	10						
777-200	4	1		5										
777-300	3	9		12										
777-300ER	2	7	9	18		6	6	12					9	20[a]
Total	52	47	29	128	1	15	14	30	7	2	3	1	16	20
Aircraft operated by Dragonair:														
A320-200	5		5	10	1			1[b]	2				3	
A321-200	2		4	6					2				2	
A330-300	4	1	9	14					2	3	3		1	
Total	11	1	18	30	1			1	6	3	3		6	
Aircraft operated by Air Hong Kong:														
A300-600F	2	6		8										
Grand total	**65**	**54**	**47**	**166**	**2**	**15**	**14**	**31**	**13**	**5**	**6**	**1**	**22**	**20**

* Includes parked aircraft.

(a) Purchase rights for aircraft delivered by 2017.
(b) Aircraft on 8 year operating lease.

Review of other subsidiaries and associates

- AHK Air Hong Kong Limited recorded a lower profit compared with the first half of 2009 due to a reduction in yield since the second half of 2009.
- Cathay Pacific Catering Services (H.K.) Limited reported a higher profit in the first half of 2010 than in the first half of 2009 mainly as a result of increased number of meals, improved yield and effective cost management.
- With competitive pressure on handling rates and increasing headcount and rental costs, the results of Hong Kong Airport Services Limited in the first half of 2010 were below expectations.
- The Group's share of Air China Limited's ("Air China") results is based on accounts drawn up three months in arrears and consequently the 2010 interim results include Air China's results for the six months ended 31st March 2010. The Group recorded a satisfactory profit from Air China's results as its results for the first quarter of 2010 improved significantly with strong demand and write-backs on its fuel hedging portfolio.
- Cathay Pacific's share of Hong Kong Aircraft Engineering Company Limited's ("HAECO") profits for the first half of 2010 up to the date of sale was HK$44 million, compared with a share of HAECO's profits for the whole of the first half of 2009 of HK$118 million. The reduction in profits was primarily attributable to the lower utilisation of heavy airframe maintenance facilities in Xiamen and a decline in the profitability of the engine overhaul business.

Human resources

- Cathay Pacific and its subsidiaries employed some 26,500 people worldwide on 30th June 2010. Of those, 18,500 worked for the airline itself, with 12,600 employed in Hong Kong. The workforce decreased by 1% in the first half of the year.
- In March, the Cathay Pacific Group announced it would make an ex gratia payment to all staff who took part in the Special Leave Scheme and other initiatives that were introduced in 2009 to help the Company reduce costs during the global economic downturn.
- 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 Group. In May we announced a new three-year profit share scheme that will enable staff of both Cathay Pacific and Dragonair to share in our success.

By Order of the Board
Cathay Pacific Airways Limited
Christopher Pratt
Chairman
Hong Kong, 4th August 2010

Website: http://www.cathaypacific.com