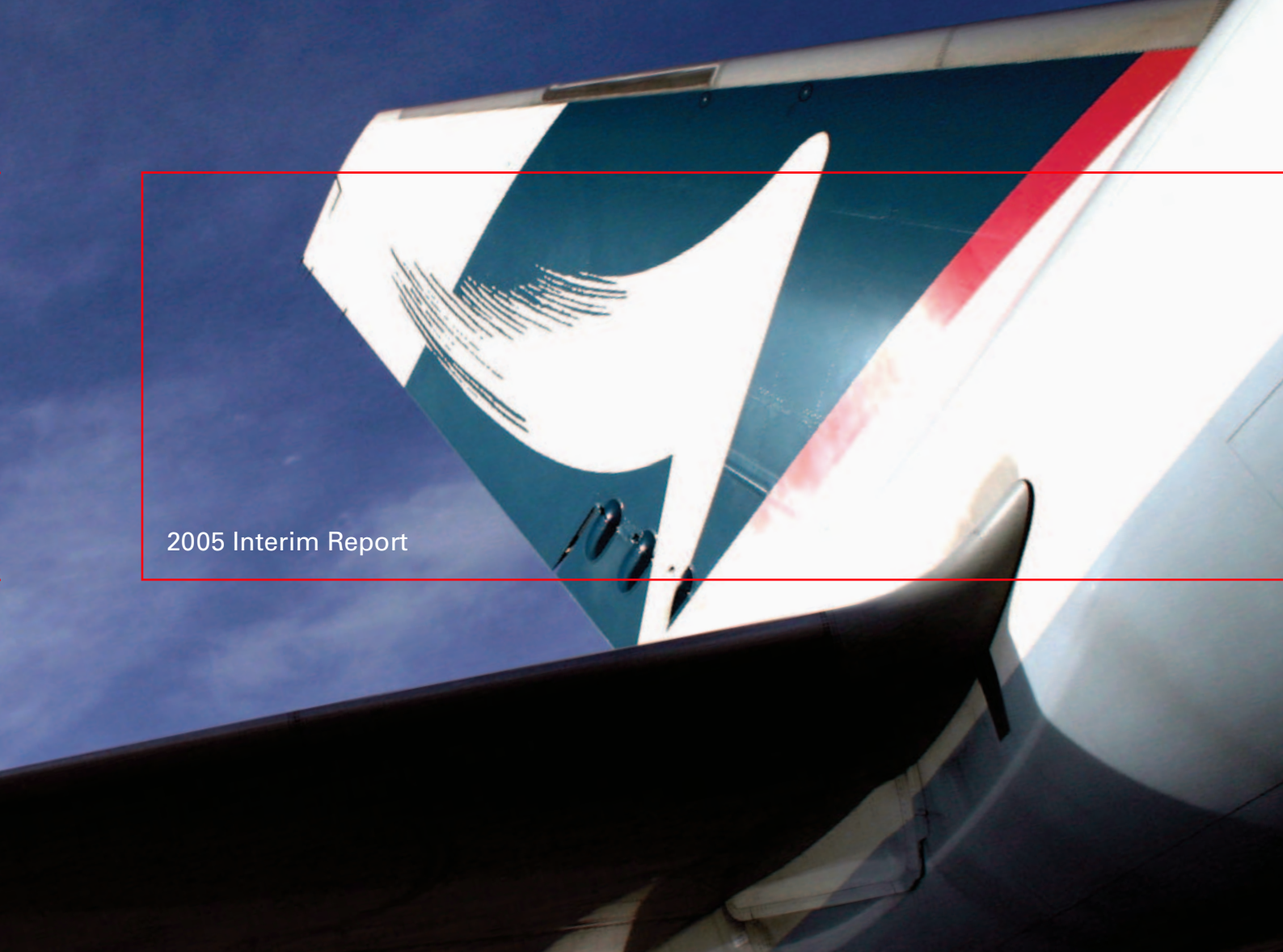
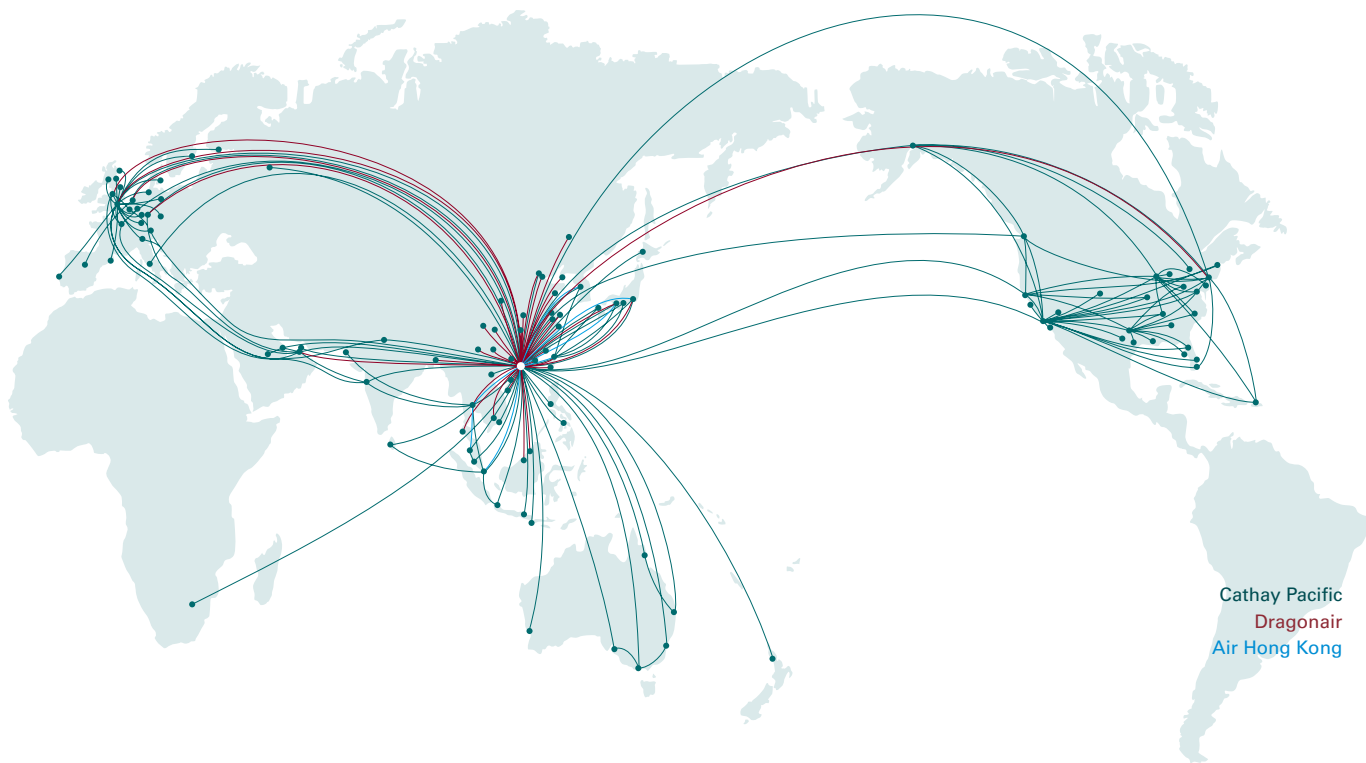


Cathay Pacific Airways Limited



2005 Interim Report



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Corporate information

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

Investor relations

For further information about Cathay Pacific Airways, please contact:

Corporate Communication Department

Cathay Pacific Airways Limited

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Hong Kong International Airport

Hong Kong

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

Cathay Pacific Airways is an international airline registered and based in Hong Kong, offering scheduled cargo and passenger services to 92 destinations around the world.

We are deeply committed to Hong Kong, where the Company was founded in 1946. We continue to make substantial investments to develop Hong Kong's aviation industry and enhance Hong Kong's position as a global transportation hub. In addition to our fleet of wide-bodied aircraft, these investments include catering, aircraft maintenance and ground handling companies, as well as our corporate headquarters at Hong Kong International Airport. Cathay Pacific and its subsidiaries and associates employ over 22,000 staff in Hong Kong. The airline's two major shareholders are both Hong Kong companies listed on the Hong Kong Stock Exchange, as is Cathay Pacific itself.

Cathay Pacific is the major shareholder in AHK Air Hong Kong Limited, an all cargo carrier that offers scheduled services in the Asian region. Cathay Pacific is also a shareholder in Hong Kong Dragon Airlines Limited and Air China Limited.

We are a founding member of the **oneworld** global alliance whose combined network serves over 600 destinations worldwide.

FINANCIAL AND OPERATING HIGHLIGHTS

Group Financial Statistics

		Six months ended 30th June		
		2005	2004	Change
Results				
Turnover	<i>HK\$ million</i>	23,884	19,659	+21.5%
Profit attributable to Cathay Pacific shareholders	<i>HK\$ million</i>	1,670	1,771	-5.7%
Earnings per share	<i>HK cents</i>	49.5	52.8	-6.3%
Dividend per share	<i>HK cents</i>	20.0	20.0	-
Profit margin	<i>%</i>	7.8	9.7	-1.9%pt

		30th June 2005	31st December 2004	
Balance Sheet				
Funds attributable to Cathay Pacific shareholders	<i>HK\$ million</i>	33,827	32,855	+3.0%
Net borrowings	<i>HK\$ million</i>	11,288	11,187	+0.9%
Shareholders' funds per share	<i>HK\$</i>	10.0	9.8	+2.0%
Net debt/equity ratio	<i>Times</i>	0.33	0.34	-0.01 times

Operating Statistics – Cathay Pacific

		Six months ended 30th June		
		2005	2004	Change
Available tonne kilometres ("ATK")	<i>Million</i>	8,446	7,493	+12.7%
Passengers carried	<i>'000</i>	7,333	6,404	+14.5%
Passenger load factor	<i>%</i>	78.1	76.1	+2.0%pt
Passenger yield	<i>HK cents</i>	47.2	45.7	+3.3%
Cargo carried	<i>'000 tonnes</i>	518	470	+10.2%
Cargo and mail load factor	<i>%</i>	65.9	68.7	-2.8%pt
Cargo and mail yield	<i>HK\$</i>	1.75	1.72	+1.7%
Cost per ATK	<i>HK\$</i>	2.19	2.07	+5.8%
Cost per ATK without fuel	<i>HK\$</i>	1.58	1.62	-2.5%
Aircraft utilisation	<i>Hours per day</i>	12.6	11.7	+7.7%
On-time performance	<i>%</i>	86.9	91.2	-4.3%pt

The Group made a profit attributable to shareholders of HK\$1,670 million in the first six months of the year. This contrasts with HK\$1,771 million profit recorded during the same period last year when the average price of fuel into plane was US\$46 per barrel; this has increased to US\$65 per barrel and fuel now represents 27.9% of the airline's total net operating costs, up from 21.8% last year. Turnover was HK\$23,884 million, HK\$4,225 million higher than last year, while the number of passengers increased by nearly a million to 7.3 million and cargo carried increased by 48,011 tonnes to 517,920 tonnes.

The high fuel price at present shows no sign of correction and our reduced hedging further exposes us to higher costs should the current trend continue. Our net fuel cost across the Group totalled HK\$5,257 million, HK\$1,822 million more than in the same period last year. Passenger and cargo fuel surcharges only partially offset the additional fuel cost. Nevertheless it is encouraging that the unit cost excluding fuel fell 2.5% due to ongoing efforts to reduce overheads and raise productivity.

Demand for passenger services increased at 2.9% above the capacity growth of 12.2%. Passenger yield was HK¢47.2, compared to HK¢45.7 last year. Front end demand was strong, particularly on long haul services. Cargo demand out of Hong Kong remained strong. Cargo yield was HK\$1.75, up from HK\$1.72 last year.

Our fleet expanded with the delivery of a Boeing 747-400 freighter, one B777-300 and two Airbus 330-300 passenger aircraft. A further A330-300 aircraft was delivered in July. In April, work commenced on our first B747-400 passenger-to-freighter conversion. The converted aircraft will enter service with the airline in December. We are to convert six B747-400 "Special Freighters" between now and 2007 and have options on six more. Three second hand B747-400 passenger aircraft will be refitted and introduced into service by the end of the year.

Plans to expand our long haul passenger fleet beyond 2007 have moved forward with requests for commercial proposals being made to Airbus, Boeing, engine manufacturers and leasing companies for an order of either A340-600 or B777-300ER aircraft.

This year, we commenced freighter services to Shanghai, now at 12 times a week, and a thrice weekly service to Xiamen. Seven more passenger flights to Beijing, now at 14 times a week, and a third daily non-stop flight to Los Angeles were added in our summer schedule. Additional services have also been added to Amsterdam, Denpasar, Frankfurt, Ho Chi Minh City, Johannesburg, Nagoya and Perth. Later this year we will inaugurate new freighter services to Atlanta and Dallas and a fourth daily passenger service to London.

We further cemented our strategic partnership with Air China by signing accords to codeshare on flights to and from Beijing and to participate in our frequent flyer programmes.

While forward bookings are encouraging the high price of fuel, which could yet dampen world growth, may make it difficult for us to achieve a similar result in the second half. This year we have already won a number of major international service awards, including the Airline of the Year 2005; delivering superior service and value for money remains our focus as we continue to expand our network and strengthen Hong Kong as a global aviation hub.

David Turnbull

Chairman

Hong Kong, 10th August 2005

2005 INTERIM REVIEW

Cathay Pacific's revenue increased, but so too did costs as the price of fuel continued to rise. However we continued to expand our fleet and our network, whilst maintaining profitable growth.

Growing network and expanding fleet

- We took delivery of a new B747-400 freighter, one B777-300 and two A330-300 regional passenger aircraft.
- By mid-year our operational fleet consisted of 91 all-widebody aircraft, including 13 freighters. Outstanding orders are for four more new A330-300s and one B777-300.
- Eight used B747-400 aircraft, reconfigured either as freighter or passenger aircraft, will join the fleet by 2007.
- We are considering acquiring either A340-600 or B777-300ER aircraft to meet our long haul passenger fleet requirements beyond 2007.
- We now serve Beijing 14 times a week, operate three weekly services to Xiamen and 12 freighter services a week to Shanghai.
- A codeshare agreement on passenger services between Hong Kong and Beijing was signed with Air China and will come into effect in the third quarter.
- We now operate three daily non-stop services to Los Angeles.
- A fourth daily non-stop service to London will commence on 1st December.
- We added a fourth weekly flight to Perth. Amsterdam and Johannesburg became daily services and Ho Chi Minh City is now a double daily operation.

- Nagoya has another seven services a week in addition to its double daily schedule. Frankfurt is served by three more flights a week and Denpasar by a further four.
- New freighter services to Atlanta and Dallas will commence in November.
- AHK Air Hong Kong ("AHK") has confirmed orders for two A300-600 freighters for delivery in June and July 2006.

Award winning products and services

- We were voted "Airline of the Year 2005" in the Skytrax Research poll of more than 12 million passengers around the world.
- We were awarded the "Best Airline Asia" and "Best First Class" in the same poll. Our Hong Kong lounges, The Wing and The Pier, also came top in separate 2005 Best Airline Lounge ratings for First and Business Class facilities.
- We were named "Best Inflight Travel Retailer in Asia/Pacific" in the Raven Fox Awards for Travel Retail Excellence.
- *Reader's Digest Asia* gave us a "Platinum SuperBrand Award" in recognition of our outstanding quality and customer service.
- *The Asian Wall Street Journal* named us Hong Kong's Leading Company.
- We were awarded three Gold and one Bronze medals by the Hong Kong Association for Customer Service Excellence.

Fleet profile

Aircraft type	Number as at 30th June 2005				Firm orders				Expiry of operating leases					Options
	Owned	Leased		Total	'05	'06	'07	Total	'06	'07	'08	'11	'12	
Aircraft operated by Cathay Pacific														
B747-400	17	2	3	22 ^(a)	1	4		5		1	1		1	
B747-200F	4	3		7										
B747-400F	2	4		6										
B777-200	1	4		5										
B777-300	1	10		11		1		1						3 ^(b)
A330-300		23	2	25	1 ^(c)	1	2	4				2		
A340-300		11	4	15					3	1				
A340-600			3	3						2	1			
Total	25	57	12	94	2	6	2	10	3	4	2	2	1	3
Aircraft operated by AHK														
A300-600F	2	4		6		2		2						

^(a) Includes three aircraft under reconfiguration and not operating.

^(b) Operating lease options expire in 2007 and are for any B777 model.

^(c) Aircraft is on an operating lease.

Pioneer in technology

- Web sites for customers and sales agencies were upgraded with new features and improved response times.
- We are now able to issue e-tickets on all our **oneworld** partners' flights, and they on ours, making **oneworld** the first alliance to offer this service. IATA has set an industry target for all tickets to be e-tickets by 2007. We are leading the way.
- Self-service Internet check-in is rapidly increasing in popularity and is now available in most countries.
- We are also developing self-service facilities for staff to improve convenience and productivity.
- As wireless and mobile connectivity become more widespread we are rolling out more features using this technology.
- We continue to invest in infrastructure and systems to support the business demands of our growing airline.

Dedicated staff

- Cathay Pacific now employs 15,400 staff in 30 countries and territories, 11,100 of whom are based in Hong Kong. Together with our subsidiaries and associates we employ over 22,000 staff in Hong Kong.
- We plan to hire 1,550 new Hong Kong based staff in 2005, including 1,200 cabin crew, 200 ground staff and 150 pilots. So far we have hired 500 cabin crew, 80 ground staff and 40 pilots.
- We review our human resources and remuneration policy regularly in the light of local legislation, industry practice, market conditions and the performance of both individuals and the Company.

Contribution to the Hong Kong community

- Our second "I Can Fly" aviation and community service initiative commenced in May as 1,000 Hong Kong young people joined the 15-month programme that encourages them to reach for their dreams.
- We were the title sponsor for the Cathay Pacific International Chinese New Year Night Parade for the seventh consecutive year.

- We were also title sponsor for sporting events, including the Rugby World Cup Sevens and Cathay Pacific International Races.
- Our tradition of bringing theatrical entertainment to the city continued with the staging of Saturday Night Fever. Aspiring local actors were given an insight into professional acting life with our Saturday Night Fever Masterclass.
- The Company and staff assisted Indian Ocean tsunami victims by raising more than HK\$7 million for the Hong Kong Red Cross through our Cathay Pacific Southeast Asia Disaster Relief Fund. The Company donated an initial HK\$1 million, then matched every staff donation dollar for dollar.
- The eleventh Cathay Pacific International Wilderness Experience took 51 young people from Hong Kong and around the region on an educational safari to South Africa to learn more about ecology and protection of the environment.
- We continued to be the main sponsor for the Life Education Activity Programme (LEAP), which teaches Hong Kong students about the dangers of drug and substance abuse. Cathay Pacific has backed LEAP since 1994.

Environment

- Our 2004 Environmental Report is now available on the Cathay Pacific web site in English and Chinese.
- The report documents progress made against commitments in the 2003 Environmental Report and outlines future objectives and actions, including commitments in areas of fuel consumption, climate change, local air quality, aircraft noise and waste management.
- The 2003 Environmental Report received a Commendation for Environmental Reporting by the Association of Chartered Certified Accountants.

REVIEW OF OPERATIONS

Cathay Pacific Airways Limited

Passenger services

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

	ASK (million)			Load factor (%)			Yield
	2005	2004	Change	2005	2004	Change	Change
North Asia	6,365	6,015	+5.8%	69.6	61.5	+8.1%pt	+2.8%
South West Pacific and South Africa	7,310	5,886	+24.2%	72.6	72.1	+0.5%pt	-2.9%
Europe	7,593	7,490	+1.4%	87.3	81.1	+6.2%pt	+1.6%
South East Asia and Middle East	8,352	7,619	+9.6%	72.6	72.3	+0.3%pt	-0.8%
North America	9,915	8,240	+20.3%	85.2	88.7	-3.5%pt	+13.2%
Overall	39,535	35,250	+12.2%	78.1	76.1	+2.0%pt	+3.3%

- Passenger revenue increased 18.8% year-on-year, compared with a corresponding 12.2% capacity growth.
- In the first six months of 2005 we carried 7.3 million passengers, up from 6.4 million in the same period last year.
- Passenger yield was HK\$47.2, compared to HK\$45.7 a year ago. Our overall load factor was 78.1% compared to 76.1% last year.
- Demand among business travellers remained strong, particularly on long haul services to Europe and North America.
- The Indian Ocean tsunami had only a marginal net impact on our business as we do not directly serve the resorts most affected. Regional leisure traffic diverted to cities in North Asia.
- We now operate three daily non-stop services to Los Angeles. We added more services to Amsterdam, Denpasar, Frankfurt, Ho Chi Minh City, Johannesburg, Nagoya and Perth.
- Our third daily service to Sydney has been well supported although additional capacity on the route has diluted yields.
- Demand from business travellers to Beijing continued to grow.
- The launch of our Xiamen service in February has been well received.
- Competition within South East Asia remained keen. Regional budget carriers had most impact on intra-regional flights, such as those between Bangkok and Singapore and Singapore and Jakarta.

Cargo services

	ATK (million)			Load factor (%)			Yield
	2005	2004	Change	2005	2004	Change	Change
Cathay Pacific	4,685	4,140	+13.2%	65.9	68.7	-2.8%pt	+1.7%

- In the first six months of the year we carried 517,920 tonnes of freight, a 10.2% increase on the same period last year.
- Cargo ATKs increased 13.2%, the average load factor decreased to 65.9% and yield increased to HK\$1.75.
- Revenue increased 10.3% with strong export growth on trunk routes to Europe and the United States.
- Demand out of Hong Kong remained strong with continued growth in re-exports from Southern China.
- Weak exports from Australia and Europe exacerbated traditional directional imbalances on return flights, reducing loads and diluting yields.
- We launched a daily B747-200 freighter service to Shanghai, which was increased to 12 services a week with an A300-600 leased from subsidiary cargo carrier AHK.
- Overnight express operations on behalf of DHL began to Beijing and Nagoya in March and April. New freighter services to Atlanta and Dallas will be launched in November.
- A new B747-400 freighter joined our fleet in February. Our first converted B747-400 "Special Freighter" will enter service in December.
- AHK now operates a fleet of six A300-600 freighters and has confirmed orders for two more for delivery in June and July 2006.

Review of subsidiary and associated companies

AHK Air Hong Kong Limited (“AHK”)

- AHK operates overnight express cargo services to seven destinations in Asia, namely Bangkok, Osaka, Penang, Seoul, Singapore, Taipei and Tokyo.
- In February and March, AHK took delivery of new A300-600 freighters, increasing the fleet size to six.
- As a result of the network expansion, capacity increased by 71.5%. Load factor decreased by 3.4 percentage points while yield increased by 4.1% with the airline focusing on regional express cargo market. The company recorded a satisfactory profit in the first half of 2005.

Cathay Pacific Catering Services (H.K.) Limited (“CPCS”)

- CPCS recorded a satisfactory interim profit due to increased meal volumes. The kitchen produced 52,600 meals a day on average, representing a growth of 14%. A new record one day volume of 66,917 meals was achieved on 29th April 2005. The profit margin declined as customer airlines mounted cost saving campaigns to compensate for high fuel prices.
- The profits of the overseas kitchens were on the whole encouraging, while the result of the Vietnam operation was adversely affected by the reoccurrence of avian flu.

Hong Kong Airport Services Limited (“HAS”)

- HAS recorded a healthy growth in revenue and interim profit with increased traffic through Hong Kong International Airport (“HKIA”).
- A continuing focus on cost reduction and productivity improvement has resulted in a solid first half performance.

Hong Kong Aircraft Engineering Company Limited (“HAECO”)

- HAECO achieved a record interim profit of HK\$289 million, representing a 25% increase from 2004.
- Continuous growth in aircraft traffic through HKIA gave rise to higher line maintenance business while the demand for heavy maintenance continued to be high.
- Contribution from HAECO’s jointly controlled companies, namely Taikoo (Xiamen) Aircraft Engineering Company Limited (“TAECO”) and Hong Kong Aero Engine Services Limited, also increased.
- The construction of the new two-storeyed office on the cargo apron and the second hangar at the HKIA are scheduled to open in early 2006 and 2007 respectively. The fourth hangar in Xiamen will start operations in November 2005. An agreement was also signed with the government of Xiamen to build TAECO’s fifth hangar which is scheduled for completion in 2007.

Hong Kong Dragon Airlines Limited (“Dragonair”)

- Dragonair recorded a much reduced interim result than 2004 due to the increasing fuel price.
- Passenger revenue increased with the airline carrying 2.4 million passengers, 15.5% more than last year. Passenger load factor increased by 2.8 percentage points and passenger yield slightly decreased.
- The airline carried 179,931 tonnes of cargo during the period, a 21.8% increase from last year, as cargo demand remained robust. Cargo load factor decreased by 2.5 percentage points while cargo yield remained stable.
- Dragonair started its first trans-Pacific freighter service to New York in April 2005. The airline also expanded the codeshare agreement with Air China to cover Beijing, Hangzhou and Wuhan. Together with Chengdu, Chongqing, Dalian and Tianjin, the codeshare agreement now covers seven cities in Mainland China.
- Two operating leased A330s and one owned A320 joined the fleet in the first six months. Dragonair now has a fleet of 33 aircraft. Another operating leased A330 will be delivered in October 2005.
- Dragonair celebrated its 20th anniversary in May 2005.

FINANCIAL REVIEW

Turnover

	Group		Cathay Pacific	
	Six months ended 30th June		Six months ended 30th June	
	2005 HK\$M	2004 HK\$M	2005 HK\$M	2004 HK\$M
Passenger services	14,660	12,341	14,660	12,341
Cargo services	5,981	5,251	5,394	4,891
Catering, other services and recoveries	3,243	2,067	2,637	1,512
Turnover	23,884	19,659	22,691	18,744

- Passenger turnover increased at 6.6% above the 12.2% increase in capacity.
- Cathay Pacific's cargo operation recorded a healthy growth of 10.3% in turnover and a 13.2% increase in capacity as demand for cargo services out of Hong Kong remained strong.
- Catering, other services and recoveries increased by 56.9% with healthy growth in other aviation related businesses.

Operating expenses

Net operating expenses after deduction of Group recoveries HK\$2,597 million (2004: HK\$1,474 million) and of Cathay Pacific recoveries HK\$2,637 million (2004: HK\$1,512 million) are analysed as follows:

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2005 HK\$M	2004 HK\$M	Change	2005 HK\$M	2004 HK\$M	Change
Staff	4,581	4,255	+7.7%	4,149	3,871	+7.2%
Inflight service and passenger expenses	866	749	+15.6%	866	749	+15.6%
Landing, parking and route expenses	2,850	2,674	+6.6%	2,780	2,615	+6.3%
Fuel	5,257	3,435	+53.0%	5,151	3,385	+52.2%
Aircraft maintenance	1,891	1,652	+14.5%	1,862	1,610	+15.7%
Aircraft depreciation and operating leases	2,389	2,115	+13.0%	2,319	2,041	+13.6%
Other depreciation and operating leases	398	405	-1.7%	301	299	+0.7%
Commissions	273	272	+0.4%	273	272	+0.4%
Others	647	398	+62.6%	586	371	+58.0%
Net operating expenses	19,152	15,955	+20.0%	18,287	15,213	+20.2%
Net finance charges	210	316	-33.5%	171	310	-44.8%
Total net operating expenses	19,362	16,271	+19.0%	18,458	15,523	+18.9%

Operating expenses (continued)

- Staff cost increased due to the increased staff numbers and backdated salary payments to cabin crew.
- Inflight service and passenger expenses rose due to a 14.5% increase in passenger numbers.
- Landing, parking and route expenses increased as a result of additional flights.
- Fuel cost increased as a result of the rise in the fuel price and increased consumption from additional flights.
- Aircraft maintenance increased as a result of the larger operating fleet.
- Cost per ATK increased by 5.8% while the cost per ATK without fuel decreased by 2.5%.

Financial position

- Additions to fixed assets were HK\$3,031 million, comprising HK\$2,976 million for aircraft and related equipment and HK\$55 million for other equipment.
- Borrowings increased by 1.9% to HK\$23,067 million. These are fully repayable by 2018 and are mainly denominated in US dollars, Japanese yen, Sterling, and Euro with 56% at fixed rates of interest.
- Liquid funds, 74% of which is denominated in US dollars, increased by 2.7% to HK\$11,787 million.
- Net borrowings increased by 0.9% to HK\$11,288 million.
- Funds attributable to Cathay Pacific shareholders increased by 3.0% to HK\$33,827 million whilst the net debt/equity ratio decreased to 0.33 times.
- The Group's policy on financial risk management and the management of currency and interest rate exposures is set out in the 2004 annual report.

INDEPENDENT REVIEW REPORT

Independent review report to the Board of Directors of Cathay Pacific Airways Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 11 to 24.

Respective responsibilities of directors and auditors

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 interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited because the Company's interim financial report for the period ended 30th June 2004 was neither reviewed in accordance with SAS 700 nor audited and consequently we were unable to perform a review of the comparatives in accordance with SAS 700.

Modified review conclusion arising from limitation of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments to the information for the comparative period ended 30th June 2004 that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the interim financial report for the period ended 30th June 2005.

KPMG

Certified Public Accountants

Hong Kong, 10th August 2005

CONDENSED FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

for the six months ended 30th June 2005 – Unaudited

	Note	2005 HK\$M	2004 HK\$M	2005 US\$M	2004 US\$M
Turnover					
Passenger services		14,660	12,341	1,879	1,582
Cargo services		5,981	5,251	767	673
Catering, other services and recoveries		3,243	2,067	416	265
Total turnover	2	23,884	19,659	3,062	2,520
Expenses					
Staff		(4,581)	(4,255)	(587)	(545)
Inflight service and passenger expenses		(985)	(837)	(126)	(107)
Landing, parking and route expenses		(3,314)	(3,029)	(425)	(388)
Fuel		(6,655)	(3,839)	(853)	(492)
Aircraft maintenance		(1,891)	(1,652)	(243)	(212)
Aircraft depreciation and operating leases		(2,400)	(2,126)	(308)	(273)
Other depreciation and operating leases		(398)	(405)	(51)	(52)
Commissions		(273)	(272)	(35)	(35)
Others		(1,252)	(1,014)	(161)	(130)
Operating expenses		(21,749)	(17,429)	(2,789)	(2,234)
Operating profit	3	2,135	2,230	273	286
Finance charges		(786)	(827)	(101)	(106)
Finance income		576	511	74	66
Net finance charges	4	(210)	(316)	(27)	(40)
Share of profits of associated companies		160	151	21	19
Profit before tax		2,085	2,065	267	265
Taxation	5	(335)	(250)	(43)	(32)
Profit for the period		1,750	1,815	224	233
Profit attributable to					
Cathay Pacific shareholders		1,670	1,771	214	227
Minority interests		80	44	10	6
		1,750	1,815	224	233
Dividends					
Interim declared	6	676	674	87	86
Earnings per share					
Basic	7	49.5¢	52.8¢	6.3¢	6.8¢
Diluted	7	49.3¢	52.5¢	6.3¢	6.7¢
Dividend per share	6	20.0¢	20.0¢	2.6¢	2.6¢

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 16 to 24 form part of these accounts.

CONDENSED FINANCIAL STATEMENTS

Consolidated Balance Sheet

at 30th June 2005 – Unaudited

	Note	30th June 2005 HK\$M	31st December 2004 HK\$M	30th June 2005 US\$M	31st December 2004 US\$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Fixed assets	8	51,239	50,259	6,569	6,443
Intangible assets	9	258	348	33	45
Investments in associated companies		1,733	1,743	223	223
Other long-term receivables and investments		5,547	5,589	711	717
		58,777	57,939	7,536	7,428
Long-term liabilities		(26,639)	(27,698)	(3,415)	(3,551)
Related pledged security deposits		9,056	10,036	1,161	1,287
Net long-term liabilities	10	(17,583)	(17,662)	(2,254)	(2,264)
Retirement benefit obligations		(94)	(102)	(12)	(13)
Deferred taxation		(7,445)	(7,280)	(955)	(934)
		(25,122)	(25,044)	(3,221)	(3,211)
Net non-current assets		33,655	32,895	4,315	4,217
Current assets and liabilities					
Stock		616	524	79	67
Trade and other receivables	11	5,889	5,347	755	686
Liquid funds		11,787	11,474	1,511	1,471
		18,292	17,345	2,345	2,224
Current portion of long-term liabilities		(7,252)	(7,096)	(930)	(910)
Related pledged security deposits		1,768	2,127	227	273
Net current portion of long-term liabilities	10	(5,484)	(4,969)	(703)	(637)
Trade and other payables	12	(7,330)	(7,163)	(940)	(919)
Unearned transportation revenue		(3,459)	(3,622)	(443)	(464)
Taxation		(1,645)	(1,497)	(211)	(192)
		(17,918)	(17,251)	(2,297)	(2,212)
Net current assets		374	94	48	12
Net assets		34,029	32,989	4,363	4,229
CAPITAL AND RESERVES					
Share capital	13	676	674	87	86
Reserves		33,151	32,181	4,250	4,126
Funds attributable to Cathay Pacific shareholders		33,827	32,855	4,337	4,212
Minority interests		202	134	26	17
Total equity		34,029	32,989	4,363	4,229

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 16 to 24 form part of these accounts.

CONDENSED FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

for the six months ended 30th June 2005 – Unaudited

	2005 HK\$M	2004 HK\$M	2005 US\$M	2004 US\$M
Operating activities				
Cash generated from operations	3,880	4,865	497	624
Dividends received from associated companies	135	101	17	13
Interest received	71	10	9	1
Net interest paid	(316)	(435)	(40)	(56)
Tax paid	(211)	(172)	(27)	(22)
Net cash inflow from operating activities	3,559	4,369	456	560
Investing activities				
Net decrease in liquid funds other than cash and cash equivalents	447	274	57	35
Receipts from repayment of loan and capital reduction from associated companies	9	70	1	9
Sales of fixed assets	9	3	1	–
Payments for fixed and intangible assets	(2,819)	(2,340)	(361)	(300)
Net (increase)/decrease in other long-term receivables and investments	(104)	22	(13)	3
Net cash outflow from investing activities	(2,458)	(1,971)	(315)	(253)
Financing activities				
New financing	2,859	79	367	10
Shares issued	68	183	9	24
Net cash benefit from financing arrangements	–	51	–	7
Loan and finance lease repayments	(1,733)	(4,742)	(222)	(608)
Dividends paid – to shareholders	(1,520)	(1,515)	(195)	(194)
– to minority interests	(12)	(21)	(2)	(3)
Net cash outflow from financing activities	(338)	(5,965)	(43)	(764)
Increase/(decrease) in cash and cash equivalents	763	(3,567)	98	(457)
Cash and cash equivalents at 1st January	2,657	5,649	341	724
Effect of exchange differences	(88)	(61)	(12)	(8)
Cash and cash equivalents at 30th June	3,332	2,021	427	259

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\$78.

The notes on pages 16 to 24 form part of these accounts.

CONDENSED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2005 – Unaudited

	Attributable to Cathay Pacific shareholders							Total HK\$M	Minority interests HK\$M	Total equity HK\$M
	Non-distributable									
	Share capital HK\$M	Retained profit HK\$M	Share premium HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Other reserves HK\$M			
At 31st December 2004	674	25,496	7,455	21	493	(1,285)	1	32,855	134	32,989
Prior period adjustment for financial derivatives	–	(106)	–	–	–	–	–	(106)	–	(106)
At 1st January 2005	674	25,390	7,455	21	493	(1,285)	1	32,749	134	32,883
Changes in cash flow hedges										
– recognised during the period	–	–	–	–	–	1,152	–	1,152	–	1,152
– deferred tax recognised	–	–	–	–	–	(129)	–	(129)	–	(129)
– transferred to profit for the period	–	–	–	–	–	(34)	–	(34)	–	(34)
Revaluation deficit recognised during the period	–	–	–	–	(127)	–	–	(127)	–	(127)
Exchange differences	–	–	–	–	–	–	(2)	(2)	–	(2)
Net gain not recognised in the profit and loss account	–	–	–	–	(127)	989	(2)	860	–	860
Profit for the period	–	1,670	–	–	–	–	–	1,670	80	1,750
2004 final dividend	–	(1,520)	–	–	–	–	–	(1,520)	–	(1,520)
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(12)	(12)
Share options exercised										
– premium received	–	–	66	–	–	–	–	66	–	66
– share capital issued	2	–	–	–	–	–	–	2	–	2
At 30th June 2005	676	25,540	7,521	21	366	(296)	(1)	33,827	202	34,029

The notes on pages 16 to 24 form part of these accounts.

CONDENSED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2004 – Unaudited

	Attributable to Cathay Pacific shareholders								Minority interests HK\$M	Total equity HK\$M
	Non-distributable							Total HK\$M		
	Share capital HK\$M	Retained profit HK\$M	Share premium HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Other reserves HK\$M			
At 31st December 2003	669	23,518	7,261	21	354	(770)	(1)	31,052	104	31,156
Prior year adjustment on Asia Miles	–	(250)	–	–	–	–	–	(250)	–	(250)
At 1st January 2004	669	23,268	7,261	21	354	(770)	(1)	30,802	104	30,906
Exchange differences on cash flow hedges										
– recognised during the period	–	–	–	–	–	166	–	166	–	166
– deferred tax recognised	–	–	–	–	–	(40)	–	(40)	–	(40)
– transferred to profit for the period	–	–	–	–	–	210	–	210	–	210
Revaluation deficit recognised during the period	–	–	–	–	(35)	–	–	(35)	–	(35)
Net gain not recognised in the profit and loss account	–	–	–	–	(35)	336	–	301	–	301
Profit for the period	–	1,771	–	–	–	–	–	1,771	44	1,815
2003 final dividend	–	(572)	–	–	–	–	–	(572)	–	(572)
2003 special dividend	–	(943)	–	–	–	–	–	(943)	–	(943)
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(21)	(21)
Share options exercised										
– premium received	–	–	178	–	–	–	–	178	–	178
– share capital issued	5	–	–	–	–	–	–	5	–	5
At 30th June 2004	674	23,524	7,439	21	319	(434)	(1)	31,542	127	31,669

The notes on pages 16 to 24 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 2004 annual report except that the Hong Kong Institute of Certified Public Accountants has issued new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") which became effective for accounting periods beginning on or after 1st January 2005. Adoption of these new accounting standards impacts the Group's results of operations and financial position as set out below:

- (a) Derivative financial instruments are used solely to manage exposures to fluctuations in foreign exchange rates, interest rates and jet fuel prices in accordance with the Group's risk management policies. The Group does not hold or issue derivative financial instruments for trading purposes.

With the adoption of HKAS 39 "Financial Instruments: Recognition and Measurement", all derivative financial instruments are now recognised at fair value in the balance sheet. Where derivative financial instruments are designated as effective hedging instruments under HKAS 39 and hedge exposure to fluctuations in foreign exchange rates, interest rates or jet fuel prices, any fair value change is accounted for as follows:

- (i) the portion of the fair value change that is determined to be an effective cash flow hedge is recognised directly in equity via the Statement of Changes in Equity and is included in the profit and loss account as an adjustment to revenue, net finance charges or fuel expense in the same period or periods during which the hedged transaction affects the profit and loss.
- (ii) the ineffective portion of the fair value change is recognised in the profit and loss account immediately.

Derivatives which do not qualify as hedging instruments under HKAS 39 are accounted for as held for trading financial instruments and any fair value change is recognised in the profit and loss account immediately.

In previous years, currency derivatives were stated at amortised cost and amounts receivable or payable under interest rate derivatives were accrued as interest expense or interest income. Jet fuel derivatives were not recognised in the balance sheet.

As a result of adopting the transitional provisions of HKAS 39, retained earnings brought forward from 2004 have been reduced by HK\$106 million being the restatement of derivative financial instruments. The effect of the change in the interim 2005 results is to increase profit attributable to Cathay Pacific shareholders by HK\$210 million. Basic and diluted earnings per share have been increased by HK¢6.2.

- (b) With the adoption of HKFRS 3 "Business Combinations" and its transitional provisions, goodwill is no longer amortised and the accumulated amortisation brought forward from 2004 has been eliminated with a corresponding decrease in the cost of goodwill. The carrying amount of goodwill is reviewed annually and is written down should any impairment arise. The effect of this change in the interim 2005 results is to reduce other depreciation and operating lease expenses and to increase profit attributable to Cathay Pacific shareholders by HK\$9 million.

1. Basis of preparation and accounting policies (continued)

(c) With the adoption of HKAS 17 "Leases", leasehold land is now considered as being held under an operating lease rather than as a finance lease and this has resulted in a reclassification of leasehold land from fixed assets to other long-term receivables and investments and trade and other receivables. This change which has no impact on the profit and loss account of the Group has been applied retrospectively and 2004 comparatives have been restated accordingly. As at 30th June 2005, HK\$1,530 million (2004: HK\$1,549 million) of unamortised payments for leasehold land were included in other long-term receivables and investments and trade and other receivables.

(d) With the adoption of HKAS 1 "Presentation of Financial Statements", minority interests are now treated as a part of equity rather than as a deduction from net assets and in the profit and loss account, minority interests are now disclosed as an allocation of the profit for the period rather than a deduction from profit. This change has been applied retrospectively and 2004 comparatives have been restated accordingly.

Recoveries arising from surcharges or incidental activities are now treated as revenue rather than as a deduction from expenses. This change has been applied retrospectively and 2004 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 from transportation services, airline catering, other services provided to third parties and recoveries. Recoveries have been included in the 2004 comparatives.

(a) Primary reporting by geographical segment

	Six months ended 30th June	
	2005 HK\$M	2004 HK\$M
Turnover by origin of sale:		
North Asia		
– Hong Kong and Mainland China	9,037	7,651
– Japan, Korea and Taiwan	3,901	3,228
South East Asia and Middle East	2,887	2,290
Europe	3,136	2,503
South West Pacific and South Africa	1,760	1,584
North America	3,163	2,403
	23,884	19,659

Countries included in each region are defined in the 2004 annual report. Geographical analysis of segment results, segment assets and segment liabilities is not disclosed for the reasons set out in the 2004 annual report.

NOTES TO THE ACCOUNTS

2. Turnover (continued)

(b) Secondary reporting by business segment

	Six months ended 30th June	
	2005 HK\$M	2004 HK\$M
Revenue - external sales		
– Passenger services	14,660	12,341
– Cargo services	5,981	5,251
	20,641	17,592
Unallocated revenue		
– Catering, other services and recoveries	3,243	2,067
	23,884	19,659

The Group is engaged in two main business segments: in passenger business through the Company and in freight traffic through the Company and a subsidiary. Catering services, other airline supporting services and recoveries which supplement the Group's main operating business are included in unallocated revenue.

Analysis of net assets by business segment is not disclosed for the reasons set out in the 2004 annual report.

3. Operating profit

	Six months ended 30th June	
	2005 HK\$M	2004 HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
– Leased	948	936
– Owned	1,023	949
Amortisation of intangible assets	25	43
Operating lease rentals		
– Land and buildings	192	177
– Aircraft and related equipment	591	409
– Others	19	17
Operating lease income		
– Aircraft and related equipment	(11)	(11)
Cost of stock expensed	644	566
Exchange differences	(47)	(16)
Auditors' remuneration	3	3
Income from listed investments	(5)	(3)
Income from unlisted investments	(40)	(51)

4. Net finance charges

	Six months ended 30th June	
	2005 HK\$M	2004 HK\$M
Net interest charges from:		
– Obligations under finance leases	713	775
– Interest income from related security deposits, notes and bonds	(385)	(428)
	328	347
– Bank loans and overdrafts	53	44
– Other loans wholly repayable within five years	15	2
– Other loans not wholly repayable within five years	3	6
	399	399
Income from liquid funds:		
– Funds with investment managers and other liquid investments	(90)	(48)
– Bank deposits and other receivables	(97)	(35)
	(187)	(83)
Financial derivatives:		
– Interest income	(4)	–
– Interest expenses	2	–
	(2)	–
	210	316

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

5. Taxation

	Six months ended 30th June	
	2005 HK\$M	2004 HK\$M
The Company and its subsidiary companies		
Current tax expenses		
– Hong Kong profits tax	21	30
– Overseas tax	155	92
– Under provision for prior years	–	34
Deferred tax		
– Origination and reversal of temporary differences	131	66
Share of associated companies' taxation	28	28
	335	250

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) 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.

NOTES TO THE ACCOUNTS

6. Dividends

On 10th August 2005, the Board of Directors declared an interim dividend of HK¢20 per share (2004: HK¢20 per share) for the period ended 30th June 2005. This interim dividend which totals HK\$676 million (2004: HK\$674 million) will be paid on 3rd October 2005 to shareholders registered at the close of business on 9th September 2005. The share register will be closed from 5th September 2005 to 9th September 2005, both dates inclusive.

7. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to Cathay Pacific shareholders of HK\$1,670 million (2004: HK\$1,771 million) by the daily weighted average number of shares in issue throughout the period of 3,374 million (2004: 3,355 million) shares and 3,385 million (2004: 3,376 million) shares respectively with the latter adjusted for the effects of the share options.

	2005 million	2004 million
Weighted average number of ordinary shares used in calculating basic earnings per share	3,374	3,355
Deemed issue of ordinary shares for no consideration	11	21
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,385	3,376

8. Fixed assets

	Aircraft and related equipment HK\$M	Other equipment HK\$M	Buildings HK\$M	Total HK\$M
Cost				
At 31st December 2004	72,738	2,851	6,289	81,878
Reclassification of leasehold land	–	–	(1,767)	(1,767)
At 1st January 2005	72,738	2,851	4,522	80,111
Exchange differences	3	(1)	(2)	–
Additions	2,976	55	–	3,031
Disposals	(165)	(33)	–	(198)
At 30th June 2005	75,552	2,872	4,520	82,944
Accumulated depreciation				
At 31st December 2004	26,775	1,814	1,481	30,070
Reclassification of leasehold land	–	–	(218)	(218)
At 1st January 2005	26,775	1,814	1,263	29,852
Exchange differences	–	(1)	(1)	(2)
Charge for the period	1,809	84	78	1,971
Disposals	(83)	(33)	–	(116)
At 30th June 2005	28,501	1,864	1,340	31,705
Net book value				
At 30th June 2005	47,051	1,008	3,180	51,239
At 1st January 2005	45,963	1,037	3,259	50,259

Fixed assets at 30th June 2005 include leased assets of HK\$30,670 million (31st December 2004: HK\$30,528 million).

9. Intangible assets

	Goodwill HK\$M	Computer systems HK\$M	Total HK\$M
Cost			
At 31st December 2004	358	640	998
Elimination of accumulated amortisation	(182)	–	(182)
At 1st January 2005	176	640	816
Additions	–	41	41
Disposals	–	(107)	(107)
At 30th June 2005	176	574	750
Accumulated amortisation			
At 31st December 2004	182	468	650
Elimination of accumulated amortisation	(182)	–	(182)
At 1st January 2005	–	468	468
Charge for the period	–	25	25
Disposals	–	(1)	(1)
At 30th June 2005	–	492	492
Net book value			
At 30th June 2005	176	82	258
At 1st January 2005	176	172	348

10. Long-term liabilities

	30th June 2005		31st December 2004	
	Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Long-term loans	2,062	2,410	1,229	2,765
Obligations under finance leases	3,422	15,173	3,740	14,897
	5,484	17,583	4,969	17,662

NOTES TO THE ACCOUNTS

11. Trade and other receivables

	30th June 2005 HK\$M	31st December 2004 HK\$M
Trade debtors	3,040	3,151
Derivative financial assets	894	–
Other receivables and prepayments	1,945	2,185
Due from associated companies	10	11
	5,889	5,347
	30th June 2005 HK\$M	31st December 2004 HK\$M
Analysis of trade debtors by age:		
Current	2,994	3,108
One to three months overdue	44	37
More than three months overdue	2	6
	3,040	3,151

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 guarantee or other monetary collateral.

12. Trade and other payables

	30th June 2005 HK\$M	31st December 2004 HK\$M
Trade creditors	2,303	2,447
Derivative financial liabilities	518	–
Other payables	4,242	4,308
Due to associated companies	179	265
Due to other related companies	80	113
Bank overdrafts – unsecured	8	30
	7,330	7,163
	30th June 2005 HK\$M	31st December 2004 HK\$M
Analysis of trade creditors by age:		
Current	1,890	1,956
One to three months overdue	331	396
More than three months overdue	82	95
	2,303	2,447

13. Share capital

During the period under review, the Group did not purchase, sell or redeem any shares in the Company. At 30th June 2005, 3,379,254,848 shares were in issue (31st December 2004: 3,370,215,348 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 will, except in limited circumstances, be exercisable until 14th March 2009.

HKFRS 2 "Share-based Payment" does not apply to this Scheme as share options were granted before 7th November 2002.

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

	2005 Number of shares	2004 Number of shares
Movements in options outstanding comprise:		
At 1st January	26,494,500	53,194,800
Options exercised	(9,039,500)	(24,533,800)
At 30th June	17,455,000	28,661,000
Options vested at 30th June	17,455,000	28,661,000

No option was granted under the Scheme during the period.

	2005	2004
Details of share options exercised during the period:		
Exercise date	7/1/05-28/6/05	6/1/04-25/6/04
Proceeds received (HK\$)	67,525,065	183,267,486
Weighted average closing share price immediately before the exercise date (HK\$)	14.56	15.17

NOTES TO THE ACCOUNTS

14. Commitments and contingencies

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

	30th June 2005 HK\$M	31st December 2004 HK\$M
Authorised and contracted for	4,818	7,218
Authorised but not contracted for	1,830	9
	6,648	7,227

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

	30th June 2005 HK\$M	31st December 2004 HK\$M
Associated company	19	20
Staff	415	415
	434	435

- (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.
- (d) The Company files tax returns in many jurisdictions and in certain of these the returns have remained in dispute for a number of years. 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.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Corporate governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of 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 of 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' interests

At 30th June 2005, 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:

	No. of shares	Percentage of issued capital
Philip Chen	9,000	0.00027
Derek Cridland	17,000	0.00050
Tony Tyler	5,000	0.00015
Raymond Yuen	9,000	0.00027

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 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 at 30th June 2005 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons, all being beneficial interests:

	No. of shares	Percentage of issued capital	Remarks
1. Swire Pacific Limited	1,540,046,246	46.14	
2. John Swire & Sons Limited	1,540,046,246	46.14) Duplication of Swire Pacific Limited's holding (Note)
3. CITIC Pacific Limited	859,353,462	25.74	
4. Super Supreme Company Limited	787,753,462	23.60) Duplication of CITIC Pacific
5. Custain Limited	214,851,154	6.44) Limited's holding
6. Easerich Investments Inc.	191,922,273	5.75)
7. Motive Link Holdings Inc.	189,057,762	5.66)
8. Smooth Tone Investments Ltd.	191,922,273	5.75)

Note: At 30th June 2005, the John Swire & Sons Limited group owned directly or indirectly interests in shares of Swire Pacific Limited representing 29.47% of the issued share capital and 52.86% of the voting rights.

GLOSSARY

Terms

Borrowings	Total borrowings (loans and lease obligations) less security deposits, notes and zero coupon bonds.	Revenue passenger kilometres ("RPK")	Number of passengers carried on each sector multiplied by the sector distance.
Net borrowings	Borrowings and bank overdrafts less liquid funds.	Revenue tonne kilometres ("RTK")	Traffic volume, measured in load tonnes from the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.
Available tonne kilometres ("ATK")	Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.	On-time performance	Departure within 15 minutes of scheduled departure time.
Available seat kilometres ("ASK")	Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.	EBITDA	Earnings before interest, tax, depreciation and amortisation.

Ratios

Earnings/(loss) per share	=	$\frac{\text{Profit/(loss) attributable to Cathay Pacific shareholders}}{\text{Weighted average number of shares (by days) in issue for the period}}$	Net debt/equity ratio	=	$\frac{\text{Net borrowings}}{\text{Funds attributable to Cathay Pacific shareholders}}$
Profit/(loss) margin	=	$\frac{\text{Profit/(loss) attributable to Cathay Pacific shareholders}}{\text{Turnover net of recoveries}}$	Passenger/Cargo and mail load factor	=	$\frac{\text{Revenue passenger kilometres / Cargo and mail tonne kilometres}}{\text{Available seat kilometres / Available cargo and mail tonne kilometres}}$
Shareholders' funds per share	=	$\frac{\text{Funds attributable to Cathay Pacific shareholders}}{\text{Total issued and fully paid shares at end of the period}}$	Revenue load factor	=	$\frac{\text{Total passenger, cargo and mail traffic revenue}}{\text{Maximum possible revenue at current yields and capacity}}$
Return on average shareholders' funds	=	$\frac{\text{Profit/(loss) attributable to Cathay Pacific shareholders}}{\text{Average funds attributable to Cathay Pacific shareholders}}$	Breakeven load factor	=	A theoretical revenue load factor at which the traffic revenue equates to the operating cost.
Dividend cover	=	$\frac{\text{Profit/(loss) attributable to Cathay Pacific shareholders}}{\text{Dividends}}$	Passenger/Cargo and mail yield	=	$\frac{\text{Passenger turnover / Cargo and mail turnover}}{\text{Revenue passenger kilometres / Cargo and mail tonne kilometres}}$
Interest cover	=	$\frac{\text{Operating profit/(loss)}}{\text{Net finance charges}}$	Cost per ATK	=	$\frac{\text{Total net operating expenses of Cathay Pacific}}{\text{ATK of Cathay Pacific}}$
Gross debt/equity ratio	=	$\frac{\text{Borrowings}}{\text{Funds attributable to Cathay Pacific shareholders}}$			