CATHAY PACIFIC

oneworld

INTERIM REPORT 2015

Cathay Pacific Airways Limited

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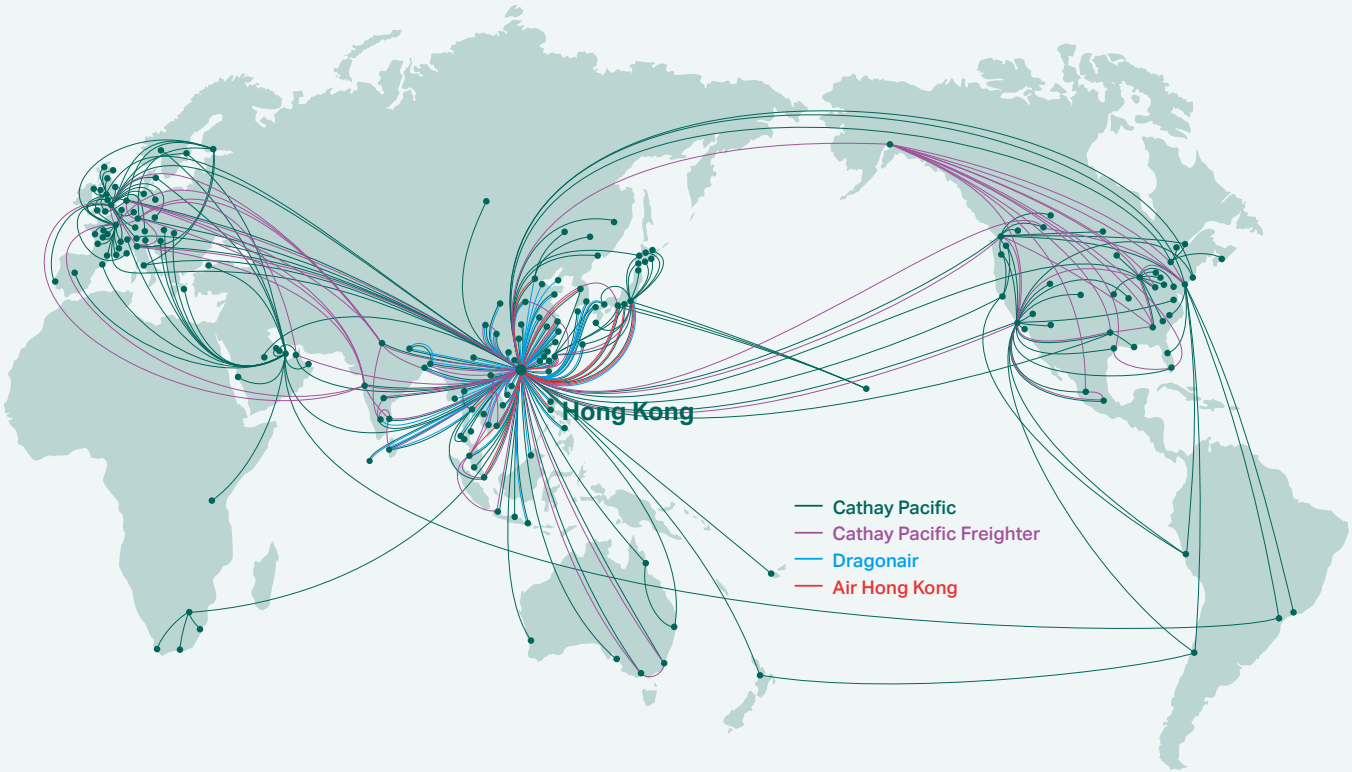

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CORPORATE INFORMATION

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

INVESTOR RELATIONS

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Cathay Pacific's main Internet address is *www.cathaypacific.com*

Cathay Pacific is an international airline registered and based in Hong Kong, offering scheduled passenger and cargo services to 194 destinations in 52 countries and territories.

The Company was founded in Hong Kong in 1946 and remains deeply committed to its home base, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres. In addition to its fleet of 148 aircraft, these investments include catering and ground-handling companies and its corporate headquarters and cargo terminal at Hong Kong International Airport. Cathay Pacific continues to invest heavily in its home city and at 30th June 2015 had 72 new aircraft due for delivery up to 2024.

Hong Kong Dragon Airlines Limited ("Dragonair"), a regional airline registered and based in Hong Kong, is a wholly owned subsidiary of Cathay Pacific operating 41 aircraft on scheduled services to 52 destinations in Mainland China and elsewhere in Asia. Cathay Pacific owns 20.13% of Air China Limited ("Air China"), the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. Cathay Pacific is the majority shareholder in AHK Air Hong Kong Limited ("Air Hong Kong"), an all-cargo carrier offering scheduled services in Asia.

Cathay Pacific and its subsidiaries employ more than 33,300 people worldwide, of whom around 25,700 are employed in Hong Kong. Cathay Pacific is listed on The Stock Exchange of Hong Kong Limited, as are its substantial shareholders Swire Pacific Limited ("Swire Pacific") and Air China.

Cathay Pacific is a founding member of the **one**world global alliance, whose combined network serves more than 1,000 destinations worldwide. Dragonair is an affiliate member of **one**world.

Financial and Operating Highlights

GROUP FINANCIAL STATISTICS

		2015	2014	
		Six months ended 30th June		Change
Results				
Revenue	*HK$ million*	**50,388**	50,840	**-0.9%**
Profit attributable to the shareholders of Cathay Pacific	*HK$ million*	**1,972**	347	**+468.3%**
Earnings per share	*HK cents*	**50.1**	8.8	**+469.3%**
Dividend per share	*HK$*	**0.26**	0.10	**+160.0%**
Profit margin	*%*	**3.9**	0.7	**+3.2%pt**

		30th June	31st December	
Financial position				
Funds attributable to the shareholders of Cathay Pacific	*HK$ million*	**54,816**	51,722	**+6.0%**
Net borrowings	*HK$ million*	**44,189**	43,998	**+0.4%**
Shareholders' funds per share	*HK$*	**13.9**	13.1	**+6.1%**
Net debt/equity ratio	*Times*	**0.81**	0.85	**-0.04 times**

OPERATING STATISTICS – CATHAY PACIFIC AND DRAGONAIR

		2015	2014	
		Six months ended 30th June		Change
Available tonne kilometres ("ATK")	*Million*	**14,598**	13,545	**+7.8%**
Available seat kilometres ("ASK")	*Million*	**69,689**	65,474	**+6.4%**
Revenue passengers carried	*'000*	**16,800**	15,437	**+8.8%**
Passenger load factor	*%*	**85.9**	83.6	**+2.3%pt**
Passenger yield	*HK cents*	**60.4**	66.6	**-9.3%**
Cargo and mail carried	*'000 tonnes*	**868**	804	**+8.0%**
Cargo and mail load factor	*%*	**64.1**	63.2	**+0.9%pt**
Cargo and mail yield	*HK$*	**1.93**	2.17	**-11.1%**
Cost per ATK (with fuel)	*HK$*	**3.24**	3.57	**-9.2%**
Cost per ATK (without fuel)	*HK$*	**2.12**	2.20	**-3.6%**
Aircraft utilisation	*Hours per day*	**12.2**	12.0	**+1.7%**
On-time performance	*%*	**65.8**	70.7	**-4.9%pt**

The Cathay Pacific Group reported an attributable profit of HK$1,972 million for the first six months of 2015. This compares to a profit of HK$347 million in the first half of 2014. Earnings per share were HK50.1 cents compared to HK8.8 cents for the corresponding period in 2014. Revenue for the period decreased by 0.9% to HK$50,388 million.

The Group's performance in the first six months of 2015 was considerably better than in the same period in 2014. There were higher load factors in our passenger business, reflecting strong economy class demand. The increase in demand in air cargo markets which began in summer 2014 continued in the first part of 2015, but demand slackened in the second quarter. There was an improved contribution from our subsidiary and associated companies. Air China's profits were significantly higher, principally as a result of lower fuel prices.

The Group's passenger revenue decreased by 0.8% to HK$36,226 million. Capacity increased by 6.4%, reflecting the introduction of new routes (to Boston and Zurich) and increased frequencies on other routes. The load factor increased by 2.3 percentage points to 85.9%. Strong competition, a significant reduction in fuel surcharges, foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 9.3% to HK60.4 cents. Demand on regional routes was strong, particularly in economy class. There was strong economy class demand on long-haul routes. But premium class demand, though robust on short-haul routes, was weaker than expected on some long-haul routes.

The increase in demand for air cargo, which began in summer 2014, continued during the first few months of 2015, but slackened in the second quarter. The Group's cargo revenue for the period was HK$11,376 million, a decrease of 2.5% compared to the same period in 2014. Capacity for Cathay Pacific and Dragonair grew by 8.9% and the load factor increased by 0.9 percentage points to 64.1%. But strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield, which dropped by 11.1% to HK$1.93. However, there was strong demand on some of our principal cargo routes, notably to and from North America, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. Intra-Asia shipments grew but traffic to Europe fell short of expectations. Our cargo terminal in Hong Kong has been operating smoothly after its build up to full operations in October 2013. Volumes have been growing and it provides services for five airlines outside the Cathay Pacific Group.

In the first half of 2015, despite an increase in passenger and cargo capacity of 6.4% and 8.9% respectively, our fuel costs (before the effect of fuel hedging) decreased by HK$7,078 million (or 35.5%) compared to the same period in 2014. Despite lower prices, fuel remains the Group's most significant cost. Fuel accounted for 34.2% of our total operating costs, a reduction of 3.7 percentage points compared to the same period in 2014. This was due to a 38.5% decrease in the average into-plane fuel price, partially offset by a 4.9% increase in consumption. Managing the risk associated with volatile fuel prices remains a priority. In the first half of 2015, lower fuel costs were partially offset by hedging losses, resulting in our net fuel costs decreasing by HK$2,311 million (or 12.2%). Our fuel hedging extends to 2019. Non-fuel costs were managed effectively and benefited from weakness in a number of currencies.

In the first six months of 2015 we took delivery of seven new aircraft: four Boeing 777-300ERs and three Airbus A330-300s. Four Boeing 747-400 passenger aircraft, one of which will be returned to its lessor by the end of 2015, were retired during the

period, as were three A340-300 aircraft. In 2013 we agreed to sell six Boeing 747-400F freighters to The Boeing Company. Two of these freighters have been delivered, one in November 2014, the other in July 2015. The remaining four freighters will leave the fleet by the end of 2016. At 30th June 2015 we had 72 new aircraft on order for delivery up to 2024. Our first Airbus A350-900XWB aircraft is scheduled to be delivered in February 2016. We took delivery of the first of two simulators for Airbus A350 aircraft in May.

We introduced passenger services to Zurich in March and to Boston in May. Both services have been well received. We will introduce a four-times-weekly service to Dusseldorf in September. We increased frequencies on our Jakarta service in January, on our Bangkok and Manila services in March and on our San Francisco service in June. We are increasing flights to Bangkok and Osaka over the summer peak. In June, we reduced flights to Seoul in response to the incidence of middle east respiratory syndrome and the resulting drop in demand. We discontinued services to Moscow in June. Dragonair started to fly daily to Haneda in Tokyo in March and twice-weekly to Hiroshima in August. Dragonair increased frequencies on the Phnom Penh, Wuhan and Kolkata routes and is increasing flights to Okinawa over the summer season. We introduced a cargo service to Kolkata in March and increased frequencies on cargo services to North America and India. We adjust our freighter network and capacity in line with demand.

Except for Boeing 747-400 and Airbus A340-300 passenger aircraft due to be retired in the next years, all Cathay Pacific and Dragonair wide-bodied passenger aircraft have been fitted or refitted with new or refreshed seats in all classes. Our Airbus A350XWB aircraft will have new cabins, seats and entertainment systems. We opened lounges in Manila in May and Bangkok in June. We reopened the first class lounge at The Pier, at Hong Kong International Airport, in June. The lounges follow the design of the Haneda lounge, which opened in November 2014. Two more lounges (one in San Francisco, the other in Taipei) will open in the fourth quarter of 2015.

The operating environment was generally positive in the first half of 2015. Passenger and cargo demand was generally strong. We reduced our operating costs due to lower fuel prices, partially offset by fuel hedging losses. We continued to manage non-fuel costs effectively. But we face challenges. Yield remained under pressure. There is increasing congestion at Hong Kong International Airport. We strongly support the construction of a third runway at the airport and believe that construction should start as soon as possible. We think the Airport Authority Hong Kong can, and should, finance the construction itself without burdening airport users unduly with additional charges. Airport charges must be competitive if Hong Kong's aviation, tourism and related industries are to continue to grow.

We usually perform better in the second half of the year than in the first. We expect our business to do well in the remainder of 2015. We will focus on providing high-quality products and services. We will continue to invest in aircraft, in our products and in the development of our network. Our financial position remains strong. Our commitment to our world-class team and to the aviation hub in our home city, Hong Kong, is unwavering.

John Slosar
Chairman
Hong Kong, 19th August 2015

The operating environment was generally positive in the first half of 2015. Passenger and cargo demand was generally strong. We reduced our operating costs due to lower fuel prices, partially offset by fuel hedging losses. We continued to manage non-fuel costs effectively. But yield remained under pressure. We continued to develop our networks, modernise our fleet and improve our products and services. We continued to invest for long-term success and to strengthen Hong Kong's position as one of the world's leading aviation hubs.

AWARD-WINNING PRODUCTS AND SERVICES

- The refreshment of the first class seats in our Boeing 777-300ER aircraft, intended to rejuvenate the look and feel of the cabins and to improve bed linen, headsets and seat controls, was completed in March. 33 aircraft have these refreshed first class seats.
- All Cathay Pacific's Boeing 777-300ER aircraft and long-haul Airbus A330-300 aircraft have new long-haul business class, premium economy class and long-haul economy class seats.
- The installation of new regional business class seats was completed in our Boeing 777-200 aircraft in January. All of our regional aircraft have these seats.
- New first, business and economy class seats were installed in Dragonair's Airbus A330-300 aircraft.
- Dragonair's first Airbus A320 aircraft to be fitted with new business and economy class seats and a wireless inflight entertainment system entered service in December 2014. Installation of the new seats and systems in all Dragonair's A320 aircraft is expected to be completed by 2018.
- The first class lounge at The Pier, which was the second Cathay Pacific lounge at Hong Kong International Airport, reopened in June following an extensive refurbishment. Its design follows that of our Haneda lounge.
- The Pier business class lounge closed for renovation in July and will reopen in the second quarter of 2016.
- Our new lounge at Haneda in Tokyo, which opened in November 2014, has been well received by passengers. We opened lounges in Manila (in May) and Bangkok (in June). Their design follows that of the Haneda lounge.
- Our Taipei lounge closed for renovation in July and will reopen in the fourth quarter of 2015. Our lounge in San Francisco is being expanded and renovated, with work due to be completed and reopening scheduled in the fourth quarter of 2015.
- The final stage of the refurbishment of the Qantas business class lounge in Los Angeles, which Cathay Pacific uses, was completed in May.
- We offer streamed digital newspapers and magazines in our lounges in Hong Kong. We will start to do so in our lounges outside Hong Kong in the first quarter of 2016.
- In June, Cathay Pacific was named Best Transpacific Airline and Dragonair was named the World's Best Regional Airline and the Best Regional Airline in Asia in the annual Skytrax World Airline Awards.

HUB DEVELOPMENT

- We are committed to the long-term development of Hong Kong International Airport as a premier international hub for passenger and cargo traffic. We continue to develop our networks and frequencies in order to provide customers with more choices and convenience.
- We fully support the construction of the three-runway system at Hong Kong International Airport. We believe the construction of the third runway is the only way to address the critical capacity issues the airport is facing and to maintain Hong Kong's long-term competitiveness as a premier aviation hub.
- The development of our networks is a priority. However, we manage capacity in line with passenger and cargo demand. In the first half of 2015 we cancelled flights for commercial and operational reasons.
- In the first half of 2015, the passenger capacity of Cathay Pacific and Dragonair increased by 6.4% compared to the same period in 2014. This reflected the introduction of new routes and more flights on some existing routes. Cathay Pacific's passenger capacity increased by 6.6%. Dragonair's passenger capacity increased by 5.5%.
- Cathay Pacific introduced passenger services to Zurich in March and to Boston in May. It will introduce a four-times-weekly service to Dusseldorf in September.
- We stopped flying to Moscow in June.
- Cathay Pacific increased its San Francisco service from 14 to 17 flights a week in June. Its service to Chicago was reduced from 10 flights a week to daily in March.
- Using Boeing 777-300ER aircraft to fly to Amsterdam and Sydney increased Cathay Pacific's capacity on these routes.
- Cathay Pacific increased its Jakarta service from 21 to 26 flights a week in January, its Bangkok service from 59 to 63 flights per week in March and its Manila service from 47 to 49 flights a week in March. In June, it reduced its Seoul service because passenger demand was affected by the incidence of middle east respiratory syndrome in Korea.
- In October, Cathay Pacific's direct flights to Colombo will be increased from four flights a week to daily.
- Dragonair introduced a daily service to Haneda in Tokyo in March and a twice-weekly service to Hiroshima in August.
- Dragonair stopped flying to Manila in March.
- Dragonair increased its Phnom Penh service from 10 to 12 flights a week in January, added one flight a week to Wuhan in January, increased its Kolkata service from five to six flights a week in May and is increasing its Okinawa service from four flights a week to daily over the summer season.
- Our cargo capacity increased by 8.9% compared to the first six months of 2014. We operated more freighter services and there was more capacity in the bellies of our passenger aircraft.
- We introduced a twice-weekly cargo service to Kolkata in March. In the same month, we increased our Delhi cargo service from seven to eight flights a week.

- We added two cargo flights per week to North America in April. We operate 37 cargo flights per week to North America. We changed routings so as to increase cargo capacity on the Chicago, Los Angeles and New York routes.
- Our cargo terminal handled more than 0.8 million tonnes of cargo in the first six months of 2015, an increase of 17.0% compared to the same period in 2014. The terminal handles cargo for Cathay Pacific, Dragonair, Air Hong Kong and five other airlines. It introduced cross-border bonded trucking services in the first quarter of 2015.

FLEET DEVELOPMENT

- We are investing heavily in new aircraft. Doing this will make us an airline with one of the world's most modern and fuel-efficient fleets and will strengthen Hong Kong's position as one of the world's premier international aviation hubs.
- At 30th June 2015, Cathay Pacific operated 148 aircraft, Dragonair operated 41 aircraft and Air Hong Kong operated 13 aircraft (a total of 202 aircraft for the Group). We had 72 new aircraft on order for delivery up to 2024.
- In the first half of 2015, we took delivery of seven new aircraft: four Boeing 777-300ERs and three Airbus A330-300s.
- Four Boeing 747-400 passenger aircraft, one of which will be returned to its lessor by the end of 2015, were retired in the first half of 2015. We also began to retire our Airbus A340-300 aircraft. At 30th June 2015, three out of 11 A340-300 aircraft had been retired. One more will be retired in the second half of 2015. The remaining seven will have been retired by the end of 2017.
- In 2013, we agreed to sell our six Boeing 747-400F freighters back to The Boeing Company. Two of these freighters have been delivered, one in November 2014, the other in July 2015. The remaining four freighters will leave the fleet by the end of 2016.
- One Boeing 747-400BCF converted freighter, which was parked in August 2013, will return to service in September for the peak cargo season.
- In the second half of 2015, we are taking delivery of two new aircraft. One of them was delivered in July.
- Our first Airbus A350-900XWB aircraft is scheduled to be delivered in February 2016. We have 48 Airbus A350 aircraft on order, comprising both the Airbus A350-900 and the Airbus A350-1000 aircraft types.
- We took delivery of the first of two simulators for Airbus A350 aircraft in May. We have 14 simulators in our flight training centre in Hong Kong.

ADVANCES IN TECHNOLOGY

- We introduced a travel retail platform in Hong Kong in April, following its successful introduction in Singapore and Australia.
- We started to provide mobile tablet devices to senior Cathay Pacific and Dragonair cabin crew in April.
- In April, Cathay Pacific and Dragonair introduced a cloud-based inflight catering system.

- We conducted a trial of a self-service bag-drop facility at Hong Kong International Airport with the Airport Authority Hong Kong from December 2013 to April 2014. We expect this facility to be introduced later in 2015.
- We have updated existing mobile apps for staff and have introduced an inflight passenger information list for cabin crew, which is available on tablet devices.

PARTNERSHIPS

- Cathay Pacific Chief Executive Ivan Chu became Chairman of the **one**world Governing Board in June.
- In March, Cathay Pacific and Qatar Airways extended their codeshare arrangements so as to include Qatar Airways flights between Doha and Muscat.
- In March, Cathay Pacific and Dragonair ended their codeshare arrangements with Air Seychelles and Royal Brunei Airlines. We still have interline arrangements with these airlines.
- In May, American Airlines and Cathay Pacific extended their codeshare arrangements so as to include Cathay Pacific flights between Hong Kong and Boston.
- In June, Cathay Pacific and Bangkok Airways entered into an arrangement under which members of the airlines' frequent flyer programmes can earn and redeem mileage on each other's programmes.
- In July, Cathay Pacific and Dragonair entered into interline arrangements with Eurowings, Germanwings and ACP Rail International.
- In January, Dragonair entered into codeshare arrangements with Shenzhen Airlines in relation to Shenzhen Airlines flights between Hong Kong and Jinjiang.

ENVIRONMENT

- Cathay Pacific is involved in the Global Market-Based Measure Technical Task Force, under the auspices of the International Civil Aviation Organization. This task force is leading the industry's work to develop airlines' commitment to carbon neutral growth by 2020 and in developing proposals for a fair and equitable global agreement on emissions.
- Cathay Pacific engages with groups (the IATA Environment Committee, the Airlines Advisory Group on Global Market-Based Measures, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping climate change and aviation policy. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.
- In compliance with the European Union's Emissions Trading Scheme (EU ETS), our emissions data for 2014 were externally verified in February and our emissions report was submitted to the UK Environment Agency (UKEA) in March 2015. In April, we surrendered the credits required to cover our 2013 and 2014 emissions under the EU ETS to the UKEA.
- Cathay Pacific's greenhouse gas emissions data for 2014 have been reviewed by an external auditor.

- We purchased additional carbon credits derived from renewable energy projects in Mainland China and Taiwan for Cathay Pacific's Fly Greener carbon offset programme. This programme allows customers and staff on business trips to offset the environmental impact of their travel.
- Cathay Pacific is a participant in the Airbus sustainable aviation engagement programme. The programme is intended to enable airlines to reduce their environmental impact by taking advantage of opportunities to reduce fuel consumption and noise afforded by the latest Airbus aircraft types.
- Since March, unopened food items from inbound Cathay Pacific flights to Hong Kong have been collected by Feeding Hong Kong, a non-profit organisation which provides surplus food to Hong Kong charities for distribution to people in need.
- In March, Cathay Pacific participated in WWF's annual Earth Hour activity. We switched off all non-essential lights in our buildings and billboards.
- Our retiring Airbus A340 aircraft are being decommissioned and recycled under PAMELA (Airbus' Process for Advanced Management of End-of-Life Aircraft). PAMELA enables old aircraft to be dismantled (and disposed of or recycled) in a sustainable manner.
- We share environmental best practice and experience with Air China.
- Cathay Pacific has been a constituent of the FTSE4Good Index for seven years and a constituent of the Dow Jones Sustainability Index for two years.
- Our Sustainable Development Report for 2014 will be published in August 2015. The report will be available for viewing at www.cathaypacific.com/sdreport.

CONTRIBUTION TO THE COMMUNITY

- In February, Hong Kong SAR Chief Executive CY Leung was guest of honour on a special community flight organised by Cathay Pacific. The 90-minute flight on a Boeing 777-200 aircraft was a special treat for 200 people from 60 less-advantaged families in Hong Kong. Most of the participants had never flown before. This is the fifth such community flight we have organised since 2007.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. In May, a group of Cathay Pacific staff went to Mainland China to see how "Change for Good" donations have been put to good use in a local community.
- Some of the "Change for Good" donations have been passed to the Cathay Pacific Wheelchair Bank, which raises funds to provide specially adapted wheelchairs for children with neuromuscular diseases.
- Cathay Pacific and Dragonair appealed for help for the people of Nepal following the earthquake in April. HK$6 million was donated to UNICEF following the appeal. The donations were from staff (which were matched by the Company) and funds collected from the "Change for Good" inflight fundraising programme. Dragonair flew tents, solar lighting and medical and infrastructure supplies to Kathmandu, the capital of Nepal. The Group's total contribution to the relief effort, including cash donations and free-of-charge tickets and shipments for relief agencies, was valued at HK$10 million.

- The CX Volunteers, made up of around 1,400 Cathay Pacific staff, help the local community in Hong Kong. Their activities included the English on Air programme, which has helped more than 2,200 Tung Chung secondary students to improve their conversational English skills, participation in a 24-hour pedal kart event, which developed young people's teamwork, and a charity sale for low-income families in Tung Chung. We organised a recognition ceremony for the CX Volunteers in June in order to acknowledge their commitment to helping others.
- The Dragonair Aviation Certificate Programme is jointly organised with the Hong Kong Air Cadet Corps. In 2015, 32 participants are being mentored by Dragonair pilots over nine months, so gaining firsthand knowledge of the aviation industry. There have been 177 participants in the programme. Around 70 of them have started aviation-related careers.

COMMITMENT TO STAFF

- At 30th June 2015, the Cathay Pacific Group employed more than 33,300 people worldwide. Around 25,700 of these people are employed in Hong Kong. Cathay Pacific itself employs almost 23,000 people worldwide. Dragonair employs more than 3,450 people.
- Cathay Pacific expects to recruit more than 2,200 staff in 2015, including around 950 cabin crew and 320 pilots. Dragonair expects to recruit around 220 cabin crew and 30 pilots.
- Our airlines' cadet programmes continue to bring new blood into Hong Kong's aviation industry. We expect that around 90 cadets will graduate from the Cathay Pacific cadet pilot programme and nine cadets will graduate from the Dragonair cadet pilot programme in 2015.
- The first batch of IT graduate trainees have completed their first job rotations in Cathay Pacific. The first ten graduates were chosen from more than 450 applicants. The selection for 2015 intake has been completed. There were more than 500 applicants. The second batch of graduates will join Cathay Pacific's IT team in August.
- Our engineering trainee scheme started in 1985. A number of those who have participated in the scheme are now in senior positions. In 2015, we will recruit around five more people into this scheme.
- We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.
- Cathay Pacific was named the most attractive employer in Hong Kong at the 2015 Randstad Award.
- The 11th annual Betsy Awards ceremony took place in early August. This internal programme honours staff who go beyond the call of duty to help passengers.
- We introduced an internal social media platform in May, for use by Cathay Pacific and Dragonair staff worldwide. The platform will help to keep staff better informed and better connected and is intended to facilitate more open communication within the airlines.

FLEET PROFILE*

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

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

(a) Including two aircraft on 12-year operating leases.
(b) The operating lease of the aircraft expired in June 2015 and the aircraft will leave the fleet by the end of 2015.
(c) Two aircraft were parked in January 2014.
(d) In December 2013, Cathay Pacific agreed with The Boeing Company to purchase 21 new Boeing 777-9X aircraft (for delivery after 2020), three new Boeing 777-300ER aircraft and one new Boeing 747-8F freighter and to sell six existing Boeing 747-400F freighters. Two of the Boeing 777-300ER aircraft have been delivered to Cathay Pacific, one in April 2015, the other in July 2015. Two of the Boeing 747-400F freighters have been delivered to The Boeing Company, one in November 2014, the other in July 2015.
(e) The aircraft was parked in August 2013 and will return to service in September 2015.
(f) Purchase options in respect of five Boeing 777-200F freighters.

REVIEW OF OTHER SUBSIDIARIES AND ASSOCIATES

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

- Air Hong Kong is the only all-cargo airline in Hong Kong. It is 60.0% owned by Cathay Pacific. It operates express cargo services for DHL Express.
- Air Hong Kong operates eight owned Airbus A300-600F freighters, two dry leased Airbus A300-600F freighters and three Boeing 747-400BCF converted freighters dry leased from Cathay Pacific.
- In March, Air Hong Kong converted a wet lease of an Airbus A300-600F freighter to a dry lease.
- Air Hong Kong operates six flights per week services to Bangkok, Ho Chi Minh City, Osaka, Penang (via Ho Chi Minh City), Seoul, Shanghai, Singapore, Taipei and Tokyo and five flights per week services to Beijing, Manila and Nagoya.
- On-time performance was 87.0% within 15 minutes.
- Capacity and load factor increased marginally compared with the first half of 2014. Revenue tonne kilometres increased by 2.0%.
- Air Hong Kong achieved an increase in profit in the first half of 2015 compared with the first half of 2014.

Asia Miles Limited ("AML")

- AML, a wholly owned subsidiary, manages Cathay Pacific Group's reward programme. It has more than seven million members.
- AML achieved an increase in profit in the first half of 2015 compared with the first half of 2014 due to an increase in business volume.

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

- CPCS, a wholly owned subsidiary, operates the principal flight kitchen in Hong Kong.
- CPCS provides flight catering services to 43 international airlines in Hong Kong. It produced a daily average of 80,500 meals and handled 195 flights per day in the first half of 2015 (an increase of 9.0% and 4.8% respectively compared with the first half of 2014). CPCS had a 65.0% share of the flight catering market in Hong Kong in the first half of 2015.
- CPCS's profit in the first half of 2015 decreased slightly compared with the first half of 2014. Increases in staff, maintenance and depreciation costs offset an increase in revenue.
- Outside Hong Kong, profits increased in all kitchens.

Cathay Pacific Services Limited ("CPSL")

- CPSL, a wholly owned subsidiary, operates the Group's cargo terminal at Hong Kong International Airport. It has the capacity to handle 2.6 million tonnes of cargo annually.
- EVA Air and AirAsia Zest became customers in January and May respectively. CPSL handles cargo for Cathay Pacific, Dragonair, Air Hong Kong and five other airlines.
- CPSL handled more than 0.8 million tonnes of cargo in the first half of 2015, 52.0% of which were transhipments. Import and export shipments accounted for 17.0%, and 31.0% respectively of the total.
- The financial results in the first half of 2015 improved compared with the first half of 2014. This reflected the addition of customers and effective management of operating costs.

Hong Kong Airport Services Limited ("HAS")

- HAS, a wholly owned subsidiary, provides ramp and passenger handling services in Hong Kong. At 30th June 2015, it provided ground services to 24 airlines, including Cathay Pacific and Dragonair.
- In the first half of 2015, HAS had 47.5% and 19.9% market shares in ramp and passenger handling businesses respectively at Hong Kong International Airport.
- In the first half of 2015, passenger handling flights decreased by 6.5% and ramp handling flights decreased by 0.2% compared with the same period in 2014.
- The financial results for the first half of 2015 improved compared with the same period in 2014. The improvement reflected lower fuel prices and the fact that increases in staff costs did not exceed the increase in revenue.

Air China Limited ("Air China")

- Air China, in which Cathay Pacific had a 20.13% interest as at 30th June 2015, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in Mainland China. In July, Air China proposed the issue of 994,200,497 A shares. When the issue happens, Cathay Pacific's shareholding in Air China will be diluted from 20.13% to 18.71%.
- At 30th June 2015, Air China operated 239 domestic and 102 international (including regional) routes to 35 countries and regions, including 57 overseas cities, four regional cities and 103 domestic cities.
- Our share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently our 2015 interim results include Air China's results for the six months ended 31st March 2015, adjusted for any significant events or transactions for the period from 1st April 2015 to 30th June 2015.
- Air China's results improved significantly in the six months to 31st March 2015. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.

Air China Cargo Co., Ltd. ("Air China Cargo")

- Air China Cargo, in which Cathay Pacific owns an equity and an economic interest, is the leading provider of air cargo services in Mainland China.
- At 30th June 2015, Air China Cargo operated 13 freighters. It operates scheduled freighter services to 12 countries and regions. It flies to ten cities in Mainland China and 16 cities outside Mainland China. Taking account of its rights to carry cargo in the bellies of Air China's passenger aircraft, Air China Cargo has connections to 172 destinations.
- Air China Cargo's financial results improved in the first half of 2015. This reflected the general improvement in the air cargo market, lower fuel prices and improved operating efficiency resulting from the replacement of old aircraft with new aircraft.

PASSENGER SERVICES

The Group's passenger revenue decreased by 0.8% to HK$36,226 million. Capacity increased by 6.4%, reflecting the introduction of new routes (to Boston and Zurich) and increased frequencies on other routes. The load factor increased by 2.3 percentage points to 85.9%. Strong competition, a significant reduction in fuel surcharges, foreign currency movements and the fact that a higher proportion of passengers were connecting through Hong Kong put downward pressure on yield, which decreased by 9.3% to HK60.4 cents. Demand on regional routes was strong, particularly in economy class. There was strong economy class demand on long-haul routes. But premium class demand, though robust on short-haul routes, was weaker than expected on some long-haul routes.

Available seat kilometres ("ASK"), load factor and yield by region for Cathay Pacific and Dragonair passenger services for the first half of 2015 were as follows:

	ASK (million)			Load factor (%)			Yield
	2015	2014	**Change**	**2015**	2014	**Change**	**Change**
India, Middle East, Pakistan and Sri Lanka	**4,959**	5,512	**-10.0%**	**83.7**	78.2	**+5.5%pt**	**-4.3%**
Southwest Pacific and South Africa	**9,592**	8,849	**+8.4%**	**88.8**	84.8	**+4.0%pt**	**-8.6%**
Southeast Asia	**10,221**	8,973	**+13.9%**	**83.1**	80.4	**+2.7%pt**	**-8.4%**
Europe	**11,395**	10,423	**+9.3%**	**88.1**	87.4	**+0.7%pt**	**-10.1%**
North Asia	**14,987**	14,431	**+3.9%**	**80.6**	77.9	**+2.7%pt**	**-9.9%**
North America	**18,535**	17,286	**+7.2%**	**89.3**	88.7	**+0.6%pt**	**-10.2%**
Overall	**69,689**	65,474	**+6.4%**	**85.9**	83.6	**+2.3%pt**	**-9.3%**

- Revenue in the first six months of 2015 was affected by the weakness of a number of currencies relative to the Hong Kong and United States dollars. This adversely affected yield on routes to Australia, Canada, Europe, New Zealand, South Africa and the United Kingdom. The depreciation of the Japanese yen increased demand for travel to Japan and resulted in higher revenue on Japanese routes.

- The significant reduction in fuel prices compared to the same period in 2014 improved the results of our passenger operations, particularly on ultra long-haul routes. However, this was offset in part by fuel hedging losses.

- The passenger load factor was significantly higher in the first half of 2015 than in the corresponding period in 2014, for both Cathay Pacific and Dragonair. The peak periods of New Year, Chinese New Year and Easter were particularly busy, but there was also strong demand outside these periods.

- Premium class demand was robust on short-haul routes. It was weaker than expected on some long-haul routes.

- Passenger capacity in the first half of 2015 was 6.4% higher than in the same period last year. This reflected the introduction of new routes and increased frequencies on existing routes, including those which took effect in the second half of 2014.

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

- Cathay Pacific increased long-haul capacity by introducing services to Zurich in March and Boston in May and will increase long-haul capacity further by introducing a four-times-weekly service to Dusseldorf in September. We cancelled flights on some routes in order to ensure they were operating profitably.

- Demand for travel originating from Hong Kong was strong in the first half of 2015. It benefited from the weakness of the Japanese yen, the Euros and the Australian dollars. Demand for travel to Thailand recovered in full following the end of the 2014 political unrest.

- Our weekly "fanfares" promotions in Hong Kong continue to demonstrate our commitment to offering good-value fares in our home market.

- The number of mainland visitors to Hong Kong dropped significantly following the protests against parallel traders in early 2015. To compensate, we have been promoting connecting traffic from Mainland China through Hong Kong, with some success. Demand for connecting flights to Australia, Europe and Japan was strong.

- Demand originating from the Pearl River Delta area recorded encouraging growth in the first half of 2015, though there is more competition from other airlines and airports.

- Demand for travel to and from Taiwan was strong, despite increasing competition and more non-stop cross-strait services. There was robust demand for travel between Taiwan and Japan.

- Demand on our Korea routes weakened. This was in part because leisure travellers preferred Japan to Korea due to the depreciation of the Japanese yen. But the principal reason was the incidence of middle east respiratory syndrome in June and the subsequent issue of a red outbound travel alert by the Hong Kong government. We adjusted our schedules accordingly.

- Demand for travel to Japan was strong, because of the depreciation of the Japanese yen. Demand for travel originating from Japan was weak, for the same reason. Dragonair introduced a daily flight to Haneda in Tokyo in March and a twice-weekly service to Hiroshima in August. Dragonair is also increasing its Okinawa service to daily over the summer season.

- Demand on our Southeast Asia routes was strong in the first half of 2015. Traffic to Thailand recovered following the end of the 2014 political unrest. In March, the Bangkok service increased from 59 to 63 flights a week and more flights are being put on during the summer peak. Revenue on our Philippines routes is increasing. We increased our Manila service from 47 to 49 flights a week in March. The Indonesian routes were weak, but their performance improved slightly from last year. In January, we increased the Jakarta service from 21 to 26 flights a week.

- Load factors were high on our Middle East routes. Revenue was strong.

- Revenue and load factors on our routes to the Indian subcontinent improved significantly. The Male route in particular benefited from an improved load factor. The new direct flights to Colombo have been well received. In October, the service will increase from four times a week to daily. In May, Dragonair increased its service to Kolkata to six flights a week.

- Our Australian routes performed satisfactorily. Using Boeing 777-300ER aircraft on one Sydney flight a day increased capacity. In October, we will start to use Boeing 777-300ER aircraft on a second Sydney flight. Competition from non-stop services between Mainland China and Australia is increasing.
- There was steady demand on our New Zealand route (which is operated as a joint venture with Air New Zealand).
- The improvement in South Africa route was mainly due to increase in traffic originated from South Africa.
- In June, we stopped flying to Moscow.
- Demand on our United Kingdom and European routes was robust. Using Boeing 777-300ER aircraft to fly to Amsterdam increased the capacity. Our Zurich service, introduced in March, has started well. We will introduce a four-times-weekly service to Dusseldorf in September.
- The United States routes performed satisfactorily, reflecting more economy class travellers transiting through Hong Kong. Premium class travel was weak, reflecting less business travel. We maintained a strong market share despite increasing competition. In June, the service to San Francisco increased from 14 to 17 flights a week. The performance of our Newark route, introduced in March 2014, improved. The load factor and yield on our Boston route, introduced in March 2015, have been good.

CARGO SERVICES

The increase in demand for air cargo, which began in summer 2014, continued during the first few months of 2015, but slackened in the second quarter. The Group's cargo revenue for the period was HK$11,376 million, a decrease of 2.5% compared to the same period in 2014. Capacity for Cathay Pacific and Dragonair grew by 8.9% and the load factor increased by 0.9 percentage points to 64.1%. But strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield, which dropped by 11.1% to HK$1.93. However, there was strong demand on some of our principal cargo routes, notably to and from North America, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. Intra-Asia shipments grew but traffic to Europe fell short of expectations. Our cargo terminal in Hong Kong has been operating smoothly after its build up to full operations in October 2013. Volumes have been growing and it provides services for five airlines outside the Cathay Pacific Group.

Available tonne kilometres ("ATK"), load factor and yield for Cathay Pacific and Dragonair cargo services for the first half of 2015 were as follows:

	ATK (million)			Load factor (%)			Yield
	2015	2014	**Change**	**2015**	2014	**Change**	**Change**
Cathay Pacific and Dragonair	**7,971**	7,318	**+8.9%**	**64.1**	63.2	**+0.9%pt**	**-11.1%**

- Cargo demand was strong in the first part of 2015, but demand slackened in the second quarter. Strong competition, overcapacity in the industry and a significant reduction in fuel surcharges put downward pressure on yield. Cargo yield for Cathay Pacific and Dragonair decreased by 11.1% to HK$1.93 compared to the same period last year.
- Lower fuel prices were welcome, but these were partially offset by fuel hedging losses.
- Lower fuel prices meant more flexibility in deploying our freighter capacity. We managed capacity in line with demand. We put on more flights (including charter flights) to accommodate large shipments.
- The amount of cargo carried in the bellies of our passenger aircraft increased as more Boeing 777-300ER passenger aircraft were brought into service and new passenger routes were introduced.
- The strong demand for cargo shipments from Hong Kong in the last quarter of 2014 continued in the first part of 2015, but demand slackened in the second quarter. Shipments to and from North America were strong, assisted in part by maritime backlogs caused by industrial action at major shipping ports on the West Coast of the United States. We operated more freighter services to meet this demand. It started to decline in May as the backlogs were cleared. Shipments to Europe were below expectations.
- Shipments originating from Mainland China to North America were strong. Exports from the Yangtze River Delta were stable. Exports from Chengdu and Zhengzhou fluctuated in line with major shippers' production schedules. Shipments of mail benefited from the growth of e-commerce. There were more pharmaceutical shipments originating from Mainland China.
- Intra-Asia shipments continued to grow in the first six months of 2015. Production increased in South East Asia. Exports from Thailand increased as the political situation stabilised. Capacity in the bellies of our passenger aircraft increased. So we stopped operating our weekly Bangkok freighter service in May.
- Our Japan business benefited from strong demand for shipments to North America.
- Shipments from Europe and the South West Pacific increased. Revenue was affected by currency weakness.
- Demand for shipments to and from the Indian subcontinent was strong. In March, we introduced a twice-weekly service to Kolkata and increased our Delhi service from seven to eight flights a week. Demand for shipments to and from Dhaka recovered as the political situation in Bangladesh improved.
- We added two cargo flights per week to North America in April. We operate 37 cargo flights per week to North America. We changed routings in order to increase cargo capacity on the Chicago, Los Angeles and New York routes.
- A Boeing 747-400BCF converted freighter, which was parked in August 2013, will return to service in September for the peak period.
- Our cargo terminal handled more than 0.8 million tonnes of cargo in the first six months of 2015, an increase of 17.0% compared to the same period in 2014. The terminal handles cargo for Cathay Pacific, Dragonair, Air Hong Kong and five other airlines. It introduced a cross-border bonded trucking service in the first quarter of 2015.

- We expect our cargo business to be stable in the second half of 2015. We expect more competition on our transpacific routes but intra-Asia shipments traffic will continue to grow. Market conditions will continue to fluctuate. With our professional team and efficient aircraft and terminal, we are well placed to take advantage of any increase in demand.

LOYALTY AND REWARD PROGRAMME

The Marco Polo Club

- The Marco Polo Club offers benefits and services to the frequent flyers of Cathay Pacific and Dragonair. It has more than one million members.
- Members of The Marco Polo Club contribute to almost a quarter of the revenues of Cathay Pacific and Dragonair and fly on one-sixth of their flights.

Asia Miles

- Asia Miles is a leading Asian reward programme. It has more than seven million members and over 500 partners, including 26 airlines and more than 300 restaurants, plus hotels and retail shops.
- There was a 11.0% increase in redemptions by Asia Miles members on Cathay Pacific and Dragonair flights in the first half of 2015 compared to the same period of last year.
- Marco Polo Club members are also members of Asia Miles.

ANTITRUST PROCEEDINGS

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances in line with the accounting policy 20 set out on page 101 in the 2014 Annual Report.

REVENUE

	Group		Cathay Pacific and Dragonair	
	Six months ended 30th June		Six months ended 30th June	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M
Passenger services	**36,226**	36,520	**36,226**	36,520
Cargo services	**11,376**	11,663	**9,865**	10,028
Catering, recoveries and other services	**2,786**	2,657	**2,474**	2,346
Total revenue	**50,388**	50,840	**48,565**	48,894

- Group passenger revenue decreased by 0.8% compared with a 6.4% increase in capacity.
- Group cargo revenue decreased by 2.5%. Combined Cathay Pacific and Dragonair cargo revenue decreased by 1.6% compared with a 8.9% increase in capacity.
- Group revenue from catering, recoveries and other services increased by 4.9%.

OPERATING EXPENSES

	Group			Cathay Pacific and Dragonair		
	Six months ended 30th June			Six months ended 30th June		
	2015 HK$M	2014 HK$M	**Change**	**2015 HK$M**	2014 HK$M	**Change**
Staff	**9,373**	8,899	**+5.3%**	**8,399**	7,976	**+5.3%**
Inflight service and passenger expenses	**2,284**	2,162	**+5.6%**	**2,284**	2,162	**+5.6%**
Landing, parking and route expenses	**7,266**	6,944	**+4.6%**	**7,101**	6,830	**+4.0%**
Fuel, net of hedging losses/(gains)	**16,619**	18,930	**-12.2%**	**16,357**	18,504	**-11.6%**
Aircraft maintenance	**3,653**	3,664	**-0.3%**	**3,509**	3,545	**-1.0%**
Aircraft depreciation and operating leases	**5,568**	5,049	**+10.3%**	**5,482**	4,934	**+11.1%**
Other depreciation, amortisation and operating leases	**1,133**	1,039	**+9.0%**	**825**	736	**+12.1%**
Commissions	**400**	401	**-0.2%**	**400**	401	**-0.2%**
Others	**1,730**	2,176	**-20.5%**	**2,406**	2,660	**-9.5%**
Operating expenses	**48,026**	49,264	**-2.5%**	**46,763**	47,748	**-2.1%**
Net finance charges	**559**	621	**-10.0%**	**479**	599	**-20.0%**
Total operating expenses	**48,585**	49,885	**-2.6%**	**47,242**	48,347	**-2.3%**

- The Group's total operating expenses decreased by 2.6% to HK$48,585 million.
- The combined cost per ATK (with fuel) of Cathay Pacific and Dragonair decreased from HK$3.57 to HK$3.24.

CATHAY PACIFIC AND DRAGONAIR OPERATING RESULTS ANALYSIS

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Airlines' profit before taxation	**1,323**	547
Taxation	**(368)**	(148)
Airlines' profit after taxation	**955**	399
Share of profits/(losses) from subsidiaries and associates	**1,017**	(52)
Profit attributable to the shareholders of Cathay Pacific	**1,972**	347

The changes in the interim airlines' profit before taxation can be analysed as follows:

	HK$M	
2014 interim airlines' profit before taxation	**547**	
Decrease of revenue	**(329)**	– Passenger revenue decreased due to a 9.3% decrease in yield, offset in part by a 2.3% point increase in load factor and a 6.4% increase in capacity. – Cargo revenue decreased due to a 11.1% decrease in yield, offset in part by a 0.9% point increase in load factor and a 8.9% increase in capacity.
Decrease/(increase) of:		
– Fuel, net of hedging losses/(gains)	**2,147**	– Fuel costs decreased primarily due to a 38.5% decrease in the average into-plane fuel price, which was partially offset by a 4.9% increase in consumption and an increase in hedging losses.
– Aircraft maintenance	**36**	– Decreased mainly due to retirement of older aircraft resulting in a reduction in maintenance costs.
– Landing, parking and route expenses	**(271)**	– Increased mainly due to an increase in flight frequencies.
– Depreciation, amortisation and operating leases	**(637)**	– Increased mainly due to the accelerated retirement of Airbus A340-300 aircraft and the addition of new aircraft.
– Staff	**(423)**	– Increased mainly due to an increase in headcount and salaries.
– Inflight service, commissions, net finance charges and others	**253**	– Decreased mainly due to the decrease in net finance charges.
2015 interim airlines' profit before taxation	**1,323**	

FUEL EXPENDITURE AND HEDGING

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

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Gross fuel cost	**12,876**	19,954
Fuel hedging losses/(gains)	**3,743**	(1,024)
Net fuel cost	**16,619**	18,930

FINANCIAL POSITION

- Additions to property, plant and equipment were HK$7,725 million, comprising HK$7,039 million for aircraft and related equipment and HK$686 million for other equipment and buildings.
- Borrowings decreased by 2.5% to HK$63,441 million. These are fully repayable by 2027 and are mainly denominated in the United States dollars, Hong Kong dollars, Japanese yen and Euros, with 75.2% at fixed rates of interest after taking into account the effect of related derivatives.
- Liquid funds, 72.0% of which are denominated in the United States dollars, decreased by 8.7% to HK$19,252 million.
- Net borrowings increased by 0.4% to HK$44,189 million.
- Funds attributable to the shareholders of Cathay Pacific increased by 6.0% to HK$54,816 million.
- The unrealised hedging losses in the cash flow hedge reserve decreased from HK$10,128 million at 31st December 2014 to HK$7,415 million at 30th June 2015.
- The net debt/equity ratio decreased from 0.85 times to 0.81 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 2014 Annual Report.

TO THE BOARD OF DIRECTORS OF CATHAY PACIFIC AIRWAYS LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 41 which comprises the consolidated statement of financial position of Cathay Pacific Airways Limited (the "Company") and its subsidiaries (together the "Group") as of 30th June 2015 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
19th August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June 2015 – Unaudited

	Note	**2015 HK$M**	2014 HK$M	**2015 US$M**	2014 US$M
Revenue					
Passenger services		**36,226**	36,520	**4,644**	4,682
Cargo services		**11,376**	11,663	**1,459**	1,495
Catering, recoveries and other services		**2,786**	2,657	**357**	341
Total revenue		**50,388**	50,840	**6,460**	6,518
Expenses					
Staff		**(9,373)**	(8,899)	**(1,202)**	(1,141)
Inflight service and passenger expenses		**(2,284)**	(2,162)	**(293)**	(277)
Landing, parking and route expenses		**(7,266)**	(6,944)	**(931)**	(890)
Fuel, net of hedging (losses)/gains		**(16,619)**	(18,930)	**(2,131)**	(2,427)
Aircraft maintenance		**(3,653)**	(3,664)	**(468)**	(470)
Aircraft depreciation and operating leases		**(5,568)**	(5,049)	**(714)**	(647)
Other depreciation, amortisation and operating leases		**(1,133)**	(1,039)	**(145)**	(133)
Commissions		**(400)**	(401)	**(51)**	(52)
Others		**(1,730)**	(2,176)	**(222)**	(279)
Operating expenses		**(48,026)**	(49,264)	**(6,157)**	(6,316)
Operating profit	*4*	**2,362**	1,576	**303**	202
Finance charges		**(686)**	(896)	**(88)**	(115)
Finance income		**127**	275	**16**	35
Net finance charges	*5*	**(559)**	(621)	**(72)**	(80)
Share of profits/(losses) of associates		**771**	(265)	**99**	(34)
Profit before taxation		**2,574**	690	**330**	88
Taxation	*6*	**(444)**	(196)	**(57)**	(25)
Profit for the period		**2,130**	494	**273**	63
Non-controlling interests		**(158)**	(147)	**(20)**	(19)
Profit attributable to the shareholders of Cathay Pacific		**1,972**	347	**253**	44
Profit for the period		**2,130**	494	**273**	63
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges		**2,713**	(1,287)	**348**	(165)
Revaluation of available-for-sale financial assets		**103**	(18)	**13**	(2)
Share of other comprehensive income of associates		**(674)**	45	**(87)**	6
Exchange differences on translation of foreign operations		**3**	(516)	**1**	(66)
Other comprehensive income for the period, net of taxation	*7*	**2,145**	(1,776)	**275**	(227)
Total comprehensive income for the period		**4,275**	(1,282)	**548**	(164)
Total comprehensive income attributable to					
Shareholders of Cathay Pacific		**4,117**	(1,429)	**528**	(183)
Non-controlling interests		**158**	147	**20**	19
		4,275	(1,282)	**548**	(164)
Earnings per share (basic and diluted)	*8*	**50.1¢**	8.8¢	**6.4¢**	1.1¢

The financial statements 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 27 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June 2015 – Unaudited

	Note	**30th June 2015 HK$M**	31st December 2014 HK$M	**30th June 2015 US$M**	31st December 2014 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	*10*	**101,141**	98,471	**12,967**	12,624
Intangible assets	*11*	**10,424**	10,318	**1,336**	1,323
Investments in associates	*12*	**22,827**	22,918	**2,926**	2,938
Other long-term receivables and investments		**6,533**	6,372	**838**	817
Deferred tax assets		**554**	428	**71**	55
		141,479	138,507	**18,138**	17,757
Long-term liabilities		**(53,258)**	(55,814)	**(6,828)**	(7,156)
Related pledged security deposits		**477**	499	**61**	64
Net long-term liabilities	*13*	**(52,781)**	(55,315)	**(6,767)**	(7,092)
Other long-term payables	*14*	**(8,878)**	(9,354)	**(1,138)**	(1,199)
Deferred tax liabilities		**(10,291)**	(9,691)	**(1,319)**	(1,242)
		(71,950)	(74,360)	**(9,224)**	(9,533)
Net non-current assets		**69,529**	64,147	**8,914**	8,224
Current assets and liabilities					
Stock		**1,483**	1,589	**190**	204
Trade, other receivables and other assets	*15*	**10,209**	10,591	**1,309**	1,358
Assets held for sale	*16*	**739**	189	**95**	24
Liquid funds	*17*	**19,252**	21,098	**2,468**	2,705
		31,683	33,467	**4,062**	4,291
Current portion of long-term liabilities		**(10,704)**	(10,002)	**(1,372)**	(1,282)
Related pledged security deposits		**44**	221	**5**	28
Net current portion of long-term liabilities	*13*	**(10,660)**	(9,781)	**(1,367)**	(1,254)
Trade and other payables	*18*	**(21,176)**	(23,543)	**(2,715)**	(3,018)
Unearned transportation revenue		**(14,073)**	(12,238)	**(1,804)**	(1,569)
Taxation		**(338)**	(199)	**(43)**	(26)
		(46,247)	(45,761)	**(5,929)**	(5,867)
Net current liabilities		**(14,564)**	(12,294)	**(1,867)**	(1,576)
Total assets less current liabilities		**126,915**	126,213	**16,271**	16,181
Net assets		**54,965**	51,853	**7,047**	6,648
CAPITAL AND RESERVES					
Share capital	*19*	**17,106**	17,106	**2,193**	2,193
Reserves		**37,710**	34,616	**4,835**	4,438
Funds attributable to the shareholders of Cathay Pacific		**54,816**	51,722	**7,028**	6,631
Non-controlling interests		**149**	131	**19**	17
Total equity		**54,965**	51,853	**7,047**	6,648

The financial statements 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 27 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30th June 2015 – Unaudited

	2015 HK$M	2014 HK$M	**2015 US$M**	2014 US$M
Operating activities				
Cash generated from operations	**9,210**	6,294	**1,181**	807
Interest received	**78**	103	**10**	13
Net interest paid	**(411)**	(411)	**(53)**	(53)
Tax paid	**(94)**	(97)	**(12)**	(12)
Net cash inflow from operating activities	**8,783**	5,889	**1,126**	755
Investing activities				
Net (increase)/decrease in liquid funds other than cash and cash equivalents	**(2,257)**	3,444	**(289)**	442
Proceeds from scrap/sales of property, plant and equipment	**12**	455	**2**	58
Proceeds from sales of assets held for sale	**43**	–	**5**	–
Net decrease in other long-term receivables and investments	**26**	10	**3**	1
Loans to associates	**(77)**	(1,377)	**(10)**	(176)
Dividends received from associates	**12**	11	**2**	2
Payments for property, plant and equipment and intangible assets	**(8,054)**	(5,762)	**(1,033)**	(739)
Net cash outflow from investing activities	**(10,295)**	(3,219)	**(1,320)**	(412)
Financing activities				
New financing	**5,121**	2,472	**657**	317
Loan and finance lease repayments	**(6,513)**	(8,326)	**(835)**	(1,067)
Security deposits placed	**(22)**	(21)	**(3)**	(3)
Dividends paid – to the shareholders of Cathay Pacific	**(1,023)**	(629)	**(131)**	(81)
– to non-controlling interests	**(140)**	(124)	**(18)**	(16)
Net cash outflow from financing activities	**(2,577)**	(6,628)	**(330)**	(850)
Decrease in cash and cash equivalents	**(4,089)**	(3,958)	**(524)**	(507)
Cash and cash equivalents at 1st January	**10,211**	12,359	**1,309**	1,584
Effect of exchange differences	**(43)**	(133)	**(6)**	(17)
Cash and cash equivalents at 30th June	**6,079**	8,268	**779**	1,060

The financial statements 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 27 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2015 – Unaudited

	Attributable to the shareholders of Cathay Pacific									
	Share capital HK$M	Share premium HK$M	Capital redemption reserve HK$M	Retained profit HK$M	Investment revaluation reserve HK$M	Cash flow hedge reserve HK$M	Capital reserve and others HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2015	**17,106**	**–**	**–**	**42,156**	**1,051**	**(10,128)**	**1,537**	**51,722**	**131**	**51,853**
Changes in equity for the six months ended 30th June 2015:										
Profit for the period	**–**	**–**	**–**	**1,972**	**–**	**–**	**–**	**1,972**	**158**	**2,130**
Other comprehensive income	**–**	**–**	**–**	**–**	**103**	**2,713**	**(671)**	**2,145**	**–**	**2,145**
Total comprehensive income for the period	**–**	**–**	**–**	**1,972**	**103**	**2,713**	**(671)**	**4,117**	**158**	**4,275**
2014 second interim dividend	**–**	**–**	**–**	**(1,023)**	**–**	**–**	**–**	**(1,023)**	**–**	**(1,023)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(140)**	**(140)**
At 30th June 2015	**17,106**	**–**	**–**	**43,105**	**1,154**	**(7,415)**	**866**	**54,816**	**149**	**54,965**
At 1st January 2014	787	16,295	24	40,342	984	2,340	2,116	62,888	125	63,013
Changes in equity for the six months ended 30th June 2014:										
Profit for the period	–	–	–	347	–	–	–	347	147	494
Other comprehensive income	–	–	–	–	(18)	(1,287)	(471)	(1,776)	–	(1,776)
Total comprehensive income for the period	–	–	–	347	(18)	(1,287)	(471)	(1,429)	147	(1,282)
2013 second interim dividend	–	–	–	(629)	–	–	–	(629)	–	(629)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(124)	(124)
Transfers (note 19)	16,319	(16,295)	(24)	–	–	–	–	–	–	–
At 30th June 2014	17,106	–	–	40,060	966	1,053	1,645	60,830	148	60,978

The notes on pages 27 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19th August 2015.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2014 annual financial statements except for those noted in note 2 below.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19 (2011) "Defined Benefit Plans: Employee Contributions"
- HKFRSs (Amendments) "Annual Improvements to HKFRSs 2010-2012 Cycle"
- HKFRSs (Amendments) "Annual Improvements to HKFRSs 2011-2013 Cycle"

The adoption of the amendments has had no significant impact on the results and financial position of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment information

(a) Segment results

	Six months ended 30th June							
	Airline business		Non-airline business		Unallocated		Total	
	2015 HK$M	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M	**2015 HK$M**	2014 HK$M
Sales to external customers	**49,822**	50,264	**566**	576			**50,388**	50,840
Inter-segment sales	**4**	4	**1,797**	1,750			**1,801**	1,754
Segment revenue	**49,826**	50,268	**2,363**	2,326			**52,189**	52,594
Segment results	**2,270**	1,585	**92**	(9)			**2,362**	1,576
Net finance charges	**(495)**	(615)	**(64)**	(6)			**(559)**	(621)
	1,775	970	**28**	(15)			**1,803**	955
Share of profits/(losses) of associates					**771**	(265)	**771**	(265)
Profit before taxation							**2,574**	690
Taxation	**(441)**	(215)	**(3)**	19			**(444)**	(196)
Profit for the period							**2,130**	494

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, aircraft ramp handling services and cargo terminal operations. The unallocated results represent the Group's share of profits/(losses) of associates.

The major revenue earning asset is the aircraft fleet which is used for both 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	
	2015 HK$M	2014 HK$M
Revenue by origin of sale:		
North Asia		
– Hong Kong and Mainland China	**24,699**	24,246
– Japan, Korea and Taiwan	**4,767**	5,293
India, Middle East, Pakistan and Sri Lanka	**2,260**	2,294
Southwest Pacific and South Africa	**3,327**	3,246
Southeast Asia	**4,179**	4,038
Europe	**4,217**	4,593
North America	**6,939**	7,130
	50,388	50,840

India, Middle East, Pakistan and Sri Lanka includes the Indian sub-continent, the Maldives, the Middle East, Pakistan, Sri Lanka and Bangladesh. Southwest Pacific and South Africa includes Australia, New Zealand and Southern Africa. Southeast Asia includes Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Cambodia. Europe includes continental Europe, the United Kingdom, Scandinavia, Russia, the Baltic states and Turkey. North America includes the U.S.A., Canada and Latin America. A geographic analysis of segment results is not disclosed for the reasons set out in the 2014 Annual Report.

4. Operating profit

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– leased	**1,129**	1,254
– owned	**3,174**	2,658
Amortisation of intangible assets	**223**	153
Operating lease rentals		
– land and buildings	**478**	493
– aircraft and related equipment	**1,675**	1,509
– others	**24**	21
Provision for impairment of property, plant and equipment	**–**	347
Provision for impairment of assets held for sale	**–**	9
Loss/(gain) on disposal of property, plant and equipment, net	**101**	(2)
Cost of stock expensed	**979**	965
Exchange differences, net	**42**	14
Auditors' remuneration	**7**	6
Dividend income from unlisted investments	**(74)**	(8)

5. Net finance charges

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Net interest charges comprise:		
– obligations under finance leases stated at amortised cost	**230**	405
– interest income on related security deposits, notes and zero coupon bonds	**(9)**	(20)
	221	385
– bank loans and overdrafts		
– wholly repayable within five years	**63**	71
– not wholly repayable within five years	**168**	101
– other loans		
– wholly repayable within five years	**51**	53
– not wholly repayable within five years	**8**	7
– other long-term receivables	**(11)**	(12)
	500	605
Income from liquid funds:		
– funds with investment managers and other liquid investments at fair value through profit or loss	**(34)**	(48)
– bank deposits and others	**(67)**	(90)
	(101)	(138)
Fair value change:		
– (Gain)/loss on obligations under finance leases designated as at fair value through profit or loss	**(159)**	108
– loss on financial derivatives	**319**	46
	160	154
	559	621

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

Included in fair value change in respect of financial derivatives are net losses from derivatives that are classified as held for trading of HK$183 million (2014: net gains of HK$71 million).

6. Taxation

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Current tax expenses		
– Hong Kong profits tax	**103**	95
– overseas tax	**116**	98
Deferred tax		
– origination and reversal of temporary differences	**225**	3
	444	196

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates 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 the status of negotiations (see note 21(d) to the financial statements).

7. Other comprehensive income

	Six months ended 30th June	
	2015 HK$M	2014 HK$M
Cash flow hedges		
– recognised during the period	**(367)**	(853)
– transferred to profit or loss	**3,316**	(584)
– deferred tax recognised	**(236)**	150
Revaluation of available-for-sale financial assets		
– recognised during the period	**103**	(18)
Share of other comprehensive income of associates		
– recognised during the period	**(674)**	45
Exchange differences on translation of foreign operations		
– recognised during the period	**(7)**	(514)
– reclassified to profit or loss	**10**	(2)
Other comprehensive income for the period	**2,145**	(1,776)

8. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the shareholders of Cathay Pacific of HK$1,972 million (2014: HK$347 million) by the daily weighted average number of shares in issue throughout the period of 3,934 million (2014: 3,934 million) shares.

9. Dividend

The Directors have declared a first interim dividend of HK$0.26 per share (2014: HK$0.10 per share) in the first half of 2015. The interim dividend which totals HK$1,023 million (2014: HK$393 million) will be paid on 5th October 2015 to shareholders registered at the close of business on the record date, being Friday, 11th September 2015. Shares of the Company will be traded ex-dividend as from Wednesday, 9th September 2015. This interim dividend has not been recognised as a liability at the reporting date.

The register of members will be closed on Friday, 11th September 2015, during which day no transfer of shares will be effected. In order to qualify for entitlement to the first interim 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 Thursday, 10th September 2015.

10. Property, plant and equipment

	Aircraft and related equipment HK$M	Other equipment HK$M	Buildings HK$M	Buildings under construction HK$M	Total HK$M
Cost					
At 1st January 2015	**140,187**	**4,560**	**11,747**	**460**	**156,954**
Additions	**7,039**	**173**	**228**	**285**	**7,725**
Disposals	**(3,880)**	**(184)**	**–**	**–**	**(4,064)**
Reclassification to assets held for sale	**(1,165)**	**(234)**	**–**	**–**	**(1,399)**
At 30th June 2015	**142,181**	**4,315**	**11,975**	**745**	**159,216**
Accumulated depreciation and impairment					
At 1st January 2015	**51,922**	**3,050**	**3,511**	**–**	**58,483**
Charge for the period	**3,895**	**164**	**244**	**–**	**4,303**
Disposals	**(3,738)**	**(172)**	**–**	**–**	**(3,910)**
Reclassification to assets held for sale	**(612)**	**(189)**	**–**	**–**	**(801)**
At 30th June 2015	**51,467**	**2,853**	**3,755**	**–**	**58,075**
Net book value					
At 30th June 2015	**90,714**	**1,462**	**8,220**	**745**	**101,141**
At 31st December 2014	88,265	1,510	8,236	460	98,471

Property, plant and equipment at 30th June 2015 include leased assets of HK$36,905 million (31st December 2014: HK$38,458 million).

11. Intangible assets

	Goodwill HK$M	Computer software HK$M	Others HK$M	Total HK$M
Cost				
At 1st January 2015	**7,666**	**3,738**	**253**	**11,657**
Additions	**–**	**329**	**–**	**329**
At 30th June 2015	**7,666**	**4,067**	**253**	**11,986**
Accumulated amortisation				
At 1st January 2015	**–**	**1,338**	**1**	**1,339**
Charge for the period	**–**	**221**	**2**	**223**
At 30th June 2015	**–**	**1,559**	**3**	**1,562**
Net book value				
At 30th June 2015	**7,666**	**2,508**	**250**	**10,424**
At 31st December 2014	7,666	2,400	252	10,318

12. Investments in associates

	30th June 2015 HK$M	31st December 2014 HK$M
Share of net assets		
– listed in Hong Kong	**14,866**	15,082
– unlisted	**2,368**	2,316
Goodwill	**4,064**	4,068
Loans due from associates	**1,529**	1,452
	22,827	22,918

13. Long-term liabilities

	30th June 2015		31st December 2014	
	Current HK$M	**Non-current HK$M**	Current HK$M	Non-current HK$M
Long-term loans	**6,931**	**27,396**	6,025	27,672
Obligations under finance leases	**3,729**	**25,385**	3,756	27,643
	10,660	**52,781**	9,781	55,315

14. Other long-term payables

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

15. Trade, other receivables and other assets

	30th June 2015 HK$M	31st December 2014 HK$M
Trade debtors	**5,585**	5,527
Derivative financial assets – current portion	**1,131**	891
Other receivables and prepayments	**3,387**	4,050
Due from associates and other related companies	**106**	123
	10,209	10,591

	30th June 2015 HK$M	31st December 2014 HK$M
Analysis of trade debtors (net of allowance for doubtful debts) by age:		
Current	**5,219**	5,379
One to three months overdue	**170**	96
More than three months overdue	**196**	52
	5,585	5,527

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

16. Assets held for sale

	30th June 2015 HK$M	31st December 2014 HK$M
Assets held for sale	**739**	189
	739	189

17. Liquid funds

	30th June 2015 HK$M	31st December 2014 HK$M
Short-term deposits and bank balances	**6,079**	10,211
Short-term deposits maturing beyond three months when placed	**7,088**	2,176
Funds with investment managers		
– debt securities listed outside Hong Kong	**4,620**	6,780
– bank deposits	**80**	224
Other liquid investments		
– debt securities listed outside Hong Kong	**1,184**	1,295
– bank deposits	**201**	412
	19,252	21,098

Included in other liquid investments are bank deposits of HK$201 million (31st December 2014: HK$412 million) and debt securities of HK$134 million (31st December 2014: HK$250 million) which are pledged as part of long-term financing arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

18. Trade and other payables

	30th June 2015 HK$M	31st December 2014 HK$M
Trade creditors	**6,865**	6,756
Derivative financial liabilities – current portion	**5,549**	7,291
Other payables	**8,272**	8,996
Due to associates	**222**	239
Due to other related companies	**268**	261
	21,176	23,543

	30th June 2015 HK$M	31st December 2014 HK$M
Analysis of trade creditors by age:		
Current	**6,711**	6,561
One to three months overdue	**143**	176
More than three months overdue	**11**	19
	6,865	6,756

The Group's general payment terms are one to two months from the invoice date.

19. Share capital

	30th June 2015		31st December 2014	
	Number of shares	**HK$M**	Number of shares	HK$M
Issued and fully paid				
At 1st January	**3,933,844,572**	**17,106**	3,933,844,572	787
Transition to no-par value regime on 3rd March 2014	**–**	**–**	–	16,319
At 30th June / 31st December	**3,933,844,572**	**17,106**	3,933,844,572	17,106

During the period, the Company did not purchase, sell or redeem any of its shares (2014: nil). At 30th June 2015, 3,933,844,572 shares were in issue (31st December 2014: 3,933,844,572 shares). The transition to the no-par value regime under the new Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3rd March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the new Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the new Ordinance.

20. Related party transactions

Material transactions between the Group and associates and other related parties which were carried out in the normal course of business on commercial terms are summarised below:

	Six months ended 30th June 2015		Six months ended 30th June 2014	
	Associates HK$M	**Other related parties HK$M**	Associates HK$M	Other related parties HK$M
Revenue	**107**	**7**	106	6
Aircraft maintenance costs	**546**	**1,080**	515	1,129
Operating costs	**344**	**209**	291	196
Dividend income	**262**	**11**	196	–
Sale of property, plant and equipment	**–**	**4**	–	–

Other related parties are companies under control of a company which has significant influence over the Group.

21. Capital commitments and contingencies

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

	30th June 2015 HK$M	31st December 2014 HK$M
Authorised and contracted for	**97,289**	100,841
Authorised but not contracted for	**5,512**	10,102
	102,801	110,943

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

	30th June 2015 HK$M	31st December 2014 HK$M
Associates	**3,842**	3,112
Related parties	**1,186**	1,032
Staff	**200**	200
	5,228	4,344

Related parties are companies under control of a company which has significant influence on the Group.

In July 2015, the Group provided a guarantee in respect of an associate amounting to HK$552 million.

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

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

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, the Company and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57,120,000 (equivalent to HK$618 million at the exchange rate current as of the date of the announcement) on the Company. In January 2011, the Company filed an appeal with the General Court of the European Union. The appeal was heard by the General Court in Luxembourg in May 2015. The judgment for the appeal has not yet been delivered.

21. Capital commitments and contingencies (continued)

The Company is a defendant in a number of civil complaints, including class litigation and third party contribution claims, in a number of countries including the United States, Canada, the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from the Company's alleged conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from the Company's alleged conduct relating to certain of its passenger operations. The Company is represented by legal counsel and is defending these actions, except as noted below.

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

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

The proceedings and civil actions, except as otherwise stated above, are ongoing and the outcomes are subject to uncertainties. The Company is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with the accounting policy 20 set out on page 101 in the 2014 Annual Report.

22. Financial risk management

(a) Fair values

The fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position:

	30th June 2015		31st December 2014	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Loans receivable	**569**	**614**	601	650
Long-term loans	**(34,327)**	**(35,920)**	(33,697)	(35,185)
Obligations under finance leases	**(29,635)**	**(30,633)**	(32,119)	(33,171)
Pledged security deposits	**521**	**648**	720	855

(b) Financial instrument carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 30th June 2015 across three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. Level 1 includes financial instruments with fair values measured using only unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes financial instruments with fair values measured using input other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value has been determined based on quotes from market makers or discounted cash flow valuation techniques in which all significant inputs are based on observable market data. The most significant inputs are market interest rates, exchange rates and fuel price. Level 3 includes financial instruments with fair values measured using dividend discount model and discounted cash flow valuation techniques in which any significant input is not based on observable market data.

22. Financial risk management (continued)

	30th June 2015			
	Level 1 HK$M	**Level 2 HK$M**	**Level 3 HK$M**	**Total HK$M**
Recurring fair value measurement				
Assets				
Investments at fair value				
– listed	**387**	**–**	**–**	**387**
– unlisted	**–**	**–**	**1,196**	**1,196**
Liquid funds				
– funds with investment managers	**–**	**4,620**	**–**	**4,620**
– other liquid investments	**–**	**1,184**	**–**	**1,184**
Derivative financial assets	**–**	**3,776**	**–**	**3,776**
	387	**9,580**	**1,196**	**11,163**
Liabilities				
Obligations under finance leases designated as at fair value through profit or loss	**–**	**(2,762)**	**–**	**(2,762)**
Derivative financial liabilities	**–**	**(12,760)**	**–**	**(12,760)**
	–	**(15,522)**	**–**	**(15,522)**

	31st December 2014			
	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
Recurring fair value measurement				
Assets				
Investments at fair value				
– listed	284	–	–	284
– unlisted	–	–	1,196	1,196
Liquid funds				
– funds with investment managers	–	6,780	–	6,780
– other liquid investments	–	1,295	–	1,295
Derivative financial assets	–	3,269	–	3,269
	284	11,344	1,196	12,824
Liabilities				
Obligations under finance leases designated as at fair value through profit or loss	–	(3,129)	–	(3,129)
Derivative financial liabilities	–	(15,038)	–	(15,038)
	–	(18,167)	–	(18,167)

22. Financial risk management (continued)

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value hierarchy classifications.

The fair value of the unlisted investments in Level 3 is determined using a discounted cash flow valuation technique. The significant unobservable input used in the fair value measurement is the discount rate and growth rate. At 30th June 2015 and 31st December 2014, information about fair value measurements using significant unobservable inputs (Level 3):

Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Possible reasonable change	Positive/(negative) impact on valuation (HK$M)
Unlisted investment				
– Discount rate	2015: 8.0% (2014: 8.0%)	The higher the discount rate, the lower the fair value	2015: +/- 0.5% (2014: +/- 0.5%)	2015: (76)/100 (2014: (76)/100)
– Growth rate	2015: 4.3% (2014: 4.3%)	The higher the future growth rate, the higher the fair value	2015: +/- 0.1% (2014: +/- 0.1%)	2015: 17/(16) (2014: 17/(16))

There was no movement in the balance of Level 3 fair value measurements during the period ended 30th June 2015 (30th June 2014: nil).

23. Event after the reporting period

On 3rd July 2015, the Group sold the 52.96% shareholding in Abacus Distribution Systems (Hong Kong) Limited ("Abacus HK"), which is based in Hong Kong for a cash consideration of US$16.12 million (approximately HK$124.96 million at the exchange rate current at date of payment). Effective on that date Abacus HK ceased to be a subsidiary of the Group.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

- **Sections A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee.** The Board has considered the merits of establishing a nomination committee but has concluded that it is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

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

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

The 2015 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

DIRECTORS' PARTICULARS

Changes in the particulars of the Directors are set out as follows:

1. John Slosar was appointed as a Vice-President of The Real Estate Developers Association of Hong Kong with effect from 19th March 2015.

2. Jack So and Tung Chee Chen retired as Independent Non-Executive Directors of the Company with effect from the conclusion of the 2015 annual general meeting held on 20th May 2015.

3. John Harrison and Andrew Tung were appointed as Independent Non-Executive Directors of the Company with effect from the conclusion of the 2015 annual general meeting held on 20th May 2015.

4. Irene Lee was appointed as an Independent Non-Executive Director of HSBC Holdings plc with effect from 1st July 2015.

DIRECTORS' INTERESTS

At 30th June 2015, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that a Director held the following interest in the shares of Cathay Pacific Airways Limited:

	Capacity	No. of shares	Percentage of voting shares (%)
Ian Shiu	Personal	1,000	0.00003

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

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2015 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

Long position	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
1. Air China Limited	2,949,997,987	74.99	Attributable interest [(a)]
2. China National Aviation Holding Company	2,949,997,987	74.99	Attributable interest [(b)]
3. Swire Pacific Limited	2,949,997,987	74.99	Attributable interest [(a)]
4. John Swire & Sons Limited	2,949,997,987	74.99	Attributable interest [(c)]

Note: At 30th June 2015:

(a) Under Section 317 of the SFO, each of Air China, China National Aviation Company Limited ("CNAC") and Swire Pacific, being a party to the Shareholders' Agreement in relation to the Company dated 8th June 2006, was deemed to be interested in a total of 2,949,997,987 shares of the Company, comprising:

(i) 1,770,238,000 shares directly held by Swire Pacific;

(ii) 1,179,759,987 shares indirectly held by Air China and its subsidiaries CNAC, Super Supreme Company Limited and Total Transform Group Limited, comprising the following shares held by their wholly owned subsidiaries: 288,596,335 shares held by Angel Paradise Ltd., 280,078,680 shares held by Custain Limited, 191,922,273 shares held by Easerich Investments Inc., 189,976,645 shares held by Grand Link Investments Holdings Ltd., 207,376,655 shares held by Motive Link Holdings Inc. and 21,809,399 shares held by Perfect Match Assets Holdings Ltd.

(b) China National Aviation Holding Company is deemed to be interested in a total of 2,949,997,987 shares of the Company, in which its subsidiary Air China is deemed interested.

(c) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 2,949,997,987 shares of the Company by virtue of the Swire group's interests in shares of Swire Pacific representing approximately 49.75% of the equity and approximately 61.26% of the voting rights.

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SWIRE