

Media Information

8th August 2007

FOR IMMEDIATE RELEASE

CATHAY PACIFIC ANNOUNCES 2007 INTERIM RESULTS

Results		1H2007	1H2006	Change
Turnover	<i>HK\$ million</i>	34,631	27,086	+27.9%
Profit attributable to Cathay Pacific shareholders	<i>HK\$ million</i>	2,581	1,668	+54.7%
Earnings per share	<i>HK cents</i>	65.6	49.3	+33.1%
Dividend per share	<i>HK cents</i>	25.0	20.0	+25.0%

Cathay Pacific Airways today announced a profit attributable to shareholders of HK\$2,581 million in its 2007 Interim Results – up 54.7% on the HK\$1,668 million reported in 2006 and a record for the Group. The result was largely driven by strong demand and rising yields on the passenger side of the operation.

Group turnover was up from HK\$27,086 million last year to HK\$34,631 million – a rise of 27.9%. High fuel prices continued to impact on the airline. Fuel expenditure for the first six months increased to HK\$10,553 million. Passenger and cargo fuel surcharges helped to offset this additional cost. Cost per ATK increased to HK\$2.30 while the cost per ATK without fuel increased to HK\$1.69 due to the higher unit cost of Dragonair.

Cathay Pacific's passenger revenue increased 14.6% to HK\$18,275 million and the airline carried a record number of passengers in the first six months of the year, with an increase of 4.1% to 8.5 million. This compares to a 2.9% increase in capacity. Passenger yield was up 10.9% to HK50.8 cents, mainly as a result of consistently strong demand from first and business class passengers, particularly on long haul routes.

There was a drop in demand for air cargo services out of Hong Kong. The cargo tonnage carried by Cathay Pacific rose by 8.7% to 623,073 tonnes against a capacity increase of 15.7%. Cargo yield was down by 8.3% to HK\$1.55 with airfreight demand affected by a number of factors ranging from extra capacity in the market to increased competition from marine transport.

The 2007 Interim Result is the first to include full figures from sister airline Dragonair. The Cathay Pacific Group confirmed its continued commitment to Hong Kong in September 2006 when a deal was concluded that made Dragonair a wholly owned subsidiary. Since then a great deal of work has been done to create synergies between the two carriers, particularly in the area of improving connectivity between their two networks and boosting Dragonair's passenger services. As part of the same deal Cathay Pacific enhanced its partnership with Air China and work is under way on a number of initiatives between the two carriers.

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Cathay Pacific is continuing to expand its fleet and added three more aircraft in the first half of 2007. A more significant growth in the fleet begins in the latter half of the year, with the arrival of two Airbus A330-300 regional aircraft in August and the airline's first Boeing 777-300ER, Extended Range, aircraft in September. A total of 23 of these long range passenger aircraft are on firm order from Boeing, with five joining the fleet before the year end. The airline is also expanding its freighter fleet with two more Boeing 747-400BCF, Boeing Converted Freighters, on order along with six new Boeing 747-400ERF, Extended Range Freighters, for delivery in 2008 and 2009. To further highlight its commitment to building Hong Kong as an airfreight hub, Cathay Pacific has submitted a bid to build and operate the third cargo terminal at Hong Kong International Airport.

All new long haul passenger aircraft entering the fleet will arrive fitted with Cathay Pacific's new three-class product. Retrofits on the long haul aircraft already in service are currently underway, with a total of 15 aircraft fitted with the new cabins in service by the end of 2007. The product is one of the most innovative in the air, featuring First Class suites, lie-flat Business Class beds with enhanced privacy, and a revolutionary Economy Class seat that reclines within a fixed shell to increase passenger comfort and personal space.

Cathay Pacific Chairman Christopher Pratt said: "This is a strong result, with record figures posted despite the impact of the drop in cargo demand and the continued impact of high fuel prices. The Group is in good shape at the moment, and we are now seeing clear benefits resulting from the acquisition of Dragonair. We see the downturn in cargo as short term and remain confident in the future of Hong Kong's airfreight industry. The second half of 2007 will be important for the airline as we start to take delivery of our new long haul passenger fleet and have more aircraft flying with our groundbreaking inflight product. We remain committed to providing product and service excellence, and our continued expansion highlights our confidence in our own future and that of Hong Kong as the primary aviation hub."

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CATHAY PACIFIC AIRWAYS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 293)

2007 Interim Results
Financial and Operating Highlights
Group Financial Statistics

Results		2007	2006	Change
		Six months ended 30th June		
Turnover	<i>HK\$ million</i>	34,631	27,086	+27.9%
Profit attributable to				
Cathay Pacific shareholders	<i>HK\$ million</i>	2,581	1,668	+54.7%
Earnings per share	<i>HK cents</i>	65.6	49.3	+33.1%
Dividend per share	<i>HK cents</i>	25.0	20.0	+25.0%
Profit margin	<i>%</i>	8.9	7.3	+1.6%pt
Balance Sheet		30th June	31st December (restated)	
Funds attributable to				
Cathay Pacific shareholders	<i>HK\$ million</i>	46,745	45,411	+2.9%
Net borrowings	<i>HK\$ million</i>	14,643	16,348	-10.4%
Shareholders' funds per share	<i>HK\$</i>	11.9	11.5	+3.5%
Net debt/equity ratio	<i>Times</i>	0.31	0.36	-0.05 times

Operating Statistics

		Six months ended 30th June			
		Cathay Pacific and Dragonair	Cathay Pacific		
		2007	2007	2006	Change
Available tonne kilometres ("ATK")	<i>Million</i>	10,975	10,026	9,126	+9.9%
Passengers carried	<i>'000</i>	10,960	8,474	8,144	+4.1%
Passenger load factor	<i>%</i>	78.1	79.6	79.1	+0.5%pt
Passenger yield	<i>HK cents</i>	53.7	50.8	45.8	+10.9%
Cargo carried	<i>'000 tonnes</i>	758	623	573	+8.7%
Cargo and mail load factor	<i>%</i>	65.3	66.3	67.7	-1.4%pt
Cargo and mail yield	<i>HK\$</i>	1.63	1.55	1.69	-8.3%
Cost per ATK	<i>HK\$</i>	2.30	2.17	2.19	-0.9%
Cost per ATK without fuel	<i>HK\$</i>	1.69	1.57	1.56	+0.6%
Aircraft utilisation	<i>Hours per day</i>	11.7	12.7	12.7	-
On-time performance	<i>%</i>	84.8	88.5	87.7	+0.8%pt

Chairman's Letter

The Cathay Pacific Group reported a record interim result with a profit attributable to shareholders of HK\$2,581 million for the first six months of 2007, compared to a profit of HK\$1,668 million for the same period last year. Earnings per share rose 33.1% to HK65.6 cents. Turnover climbed 27.9% to HK\$34,631 million.

Passenger demand continued to be strong during the first half of 2007 and this was the main driver behind the 54.7% rise in interim profit. The cargo market was generally weak throughout the period. Fuel prices recently edged back up and as a result the average into plane fuel price for the first half was US\$82.8 per barrel, down only 1.4% against the corresponding period last year. Fuel surcharges helped to offset the additional spend on fuel.

This interim result is the first six-month report to include full figures from Dragonair, which became a wholly owned subsidiary of Cathay Pacific on 28th September 2006.

Cathay Pacific carried 8.5 million passengers in the first six months, a rise of 4.1%. This compares to a 2.9% rise in capacity for the same period. The rise in earnings was mainly a result of a 10.9% rise in passenger yield to HK50.8 cents, driven largely by strong demand from first and business class passengers and the introduction of a new revenue management system. Cathay Pacific and Dragonair combined carried 11 million passengers in the first half, with a load factor of 78.1% and a yield of HK53.7 cents.

A slow-down in demand and increased competition lowered the growth of our cargo business. Cathay Pacific's cargo load factor dropped by 1.4 percentage points to 66.3% while yield was down by 8.3% to HK\$1.55. For Cathay Pacific and Dragonair combined, total tonnage was 757,575 tonnes while load factor and yield were 65.3% and HK\$1.63.

The Cathay Pacific Group expects the current cargo downturn to be short-lived and remains confident in the future of the airfreight industry in Hong Kong. We have more freighters on order, including six new Boeing 747-400ERFs, Extended Range Freighters, commencing delivery in May 2008. Importantly, we have submitted a formal bid for the third cargo terminal at Hong Kong International Airport which we believe is crucial to Hong Kong's future competitiveness as an airfreight hub.

The second half of 2007 will be an important one for the Cathay Pacific Group. Work will continue to build on the good work that has already been done to realise the synergies presented by the Dragonair acquisition. In the first half of 2007 we strengthened a number of services across the Dragonair network and added one new destination, Busan in South Korea. We will also continue to develop our partnership with Air China.

In terms of our inflight offering we are excited to have launched our new long haul product. The product, which we believe is one of the most innovative in the air, will be featured on 15 of our long haul aircraft by the end of 2007. Another exciting development is the arrival of our new fleet of Boeing 777-300ER, Extended Range, passenger aircraft. The first arrives in September and we will have five in the air by year-end, giving us the opportunity to enhance our long haul services. Extra flights have already been announced for destinations such as Adelaide, Melbourne, New York, Perth, San Francisco and Vancouver. The Boeing 777-300ER will become the backbone of our long haul fleet and we recently took up options for another five, to be delivered in 2011. This takes our total order to 23 aircraft.

The second half results should benefit from the additional capacity, although higher fuel prices would have a negative effect.

Cathay Pacific is the subject of anti-trust investigations by competition authorities in various jurisdictions and is cooperating fully with the relevant authorities. Given the uncertainties surrounding these issues no reliable estimate of any potential liability can be made at this time by Cathay Pacific. Accordingly the matter is disclosed as a contingent liability in note 16(e) to the accounts in the 2007 Interim Report.

The Cathay Pacific Group remains in good health and our continued expansion highlights the confidence in our own future and that of Hong Kong. Our commitment to product and service excellence remains unchanged as does our commitment to further strengthening Hong Kong's position as a leading international passenger and airfreight hub and gateway to Mainland China.

Christopher Pratt

Chairman

Hong Kong, 8th August 2007

Capacity, load factor and yield - Cathay Pacific

	Capacity ASK/ATK (million) [#]				Load factor (%)				Yield	
	2007	2006	Change	Change*	2007	2006	Change	Change*	Change	Change*
	Passenger services									
South West Pacific and South Africa	7,168	7,096	+1.0%	+1.0%	80.7	77.9	+2.8%pt	+2.8%pt	+14.4%	+14.4%
South East Asia and Middle East	9,566	8,991	+6.4%	+2.0%	76.4	74.9	+1.5%pt	+1.8%pt	+9.6%	+9.1%
Europe	9,622	9,108	+5.6%	+5.6%	81.4	83.2	-1.8%pt	-1.8%pt	+14.7%	+14.7%
North Asia	11,622	6,822	+70.4%	-0.3%	68.4	70.0	-1.6%pt	-	+10.0%	+2.9%
North America	11,858	11,797	+0.5%	+0.5%	84.9	84.9	-	-	+13.6%	+13.6%
Overall	49,836	43,814	+13.7%	+1.6%	78.1	79.1	-1.0%pt	+0.4%pt	+17.2%	+9.4%
Cargo services	6,236	4,959	+25.8%	+4.6%	65.3	67.7	-2.4%pt	-3.1%pt	-3.6%	-5.8%

* Includes Dragonair January to June 2006 figures for comparison.

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

Passenger services

- We carried a total of 8.5 million passengers, an increase of 4.1% over the same period last year.
- Passenger yield rose 10.9% to HK50.8 cents, helped by strong demand from business class travellers (particularly on long haul routes), the appreciation of a number of key currencies and better inventory control.
- Demand from premium travellers continued strong, buoyed by the positive business sentiment in Hong Kong. Yields in economy class grew over the same period last year despite increasing competition.
- We added three more flights a week on the Paris and Vancouver routes and mounted extra services to Cebu and Frankfurt.
- North Asia was the weakest region in the first half. Jeju in South Korea is growing as a cross-Strait hub and taking China traffic from Hong Kong and Macau.
- The Southeast Asia market was generally buoyant, though demand was down to and from Thailand, in part due to continued political uncertainty, and yields fell in the Philippines due to increased competition.
- We suspended services to Colombo in late April for security reasons. We continue to review the situation in the hope of being able to recommence flights.
- Business to North America was strong throughout the first six months of 2007, with high loads and high yields.
- Demand on South Pacific routes remained strong and Australia will get further capacity in the second half of 2007.

Cargo services

- Amsterdam was added to our freighter network in February, we also increased the number of flights to other European freighter destinations and in May we added three more freighter flights a week to New York.
- As a result in the first six months of 2007 we carried 623,073 tonnes of freight – up 8.7% on the same period last year. Cargo yield was down 8.3%, due to a slow-down in demand and increased competition.
- Cargo capacity for the period increased by 15.7% while the average load factor was down 1.4 percentage points to 66.3%.

- Loads on our North American routes were high throughout the first six months though the cargo value was lower as were yields. The service to Dallas and Atlanta was increased from four flights a week to six a week from 25th July to meet the consistently high demand. It will become daily from 25th August.
- There was a significant dip in the North Asian market due to increased competition. Shippers are also moving to marine transport due to the lower cost of bunker fuel relative to jet fuel and the availability of larger and faster ships.
- Demand from Mainland China was high throughout the first half, in particular from Shanghai.
- Three new Boeing 747-400BCFs joined the Cathay Pacific fleet, arriving in January, June and July respectively. We now operate a total of six Boeing 747-400BCFs.
- Despite the current downturn we remain confident in the future of the airfreight industry in Hong Kong. To this end we have submitted a formal tender to build and operate the proposed third cargo terminal at Hong Kong International Airport – a facility we believe is vital to Hong Kong's continued growth as an airfreight hub.
- We also have firm orders for six new Boeing 747-400ERFs with deliveries commencing in May 2008.
- By the end of the year Cathay Pacific and Dragonair combined will operate 26 freighters – one of the biggest freighter fleets in the world.

Operating expenses

Net operating expenses after deduction of Group recoveries of HK\$5,558 million (2006: HK\$4,153 million) and Cathay Pacific recoveries of HK\$4,936 million (2006: HK\$4,196 million) are given below:

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2007 HK\$M	2006 HK\$M	Change	2007 HK\$M	2006 HK\$M	Change
Staff	5,781	4,709	+22.8%	4,489	4,273	+5.1%
Inflight service and passenger expenses	1,150	907	+26.8%	968	907	+6.7%
Landing, parking and route expenses	4,119	3,188	+29.2%	3,561	3,096	+15.0%
Fuel	6,772	5,896	+14.9%	6,028	5,756	+4.7%
Aircraft maintenance	3,499	2,512	+39.3%	2,787	2,470	+12.8%
Aircraft depreciation and operating leases	2,984	2,424	+23.1%	2,608	2,385	+9.4%
Other depreciation and operating leases	471	401	+17.5%	308	300	+2.7%
Commissions	414	299	+38.5%	362	299	+21.1%
Others	693	480	+44.4%	384	394	-2.5%
Net operating expenses	25,883	20,816	+24.3%	21,495	19,880	+8.1%
Net finance charges	404	177	+128.2%	241	121	+99.2%
Total net operating expenses	26,287	20,993	+25.2%	21,736	20,001	+8.7%

- Group operating expenses, which include Dragonair for the first six months of 2007, rose 25.2% to HK\$26,287 million.
- Staff cost increased with an increase in the number of staff.
- Inflight service and passenger expenses rose due to an increase in passenger numbers.
- Landing, parking and route expenses increased as a result of additional flights.
- Fuel cost increased as a result of an increase in consumption.
- Fuel hedging gains decreased by HK\$232 million to HK\$488 million which include unrealised mark to market gains of HK\$396 million (2006: HK\$590 million).
- Aircraft maintenance increased as a result of the larger operating fleet.
- Aircraft depreciation and operating leases increased due to aircraft deliveries.
- Cost per ATK increased to HK\$2.30 while the cost per ATK without fuel increased to HK\$1.69. These increases are due to the higher unit cost of Dragonair.

Financial position

- Additions to fixed assets were HK\$3,096 million, comprising HK\$3,005 million for aircraft and related equipment and HK\$91 million for other equipment and buildings.
- Borrowings increased by 1.7% to HK\$32,499 million. These are fully repayable by 2018 and are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars and Euros with 39% at fixed rates of interest net of derivatives.
- Liquid funds, 70% of which are denominated in US dollars, increased by 14.5% to HK\$17,882 million.
- Net borrowings decreased by 10.4% to HK\$14,643 million.
- Funds attributable to Cathay Pacific shareholders increased by 2.9% to HK\$46,745 million while the net debt/equity ratio decreased to 0.31 times.
- The Group's policy on financial risk management and the management of currency, interest rate and fuel price exposures is set out in the 2006 Annual Report.

Fleet profile

Aircraft type	Number as at 30th June 2007				Firm orders				Expiry of operating leases					Purchase rights
	Leased			Total	'07	'08	'09 and beyond	Total	'08	'09	'10	'11	'12 and beyond	
	Owned	Finance	Operating											
Aircraft operated by Cathay Pacific:														
A330-300	8	16	3	27	2	3 ^(a)		5				3		
A340-300	1	10	4	15								4		
A340-600			3	3					3					
747-400	18		6	24 ^(b)								6		
747-200F	4	3		7										
747-400F	2	4		6										
747-400BCF	5	1		6 ^(c)			1 ^(d)	1						
747-400ERF						3	3	6						
777-200	1	4		5										
777-300	2	10		12										
777-300ER					5 ^(e)	5 ^(e)	13	23					20 ^(f)	
Total	41	48	16	105	7	11	17	35	3			7	6	20
Aircraft operated by Dragonair:														
A320	3	2	5	10						1	1	3		
A321	2		4	6							2	2		
A330	2	3	11	16 ^(g)					1	1	1	2	6	
747-200F	1			1										
747-300SF	3			3										
747-400BCF	2			2	1	2		3						
Total	13	5	20	38	1	2		3	1	2	4	7	6	
Aircraft operated by AHK:														
A300-600F	2	6		8										
Grand total	56	59	36	151	8	13	17	38	4	2	4	14	12	20

(a) Aircraft on 7.5 year operating leases.

(b) Two aircraft under reconfiguration and one aircraft to be converted to a 747-400BCF in 2008.

(c) One aircraft under reconfiguration.

(d) Aircraft on 9 year operating lease.

(e) Two aircraft on 10 year operating leases.

(f) Purchase rights for aircraft delivered by 2017.

(g) Two aircraft leased out to Air China.

Human resources

- Cathay Pacific and its subsidiaries now employ more than 25,300 people worldwide. The airline itself employs more than 11,400 staff in Hong Kong including 2,200 pilots and almost 7,000 cabin crew. The Cathay Pacific Group remains one of Hong Kong's biggest employers.
- We continued to recruit staff in the first six months, hiring 348 cabin crew and 116 pilots. Recruitment will continue throughout 2007 with plans to add a further 135 pilots and 624 cabin crew.
- We review our human resource and remuneration policies regularly in the light of local legislation, industry practice, market conditions and the performance of both the individuals and the Company.

Review of subsidiaries and associates

- This is the first Group interim result to include Hong Kong Dragon Airlines Limited's ("Dragonair") full figures.
- AHK Air Hong Kong Limited ("AHK") achieved a higher profit in the first half of 2007 over last year.
- Cathay Pacific Catering Services (H.K.) Limited reported a satisfactory interim profit with strong growth in meal volumes. The profit margin improved as a result of strong demand and ongoing cost controls.
- Air China Limited ("Air China") made a satisfactory profit in the period.
- Hong Kong Aircraft Engineering Company Limited recorded an interim profit of HK\$548 million, a significant 38% increase over 2006.

Consolidated Profit and Loss Account - Unaudited

	<i>Note</i>	Six months ended 30th June	
		2007	2006
		HK\$M	HK\$M
Turnover			
Passenger services		20,980	15,941
Cargo services		7,377	6,314
Catering, recoveries and other services		6,274	4,831
Turnover	2	34,631	27,086
Expenses			
Staff		(5,781)	(4,709)
Inflight service and passenger expenses		(1,373)	(1,067)
Landing, parking and route expenses		(4,775)	(3,674)
Fuel		(10,553)	(8,681)
Aircraft maintenance		(3,499)	(2,512)
Aircraft depreciation and operating leases		(3,180)	(2,424)
Other depreciation and operating leases		(471)	(401)
Commissions		(414)	(299)
Others		(1,395)	(1,202)
Operating expenses		(31,441)	(24,969)
Operating profit	3	3,190	2,117
Finance charges		(1,094)	(797)
Finance income		690	620
Net finance charges		(404)	(177)
Share of profits of associates		265	130
Profit before tax		3,051	2,070
Taxation	4	(389)	(316)
Profit for the period		2,662	1,754
Profit attributable to			
Cathay Pacific shareholders		2,581	1,668
Minority interests		81	86
		2,662	1,754
Dividends			
Interim declared	5	985	786
Earnings per share			
Basic	6	HK¢ 65.6	49.3
Diluted	6	65.5	49.2
Dividend per share	5	25.0	20.0

Consolidated Balance Sheet - Unaudited

		30th June 2007	31st December 2006
	<i>Note</i>	HK\$M	(Restated) HK\$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Fixed assets		58,573	58,009
Intangible assets		7,502	7,486
Investments in associates		8,997	8,826
Other long-term receivables and investments		3,439	3,406
		78,511	77,727
Long-term liabilities		(36,265)	(33,956)
Related pledged security deposits		7,703	8,164
Net long-term liabilities		(28,562)	(25,792)
Retirement benefit obligations		(204)	(170)
Deferred taxation		(6,698)	(6,600)
		(35,464)	(32,562)
Net non-current assets		43,047	45,165
Current assets and liabilities			
Stock		855	762
Trade and other receivables	7	9,490	8,735
Liquid funds		17,882	15,624
		28,227	25,121
Current portion of long-term liabilities		(4,959)	(7,503)
Related pledged security deposits		1,022	1,352
Net current portion of long-term liabilities		(3,937)	(6,151)
Trade and other payables	8	(12,216)	(10,999)
Unearned transportation revenue		(5,255)	(4,671)
Taxation		(2,996)	(2,902)
		(24,404)	(24,723)
Net current assets		3,823	398
Net assets		46,870	45,563
CAPITAL AND RESERVES			
Share capital	9	788	787
Reserves		45,957	44,624
Funds attributable to Cathay Pacific shareholders		46,745	45,411
Minority interests		125	152
Total equity		46,870	45,563

Notes:
1. Basis of preparation and accounting policies

The unaudited interim report has been prepared on a basis consistent with the principal accounting policies adopted in the 2006 Annual Report. The interim report has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and the disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year ended 31st December 2006, the Group increased its shareholding from 17.8% to 100% in Dragonair. In accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 3 “Business Combinations”, the Group has made certain adjustments to the fair values of assets and liabilities acquired as if these adjustments had been recognised from the acquisition date. The effect of the adjustments to the provisional fair value of assets and liabilities are as follows:

	HK\$M
Decrease in reserves	3
Increase in goodwill	13
Decrease in stock	38
Decrease in fixed assets	77
Decrease in trade and other payables	99

During the year ended 31st December 2006, the Group increased its shareholding from 10% to 17.3% in Air China which became an associate. In accordance with HKFRS 3 “Business Combinations”, the Group has made certain adjustments to the fair value of the investment acquired as if these adjustments had been recognised from the subscription date. Accordingly, reserves and investment in associates for the year ended 31st December 2006 decreased by HK\$140 million.

2. Turnover

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

(a) Primary reporting by geographical segment

	Six months ended 30th June	
	2007 HK\$M	2006 HK\$M
Turnover by origin of sale:		
North Asia		
- Hong Kong and Mainland China	14,971	10,606
- Japan, Korea and Taiwan	5,277	4,301
South West Pacific and South Africa	2,272	1,918
South East Asia and Middle East	3,602	3,228
Europe	3,990	3,094
North America	4,519	3,939
	34,631	27,086

Countries included in each region are defined in the 2006 Annual Report. Geographical analysis of segment results, segment assets and segment liabilities is not disclosed for the reasons set out in the 2006 Annual Report.

2. Turnover (continued)

(b) Secondary reporting by business segment

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
Revenue – external sales		
- Passenger services	20,980	15,941
- Cargo services	7,377	6,314
	28,357	22,255
Unallocated revenue		
- Catering, recoveries and other services	6,274	4,831
	34,631	27,086

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

Analysis of net assets by business segment is not disclosed for the reasons set out in the 2006 Annual Report.

3. Operating profit

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of fixed assets		
- Leased	893	866
- Owned	1,521	1,133
Amortisation of intangible assets	7	19
Operating lease rentals		
- Land and buildings	260	200
- Aircraft and related equipment	956	589
- Others	14	18
Operating lease income		
- Aircraft and related equipment	(196)	-
Cost of stock expensed	818	760
Exchange differences	(176)	8
Auditors' remuneration	4	3
Income from listed investments	-	(25)
Income from unlisted investments	(56)	(51)

4. Taxation

	Six months ended 30th June	
	2007 HK\$M	2006 HK\$M
Current tax expenses		
- Hong Kong profits tax	26	24
- Overseas tax	228	160
- Under provision for prior years	22	42
Deferred tax		
- Origination and reversal of temporary differences	113	90
	389	316

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

5. Dividends

The Directors declared an interim dividend of HK¢25 per share (2006: HK¢20 per share) for the period ended 30th June 2007. This interim dividend which totals HK\$985 million (2006: HK\$786 million) will be paid on 2nd October 2007 to shareholders registered at the close of business on the record date, 7th September 2007.

The register of members will be closed from 3rd September 2007 to 7th September 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31st August 2007.

6. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to Cathay Pacific shareholders of HK\$2,581 million (2006: HK\$1,668 million) by the daily weighted average number of shares in issue throughout the period of 3,937 million (2006: 3,382 million) shares and 3,942 million (2006: 3,389 million) shares respectively with the latter adjusted for the effects of the share options.

	2007 million	2006 million
Weighted average number of ordinary shares used in calculating basic earnings per share	3,937	3,382
Deemed issue of ordinary shares for no consideration	5	7
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,942	3,389

7. Trade and other receivables

	30th June 2007	31st December 2006
	HK\$M	HK\$M
Trade debtors	4,941	4,701
Derivative financial assets	1,356	720
Other receivables and prepayments	3,085	3,213
Due from associates	108	101
	9,490	8,735

	30th June 2007	31st December 2006
	HK\$M	HK\$M
Analysis of trade debtors by age:		
Current	4,830	4,445
One to three months overdue	80	241
More than three months overdue	31	15
	4,941	4,701

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

8. Trade and other payables

	30th June 2007	31st December 2006
	HK\$M	(restated) HK\$M
Trade creditors	4,747	4,518
Derivative financial liabilities	923	756
Other payables	6,229	5,426
Due to associates	202	160
Due to other related companies	89	110
Bank overdrafts - unsecured	26	29
	12,216	10,999

	30th June 2007	31st December 2006
	HK\$M	(restated) HK\$M
Analysis of trade creditors by age:		
Current	3,360	3,129
One to three months overdue	779	939
More than three months overdue	608	450
	4,747	4,518

9. Share capital

During the period under review, the Group did not purchase, sell or redeem any shares in the Company. At 30th June 2007, 3,938,753,572 shares were in issue (31st December 2006: 3,935,697,572 shares).

The Company adopted a share option scheme (the "Scheme") on 10th March 1999. During the period under review, 3,056,000 shares were issued under the Scheme. Details of the Scheme can be found in note 14 to the accounts in the 2007 Interim Report.

10. Corporate governance

Cathay Pacific Airways is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance. The Company has complied throughout the period with all the code provisions and has met most of the recommended best practices set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules on the Stock Exchange.

The 2007 interim result has been reviewed by the Audit Committee and external auditors. Details on Corporate Governance can be found in the 2006 Annual Report and in the 2007 Interim Report.

11. Interim report

The 2007 Interim Report will be sent to shareholders on 22nd August 2007. It will also be available on the Stock Exchange's website and the Company's website www.cathaypacific.com before the end of August 2007.

The Directors of the Company as at the date of this announcement are:

Executive Directors: Christopher Pratt (Chairman), Robert Atkinson, John Slosar, Augustus Tang and Tony Tyler;

Non-Executive Directors: Philip Chen, Martin Cubbon, Henry Fan, James Hughes-Hallett, Li Jiaxiang, Vernon Moore, Robert Woods, Zhang Lan and Leslie Chang (Alternate Director to Henry Fan); and

Independent Non-Executive Directors: Peter Lee, Raymond Or, Jack So and Tung Chee Chen.

By Order of the Board

Cathay Pacific Airways Limited

Christopher Pratt

Chairman

Hong Kong, 8th August 2007

Website: <http://www.cathaypacific.com>