CATHAY

ANNUAL REPORT 2023

Cathay Pacific Airways Limited

Stock Code: 00293

oneworld

CONTENTS

Traditional Chinese and Simplified Chinese translations of this Annual Report are available upon request from the Company's Registrars.

本年報的中文譯本於本公司的股份登記處備索。

CATHAY PACIFIC AIRWAYS LIMITED

Cathay Pacific Airways Limited ("Cathay Pacific", or the "Company") is a leading premium travel lifestyle brand based in Hong Kong. The Cathay Group (the Company and its subsidiaries together, also "Cathay" or the "Group") offers products and services across four lines of business – Premium Travel, Cargo, Low-Cost Travel and Lifestyle.

The Cathay Group comprises premium full-service airline Cathay Pacific, cargo business Cathay Cargo, low-cost airline Hong Kong Express Airways Limited ("HK Express"), express all-cargo carrier AHK Air Hong Kong Limited ("Air Hong Kong"), and various other subsidiaries.

The Company was founded in Hong Kong in 1946. It has been deeply committed to its home base for more than seven decades and remains so, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres.

As at 31st December 2023, the Cathay Group's passenger and cargo airlines offered scheduled services to 92 destinations worldwide, including 18 airports in 16 cities in the Chinese Mainland. Furthermore, the Group serves an additional 149 destinations through codeshare agreements.

The Group had 230 aircraft as at 31st December 2023, of which five were held at parking locations outside Hong Kong. There are 75 new passenger and freighter aircraft scheduled to join the Group's fleet in the coming years.

Cathay Pacific, the premium full-service airline, had 181 passenger and cargo aircraft as at 31st December 2023. It is a founding member of the **one**world global alliance, whose combined network serves more than 900 destinations worldwide.

HK Express, a low-cost airline based in Hong Kong offering scheduled services within Asia, is a wholly owned subsidiary of the Company and had 33 aircraft as at 31st December 2023. Air Hong Kong, an express all-cargo carrier offering scheduled and charter services in Asia, is a wholly owned subsidiary of the Company operating 16 aircraft as at 31st December 2023.

The Group's other businesses include its catering, laundry, ground-handling and cargo terminal companies, and its corporate headquarters at Hong Kong International Airport.

As at 31st December 2023, the Company owned 16.26% of Air China Limited ("Air China"), the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland.

As at 31st December 2023, the Cathay Group employed more than 23,800 people worldwide, of whom around 19,600 were employed in Hong Kong. Shares of the Company are listed on The Stock Exchange of Hong Kong Limited, as are the shares of its substantial shareholders Swire Pacific Limited ("Swire Pacific") and Air China.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

GROUP FINANCIAL STATISTICS

		2023	2022 (restated)	Change
Results				
Revenue	HK$ million	**94,485**	51,036	**+85.1%**
Profit/(loss) attributable to the shareholders of the Cathay Group	HK$ million	**9,789**	(6,623)	**+16,412**
Earnings/(loss) per ordinary share				
– basic	HK cents	**140.8**	(112.4)	**+253.2**
– diluted	HK cents	**125.8**	(112.4)	**+238.2**
Dividend per ordinary share	HK$	**0.43**	–	**+0.43**
Profit/(loss) margin	%	**10.4**	(13.0)	**+23.4%pt**
Financial position				
Funds attributable to the shareholders of the Cathay Group	HK$ million	**60,026**	63,803	**-5.9%**
Net borrowings[a]	HK$ million	**52,764**	58,829	**-10.3%**
Available unrestricted liquidity	HK$ million	**19,985**	27,188	**-26.5%**
Ordinary shareholders' funds per ordinary share[b]	HK$	**7.8**	6.7	**+16.4%**
Net debt/equity ratio[a]	Times	**0.88**	0.92	**-0.04 times**

OPERATING STATISTICS – CATHAY PACIFIC

		2023	2022	Change
Available tonne kilometres ("ATK")	Million	**21,225**	10,100	**+110.1%**
Available seat kilometres ("ASK")	Million	**85,607**	20,056	**+326.8%**
Available cargo tonne kilometres ("AFTK")	Million	**13,069**	8,181	**+59.7%**
Revenue tonne kilometres ("RTK")	Million	**15,090**	7,190	**+109.9%**
Passenger revenue per ASK	HK cents	**65.4**	68.2	**-4.1%**
Revenue passenger kilometres ("RPK")	Million	**73,342**	14,764	**+396.8%**
Revenue passengers carried	'000	**17,985**	2,804	**+541.4%**
Passenger load factor	%	**85.7**	73.6	**+12.1%pt**
Passenger yield	HK cents	**76.3**	92.7	**-17.7%**
Cargo revenue per AFTK	HK$	**1.70**	3.30	**-48.5%**
Cargo revenue tonne kilometres ("RFTK")	Million	**8,099**	5,774	**+40.3%**
Cargo carried	'000 tonnes	**1,381**	1,154	**+19.7%**
Cargo load factor	%	**62.0**	70.6	**-8.6%pt**
Cargo yield	HK$	**2.74**	4.67	**-41.3%**
Cost per ATK (with fuel)[c]	HK$	**3.55**	4.35	**-18.4%**
Fuel consumption per million RTK	Barrels	**1,746**	1,679	**+4.0%**
Fuel consumption per million ATK	Barrels	**1,241**	1,195	**+3.8%**
Cost per ATK (without fuel)[c]	HK$	**2.47**	3.43	**-28.0%**
ATK per HK$'000 staff cost	Unit	**1,793**	1,153[d]	**+55.5%**
ATK per employee	'000	**1,165**	614	**+89.7%**
Aircraft utilisation (including parked aircraft)	Hours per day	**7.7**	3.3	**+133.3%**
On-time performance	%	**76.2**	80.1	**-3.9%pt**
Average age of fleet	Years	**11.1**	10.8	**+0.3 years**
GHG emissions	Million tonnes of CO_2e	**10.6**	4.9	**+116.3%**
GHG emissions per ATK	Grammes of CO_2e	**499**	481	**+3.7%**
Lost time injury rate	Number of injuries per 100 full-time equivalent employees	**11.00**	3.20	**+243.8%**

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK$41,443 million (2022: HK$45,064 million) and 0.69 (2022: 0.71) respectively. Further details can be found in note 12 to the financial statements.

(b) Ordinary shareholders' funds are arrived at after deducting preference shares reserve of HK$9,750 million (2022: preference shares capital of HK$19,500 million) and unpaid cumulative dividends attributable to the preference shareholder of HK$191 million as at 31st December 2023 (2022: HK$1,438 million).

(c) Cost per ATK represents total operating costs divided by ATK for the period.

(d) Restated long service payment obligation amounting to HK$75 million due to adoption of the HKICPA guidance of abolition of the MPF-LSP offsetting mechanism in June 2022.

FLEET PROFILE[a]

	Number at 31st December 2023														
		Leased[b]				Orders[c]				Expiry of operating leases[b]					
Aircraft type	Owned	Finance	Operating	**Total**	Average age	'24	'25	'26 and beyond	**Total**	'24	'25	'26	'27	'28	'29 and beyond
Cathay Pacific:															
A321-200	2			**2**	20.2										
A321/ A320-200neo	4	3	5	**12**	1.7	4		15[d]	**19**						5
A330-300	37	2	4	**43**	15.3						2	2			
A350-900	20	8	2	**30**	5.7									2	
A350-1000	11	7		**18**	4.0										
A350F								6	**6**						
747-400ERF	6			**6**	15.0										
747-8F	10	4		**14**	10.9										
777-300	17			**17**	22.2										
777-300ER	30		9	**39**	11.1					3	2	4			
777-9							2	19	**21**						
Total	137	24	20	**181**	11.1	4	2	40	**46**	3	4	6		2	5
HK Express:															
A320-200		3[e]	5	**8**	14.4					4				1	
A320-200neo			10	**10**	4.8			8[d][f]	**8**					2	8
A321-200			11	**11**	6.2						1	2			8
A321-200neo		4[g]		**4**	0.3	7[h]	5	9[d][f]	**21**						
Total		7	26	**33**	7.1	7	5	17	**29**	4	1	2		3	16
Air Hong Kong[i][j]:															
A300-600F			7	**7**	18.6					4	3				
A330-243F			2	**2**	12.0							2			
A330-300P2F			7	**7**	13.0							3		4	
Total			16	**16**	15.3					4	3	5		4	
Grand total	**137**	**31**	**62**	**230**	**10.8**	**11**	**7**	**57**	**75**	**11**	**8**	**13**		**9**	**21**

(a) The table does not reflect aircraft movements after 31st December 2023.

(b) Leases previously classified as operating leases are accounted for in a similar manner to finance leases under accounting standards. The majority of operating leases in the above table are within the scope of HKFRS 16.

(c) The Group believes that based on its available unrestricted liquidity as at 31st December 2023, as well as its ready access to both loan and debt capital markets, it will have sufficient financing capacity to fund this material investment in the fleet.

(d) Final number subject to reallocation between Cathay Pacific and HK Express.

(e) The aircraft are owned by Cathay Dragon and sub-leased to HK Express.

(f) Final split between Airbus A320-200neo and A321-200neo subject to adjustment in accordance with future operational requirements.

(g) The aircraft are finance leased by Cathay Pacific and sub-leased to HK Express.

(h) One Airbus A321-200neo was delivered in February 2024.

(i) The contractual arrangements relating to the freighters operated by Air Hong Kong do not constitute leases in accordance with HKFRS 16.

(j) We plan to return seven Airbus A300-600F freighters between 2024 and 2025 and to have them replaced with six second-hand A330F freighters. This allows the Air Hong Kong fleet to remain at 15 at least until 2025.


CATHAY PACIFIC

CHAIR'S STATEMENT

In 2023, we finally left the Covid-19 pandemic behind us. In welcoming this new phase, our purpose "to move people forward in life" has been foremost in our minds. Our primary focus has been on rebuilding Cathay for the benefit of our customers, our people, our shareholders and the Hong Kong international aviation hub. I am pleased to report that we achieved our end-2023 Group target of operating 70% of pre-pandemic passenger flights, connecting Hong Kong with around 80 destinations around the world.

Our strong 2023 result has allowed us to announce our first dividend payment to ordinary shareholders since 2019. The 2023 interim dividend of HK$0.43 per ordinary share will be paid on 2nd May 2024 to shareholders registered at the close of business on the record date, Friday 5th April 2024. Shares in the Company will be traded ex-dividend as from 2nd April 2024.

This strong financial performance has also allowed us to recognise and reward the efforts of our dedicated team; make commitments regarding significant capital investments in our fleet, products and service; and to begin to repay the support provided by the Hong Kong SAR Government for our recapitalisation in 2020, for which we are deeply grateful.

FINANCIAL RESULTS

2023 was our first profitable year since 2019. The year was characterised by a notable surge in travel demand following three years of pandemic-related restrictions. This imbalance between supply and demand resulted in high yields and contributed to a strong financial performance in both halves of the year.

The Cathay Group, including airlines, subsidiaries and associates, reported an attributable profit of HK$9,789 million in 2023 (2022 restated: loss of HK$6,623 million). The earnings per ordinary share in 2023 were HK140.8 cents (2022 restated: loss per ordinary share of HK112.4 cents).

Our airlines and subsidiaries performed strongly across both halves, reporting an attributable profit of HK$9,225 million for the full year of 2023 (2022 restated: loss of HK$330 million). The results from associates, the majority of which are recognised three months in arrears, were a full-year loss of HK$1,562 million (2022: loss of HK$6,293 million).

The attributable profit for 2023 included an exceptional non-recurring non-cash gain of HK$1.9 billion as a result of a dilution of our interest in Air China following the completion of their A-shares offering in January 2023.

The Group was operating cash generative overall in 2023 and as at 31st December 2023, our available unrestricted liquidity balance amounted to HK$20 billion. During the pandemic we maintained elevated liquidity levels as a precautionary measure to navigate the uncertainties. However, now that this period is behind us, we anticipate maintaining a lower yet healthy level of liquidity going forward. This adjustment reflects our confidence in the recovery of the industry and our ability to manage risks effectively while continuing to meet our financial obligations.

During 2023 we paid a total of approximately HK$1.97 billion in preference share dividends to the Hong Kong SAR Government. We initiated the buyback of these preference shares by repurchasing 50% (HK$9.75 billion) in December and announced plans to buy back the remaining 50% by the end of July 2024, subject to market conditions and our business operations at that time. We did not need to utilise the HK$7.8 billion bridge loan facility provided by the Hong Kong SAR Government as part of our recapitalisation financing in 2020, and the bridge loan facility expired on 8th June 2023.

LOOKING AHEAD

We will reach 80% of our pre-pandemic passenger flights within the second quarter of 2024. As we continue to rebuild our flights, we expect the supply and demand imbalance experienced in 2023 to diminish, and the normalisation of yields seen in recent months to continue throughout 2024.

We acknowledge the significant challenges that persist in the global aviation industry. These include recruitment and training of customer-facing employees as well as supply chain constraints. To address these issues, we have benefited from the Hong Kong SAR Government's Labour Importation Scheme for the Aviation Industry and have implemented targeted strategies to mitigate these challenges to the best of our ability.

Our priority in 2024 is to ensure high-quality and sustainable growth as we prepare for the full operation of the Three-Runway System at Hong Kong International Airport by the end of this year. This milestone marks an exciting new chapter in the growth of our home hub and opens up a wide range of opportunities. Our investments will span our fleet, our customer experience and our people.

Hong Kong has an important role to play in the overall development of the country, as outlined in the National 14th Five-Year Plan. With Hong Kong and the rest of the Greater Bay Area as our home market, we are eager to play our role by continuing to invest in the growth and development of Cathay and the Hong Kong international aviation hub.

APPRECIATION

The encouraging progress we have made is thanks to the invaluable support we have received from our customers. We are extremely grateful for their loyalty and trust, and we eagerly look forward to sharing even more exciting developments with them in future.

I would also like to express my heartfelt gratitude to all of our people at Cathay. Their unwavering professionalism, dedication and commitment have been the cornerstone of our rebuilding efforts. I am immensely proud to be part of such a remarkable team at Cathay. It is their hard work and contributions that have made our achievements possible.

Patrick Healy
Chair
Hong Kong, 13th March 2024


CATHAY CARGO
SWIRE

CHIEF EXECUTIVE OFFICER'S REVIEW AND OUTLOOK

As I reflect on my first year as Chief Executive Officer of the Cathay Group in 2023, I can say good progress has been made in our two key areas of focus: rebuilding and investing. Throughout the year, we dedicated ourselves to rebuilding our brand, flights and home hub, whilst also making strategic investment decisions that will benefit our customers, our people and Hong Kong as a whole.

REBUILDING FROM THE PANDEMIC

Our primary objective in 2023 was to reintroduce more flights and destinations for our customers and for Hong Kong. We are pleased to have achieved our target of 70% of our pre-pandemic passenger flights, covering around 80 destinations by the end of 2023. The significant pent-up demand for travel following three years of Covid-19 pandemic disruptions created a unique environment, in which there was a global imbalance between supply and demand that drove up yields. We expect this imbalance to diminish and yields to continue to normalise throughout 2024 as airlines around the world continue to add capacity. However, there will continue to be an impact from inflationary pressure along the entire aviation supply chain, which has persisted since the pandemic.

Our cargo business also benefitted from our increased passenger flight schedule, with more belly space for cargo shipments and more options for our customers. By the end of 2023, we had restored 85% of our pre-pandemic cargo flight capacity. The market normalised compared to the past couple of extraordinary years. However, it remains strong, and we enjoyed a particular bright spot in e-commerce. Hong Kong continues to be the busiest international air cargo hub globally, and Cathay Cargo the largest operator out of the hub.

With our rebuild, we expanded our Group workforce by around 15% or 3,000 people in 2023 compared with the previous year. To date, we have welcomed back nearly 2,000 former Cathay Group employees who left during the pandemic and, notably, in 2023 we opened recruitment for cabin crew and cadet pilots in the Chinese Mainland for the first time. Our 2023 training activities returned to pre-pandemic levels, which was more than double the levels in 2022.

The global aviation industry continues to face rebuilding challenges and we have been similarly affected. At times this has hindered our ability to consistently deliver the highest service levels. Rest assured, we remain committed to mitigating these challenges, continuously improving our operations and meeting the expectations of our discerning customers.

INVESTING INTO THE FUTURE

In 2023 we commenced a strategic investment programme across various aspects of our business, focusing on expanding our fleet, enhancing customer experience and recognising and rewarding our people.

In terms of fleet, we announced an order of 32 additional Airbus A321neo and A320neo aircraft, and secured the right to acquire 32 more aircraft, complementing our existing order of 32 A321neos. We also ordered six Airbus A350F freighters and secured the right to acquire up to 20 more of these aircraft in the future. In total, this brings our new aircraft on order to more than 70, with the right to acquire an additional 52 aircraft. We are also exploring options for a new mid-size widebody aircraft. Our fleet investments not only strengthen Cathay, but also contribute to the growth and success of the Hong Kong international aviation hub.

We are focused on enhancing our customer experience at every touch point. In 2023, we opened nearly all of our airport lounges, providing a comfortable and inviting space for our valued passengers. Furthermore, our first off-airport lounge at the Shekou Cruise Home Port in Shenzhen exemplifies our commitment to offer customers a seamless intermodal travel experience within the Guangdong-Hong Kong-Macao Greater Bay Area, expanding our reach and accessibility to customers.

In addition to airport lounge enhancements, we also prioritised inflight dining and entertainment. Collaborating with popular Hong Kong dining brands, we have developed special menus that showcase the culinary excellence of our home city. Moreover, our inflight entertainment experience was acknowledged at the Skytrax World Airline Awards, where we were honoured with the prestigious World's Best Inflight Entertainment Award for 2023. This recognition motivates us to further enhance our entertainment offerings for our customers' enjoyment.

Recognising our people for their support and commitment has always been an important part of Cathay's culture. We provided a special appreciation reward of up to six weeks' eligible pay that was well received by our people and introduced a new profit-sharing scheme for 2023 equivalent to 7.2 weeks of eligible pay.

BUSINESS PERFORMANCE OF CATHAY

Cathay Pacific's passenger revenue increased by 308.8% to HK$55,951 million compared with 2022. Available seat kilometres (ASKs) increased by 326.8%, while traffic, measured in revenue passenger kilometres (RPKs) increased by 396.8%. We carried a total of 18.0 million passengers in 2023, an average of 49,300 per day, which was 541.4% more than in 2022. Load factor was 85.7% compared with 73.6% in 2022, and yield decreased by 17.7% to HK76.3 cents.

Meanwhile, Cathay Cargo's revenue in 2023 decreased by 17.9% to HK$22,162 million compared with 2022. Available cargo tonne kilometres (AFTKs) increased by 59.7%, owing to our increased passenger flight schedule providing more belly space for cargo. Traffic, measured in cargo revenue tonne kilometres (RFTKs), increased by 40.3%. Total tonnage increased by 19.7% to 1,381 thousand tonnes. Load factor was 62.0% compared with 70.6% in 2022, and yield decreased by 41.3% to HK$2.74. It was notable, however, that yields were still 46.5% above 2019 pre-pandemic yields.

Throughout the pandemic, we maintained a prudent approach to cost management, and this remained a priority in 2023. However, we faced challenges in certain areas, including inflation in the supply chain. Non-fuel costs for 2023 increased by 51.2% to HK$52,366 million compared with 2022. Total fuel costs for Cathay (before the effect of fuel hedging) increased by HK$10,658 million (or 82.4%) compared with 2022 as we operated more flights.

I am delighted to share that our efforts have not gone unnoticed. In 2023 Cathay Pacific has regained its position within the world's top 10 airlines in multiple industry rankings. Cathay Cargo was also named Cargo Airline of the Year in Air Transport World's (ATW) 2023 Airline Industry Achievement Awards. These achievements serve as a testament to the dedication and hard work of our entire team and further reinforce our commitment as we strive towards our vision of becoming one of the world's greatest service brands.

BUSINESS PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

HK Express reported a profit of HK$433 million for 2023 (2022 restated: loss of HK$1,369 million). The airline benefitted from robust travel demand, especially for short-haul destinations in Asia, and by December 2023 the airline was operating more than 130% of its pre-pandemic passenger flights.

Air Hong Kong reported a profit of HK$778 million for 2023 (2022: profit of HK$776 million). Its results have been consistently solid.

While the businesses of our airline services subsidiaries improved in 2023 compared with 2022, the financial performance of some subsidiaries declined as the benefits of higher volumes were more than offset by higher interest expenses.

Results from associates, recognised three months in arrears, improved compared with 2022, but were still loss-making for the year due to incomplete recovery of international routes, intensified competition in the domestic market and fluctuations in oil prices and exchange rates.

OUTLOOK

We are committed to continuing our rebuild journey in 2024. We have seen that the magnitude of the challenge that the aviation industry faces is truly significant. These challenges include but are not limited to recruitment, training and supply chain shortages. We are navigating similar challenges and are working diligently to mitigate their effects on our operations.

In terms of our travel business, comprising Cathay Pacific and HK Express, we will reach 80% of our pre-pandemic passenger flights within the second quarter of 2024. We are now working towards reaching 100% within the first quarter of 2025. We acknowledge this would be up to three months later than our previous projections; however, we have learned from our recent experiences and our focus continues to be rebuilding in a measured and responsible manner as we look ahead to the exciting opportunities presented by the upcoming Three-Runway System at Hong Kong International Airport.

Our strategic investment in products, services and people will continue in 2024. We are excited to be bringing our customers new cabin products in each of the coming three years. In 2024, we are launching an all-new Business class experience – Aria Suite – and Premium Economy product as part of a redesign of our long-haul Boeing 777-300ER cabins. In 2025, this will be followed by a new world-leading First class experience onboard our Boeing 777-9 aircraft. And in 2026, a new regional product on the Airbus A330 fleet will be introduced featuring flat beds in Business class. We are committed to continuously enhancing our customer experience, including in our lounges, dining, inflight entertainment and our service delivery over the coming years.

In terms of our cargo business, we anticipate continued strong demand from e-commerce in our home market of Hong Kong and the wider Greater Bay Area. However, we expect trade flow directional imbalances to persist, impacting overall load factors. Moreover, as the air cargo industry continues to normalise, yields will decrease in 2024, but are expected to remain above 2019 levels.

Our recruitment and training activities will continue in earnest as we explore all options available to us. In 2024, we plan to expand our workforce by around 20% or 5,000 people compared with 2023. Furthermore, we are significantly increasing our training activities in 2024, more than doubling the levels seen in 2023.

GRATITUDE

The progress that Cathay has made in rebuilding in such a short space of time is truly remarkable and would not have been possible without the unwavering support of our customers and the relentless determination of our people.

To our customers, I would like to say a huge thank you for continuing to choose Cathay when you fly, ship, spend and shop with us. Our investments in enhancing the experience we provide for all our customers will continue and we eagerly look forward to sharing even more exciting new developments with you in future.

To our people, it has been a privilege to lead such a committed, enthusiastic and resourceful team during my first year as Chief Executive Officer. Your incredible efforts have been the driving force behind our rebuild journey and I look forward to seeing all that we can achieve together in the years ahead.

To our stakeholders, thank you for standing by us and motivating us to be the company of choice. We are ready to unleash the potential and innovation of our next exciting phase of development – Cathay is back!

Ronald Lam
Chief Executive Officer
Hong Kong, 13th March 2024

PURPOSE

WHY WE EXIST

TO MOVE PEOPLE FORWARD IN LIFE

VISION

WHAT WE WILL BECOME

ONE OF THE WORLD'S GREATEST SERVICE BRANDS

CULTURE

HOW WE WORK TOGETHER

THOUGHTFUL

We put customers at the centre of everything we do

We believe that happy employees lead to happy customers

We act lawfully, ethically and responsibly

PROGRESSIVE

We are forward-thinking, encouraging experimentation and learning

We value diversity of opinion and a constructive exchange of views

We are agile and ready to adapt to achieve our goals

CAN-DO

We overcome challenges together with positivity and determination

We trust and empower our people

We relentlessly create value and improve efficiency

STRATEGY

HOW WE ACHIEVE THE VISION

OUR UNIQUE POSITION

Deep roots in Hong Kong

Proudly part of China

Connecting the world

OUR LINES OF BUSINESS

World's best premium airline

Asia's best low cost carrier

World's best travel lifestyle business

World's best air cargo carrier

OUR AREAS OF LEADERSHIP

Safety & operational excellence

Digital

Sustainability

PREMIUM TRAVEL

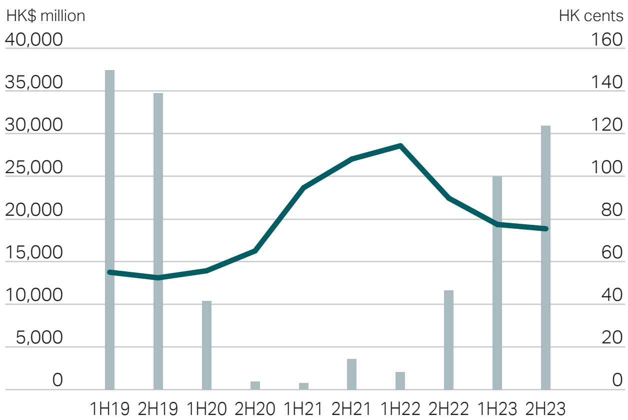
CATHAY PACIFIC PASSENGER SERVICES

Cathay Pacific is the Group's premium, full-service airline and the home carrier of Hong Kong. Cathay Pacific's strategic vision is to be the world's best premium airline, underpinned by our purpose to move people forward in life.

Cathay Pacific's focus in 2023 was on rebuilding and investing for our customers, people, stakeholders and the Hong Kong international aviation hub. Throughout the year, we progressively added more flights and more destinations to our schedule to meet the significant pent-up demand for passenger travel. By the end of 2023, the Cathay Group – comprising Cathay Pacific and HK Express – operated 70% of its pre-pandemic passenger flights covering about 80 destinations.

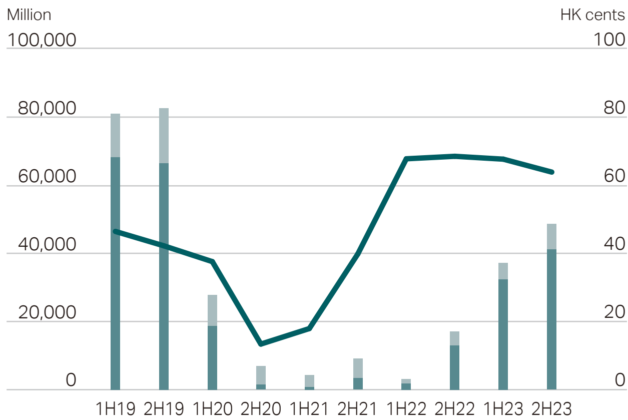
Passenger revenue increased by 308.8% to HK$55,951 million in 2023 compared with 2022, while revenue passenger kilometre (RPK) traffic increased by 396.8%. Cathay Pacific carried 18.0 million passengers in 2023, an average of 49,300 passengers per day and 541.4% more than in 2022. Available seat kilometres (ASK), increased by 326.8%. Load factor increased by 12.1 percentage points to 85.7%, while yield decreased by 17.7% to HK76.3 cents.

Passenger revenue and yield trend



Passenger revenue
Passenger yield
Data in 2019-2020 included Cathay Dragon.

Passenger capacity, load factor and efficiency



Available seat kilometres (ASK)
Load factor (as a proportion of ASK)
Passenger revenue per ASK
Data in 2019-2020 included Cathay Dragon.

AVAILABLE SEAT KILOMETRES (ASK), LOAD FACTOR AND YIELD CHANGE BY REGION FOR CATHAY PACIFIC PASSENGER SERVICES FOR 2023 WERE AS FOLLOWS:

	ASK (million)			Load factor (%)			Yield
	2023	2022	**Change**	**2023**	2022	**Change**	**Change**
Americas	**21,535**	6,868	**+213.6%**	**91.9**	76.9	**+15.0%pt**	**-7.0%**
Europe	**19,508**	4,879	**+299.8%**	**90.3**	85.1	**+5.2%pt**	**-24.6%**
North Asia	**17,175**	2,706	**+534.7%**	**78.4**	54.8	**+23.6%pt**	**-31.6%**
Southeast Asia	**11,416**	2,051	**+456.6%**	**80.6**	62.9	**+17.7%pt**	**-20.4%**
Southwest Pacific	**11,199**	2,711	**+313.1%**	**83.6**	73.8	**+9.8%pt**	**-30.1%**
South Asia, the Middle East and Africa	**4,774**	841	**+467.7%**	**81.8**	65.9	**+15.9%pt**	**-15.7%**
Overall	**85,607**	20,056	**+326.8%**	**85.7**	73.6	**+12.1%pt**	**-17.7%**

MARKETS

HOME MARKET – HONG KONG AND GREATER BAY AREA (GBA)

- Pent-up travel demand was strong after the resumption of quarantine-free travel, in particular during the 2023 Lunar New Year holiday period.
- Following the resumption of quarantine-free travel between Hong Kong and the Chinese Mainland, we immediately resumed outbound passenger flights from Guangzhou and then increased the frequency to twice daily starting from March.
- In November, we introduced our annual senior citizen discount for Hong Kong and Macau residents aged 65 and above.
- Cathay Pacific was among the first airlines to provide upstream check-in and ferry codeshare services for customers in the GBA. When travelling to and from cities in the GBA, customers can enjoy a seamless transfer directly via Hong Kong International Airport's (HKIA) SkyPier using our Air+Sea service. Guangzhou Pazhou Ferry Terminal was newly added to the network in April with a four-times-daily service that supplements our double-daily flights connecting Guangzhou with the world via HKIA, altogether providing customers with a total of 26 codeshare ferry services per day from cities in the GBA. As of December 2023, ferry destinations from the SkyPier in operation include Shenzhen Shekou, Shenzhen Airport Ferry Terminal, Guangzhou Pazhou, Dongguan Humen, Zhongshan, and Macao Taipa.
- Leveraging the newly developed SkyPier Terminal, since August we have gradually launched upstream check-in and baggage check-through services for customers travelling from Macao and Zhuhai when taking bonded buses through the Hong Kong-Zhuhai-Macao Bridge (HZMB). With this ground-breaking proposition, our customers travelling to and from the western GBA can enjoy great convenience with direct transfer via the airside of HKIA, which is similar to that of a flight-to-flight transfer.
- Cathay Pacific was the first international airline to introduce remote check-in and baggage delivery service at the Canton Fair Complex to provide a seamless intermodal travel experience for buyers participating in the China Import and Export Fair in Guangzhou, also known as the Canton Fair. This will become a regular service tailored for our worldwide customers travelling into the GBA.

AMERICAS

- Cathay Pacific celebrated its 40th anniversary in the Americas since its first flight to Vancouver, Canada in 1983.
- We resumed our Chicago service in October, receiving a very encouraging response from customers.
- As at 31st December 2023, we were operating passenger flights serving seven destinations in the Americas.

EUROPE

- We progressively increased flight frequencies on a number of our Europe routes. Notably, our popular London Heathrow service returned to up to five round-trip flights per day.

- In light of the situation in Israel, we temporarily suspended all our flights between Hong Kong and Tel Aviv from October 2023 until further notice.
- As at 31st December 2023, we were operating passenger flights serving eight destinations in Europe.

NORTH ASIA

- Quarantine-free travel between Hong Kong and the Chinese Mainland resumed on 8th January, and we rapidly increased our flights serving the Chinese Mainland to cater for the strong demand for travel, which included traffic to and from Hong Kong, and transit traffic via the Hong Kong hub. This was complemented by the successful brand relaunch in the Chinese Mainland of our "Nice to Meet You Again" campaign.
- Cathay Pacific was proud to carry a significant number of athletes, spectators and officials to attend the Asian Games in Hangzhou in September and October.
- We progressively added more flights and destinations serving the Chinese Mainland for our customers, including resuming our Xi'an, Wenzhou, Shanghai (Hongqiao) and Haikou services. As at 31st December 2023, we were operating about 170 return flights per week serving 16 airports in 15 cities in the Chinese Mainland.
- Our passenger flights serving other regions in North Asia were impacted by travel restrictions in those places in the first few months of 2023. The lifting of travel restrictions in these places were welcomed developments, and we saw strong pent-up demand for travel to the region from our customers.
- We resumed our scheduled Nagoya services in March, as well as our popular non-stop flights between Taipei and Tokyo (Narita) in May, and between Taipei and Osaka in June.
- As at 31st December 2023, we were operating passenger flights serving 25 airports in 23 destinations in North Asia.

SOUTHEAST ASIA

- Our Phuket services were resumed in January.
- As at 31st December 2023, we were operating passenger flights serving 13 destinations in Southeast Asia.

SOUTHWEST PACIFIC

- Cathay Pacific celebrated 40 years in New Zealand since its first flight to Auckland in 1983. In December, we resumed our seasonal Christchurch-Hong Kong service – our first seasonal restart since the pandemic.
- As at 31st December 2023, we were operating passenger flights serving six destinations in the Southwest Pacific.

SOUTH ASIA, THE MIDDLE EAST AND AFRICA

- We resumed our Johannesburg service in August, once again providing a direct connection between our home hub and the African continent.
- As at 31st December 2023, we were operating passenger flights serving seven destinations in South Asia, the Middle East and Africa.

CUSTOMER EXPERIENCE ENHANCEMENTS

- We brought back our First class service on selected popular flights serving London Heathrow, Paris, Tokyo (Haneda), Los Angeles and Beijing, and New York (JFK) service will begin from summer 2024.
- During 2023, we doubled the average number of standard award seats per flight compared with 2019, providing our customers more opportunities to use their Asia Miles to redeem flights on Cathay Pacific.
- We reopened all of our Cathay Pacific airport lounges in our global network, with the exception of our lounge in Paris Charles-de-Gaulle Airport due to ongoing renovation work in the passenger terminal.
- To further redefine the premium travel experience for intermodal customers, we inaugurated a new Cathay Pacific lounge at Shenzhen Shekou Cruise Home Port, with the grand opening held in January 2024. Its opening marks our first lounge outside of an airport and the first of its kind in the Chinese Mainland. The new Shekou lounge underlines our commitment to innovating and enhancing our range of services in the GBA.
- We announced an all-new Business class experience – Aria Suite – that is launching in 2024 as part of a redesign of our long-haul Boeing 777-300ER cabins.
- As part of our commitment to enhance the dining experience for our customers, we partnered with

renowned Hong Kong dining brands, notably Michelin-starred restaurant Duddell's, VEDA by Ovolo, Pirata and Rosewood Hong Kong to introduce new menus for our customers.

- We announced that our free inflight Wi-Fi proposition will be extended from First class to the Business class cabins and for Cathay Diamond members progressively from mid-2024.
- Building on our 100% seatback personal TV screen proposition, our award-winning inflight entertainment experience was further enhanced with Asia-Pacific's first collaboration with Disney+, and the launch of a new graphical user interface on board our Airbus A350 aircraft that will be progressively rolled out to our other aircraft types.
- We continued to modernise our cathaypacific.com homepage to provide an enhanced customer experience, such as with the redemption availability calendar and refund self-servicing functions, and offered exclusive features for our members to shop and redeem tickets online.

PASSENGER FLEET

- Cathay Pacific continued to take delivery of new and more modern aircraft, including two Airbus A350 and five A321neo aircraft. We also continued to bring back passenger aircraft that had been parked in locations outside of Hong Kong.
- In 2023, we announced the purchase of up to 32 new Airbus A321neo and A320neo aircraft. These single-aisle aircraft are expected to be delivered by 2029 and will join the fleets of Cathay Pacific and HK Express, principally serving destinations in the Chinese Mainland and elsewhere in Asia. This order demonstrates our commitment to investing in the long-term future of the Cathay Group and the Hong Kong international aviation hub, which is expected to grow exponentially with the operation of the Three-Runway System.

AWARDS

- Cathay Pacific was proud to be awarded World's Best Inflight Entertainment at the prestigious 2023 World Airline Awards organised by Skytrax as voted on by our customers. We also returned to the Top 10 in the World's Best Airlines category, ranking number eight overall.
- Cathay Pacific returned to the Top 10 of AirlineRatings.com's Top Twenty Five Airlines in the World for 2023, ranking number nine overall. The airline appeared in the Top 10 of multiple other industry rankings.
- Cathay Pacific was rated a 2024 Five Star Global Airline by our passengers in the 2024 Airline Passenger Experience Association (APEX) Five Star Airline Awards. In the APEX Best In Airline Awards, Cathay Pacific was named Best in Global for Seat Comfort, and Best in Greater China for Entertainment and Food & Beverage.
- Cathay Pacific received three awards at the 11th Flyers Preferred Award Ceremony 2023, organised by CAAC Inflight Magazine and FlyerT, the Chinese Mainland's biggest frequent-flyer member social platform. Cathay Pacific was named "Best Regional & International Airline", "Best Frequent Flyer Programme", and "Best Co-Brand Credit Card with Citic".
- Cathay received 12 distinguished honours at the 2022 Customer Service Excellence Awards from the Hong Kong Association for Customer Service Excellence (HKACE). This included the highest recognition, the Grand Award, which recognises accomplishments in all areas of customer service, as well as excellence in service delivery and implementation.
- Cathay Pacific was named Airline of the Year 2022 at the Incheon Airport Awards hosted by Incheon International Airport Corporation in South Korea. Cathay Pacific was awarded for its high standards in the areas of safety culture, convenient check-in, punctuality, baggage handling, smart service (self-check-in), and recovery from Covid-19.
- Cathay Pacific won World's Best Airline Lounge at the Business Traveler Awards North America 2023 for The Pier, First and The Pier, Business.
- Cathay Pacific won the First Class Bedding Set category at the TravelPlus Airline Amenity Awards 2023. The airline's plush First class bedding is part of a collaboration with luxury UK lifestyle brand Bamford.
- Cathay Pacific was named Favorite Airline in Asia in Trazee Travel's The Trazees awards.

CARGO

CATHAY CARGO SERVICES

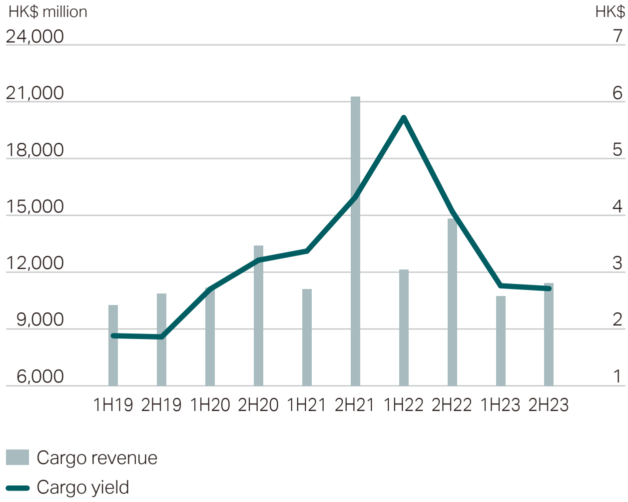
The Cathay Group's cargo services are provided by Cathay Cargo, whose strategic vision is to be the world's best air cargo carrier, underpinned by our purpose to move people forward in life by delivering cargo that matters to the world.

Cathay Cargo played a crucial role during the pandemic as the Cathay Group navigated through the challenges and opportunities. Cathay Cargo was focused on and committed to meeting the specific air cargo capacity needs of our customers throughout the pandemic.

After Hong Kong's travel restrictions were relaxed in late 2022, the Cathay Group initiated its rebuilding efforts, resulting in an increase in passenger flights and expanded belly-hold capacity for cargo. In 2023, Cathay Cargo experienced a transitional period marked by decreased yields as supply increased and demand normalised compared to the pandemic peak. However, despite this adjustment, Cathay Cargo's revenue remained historically robust and yields continued to surpass pre-pandemic 2019 levels by 46.5%.

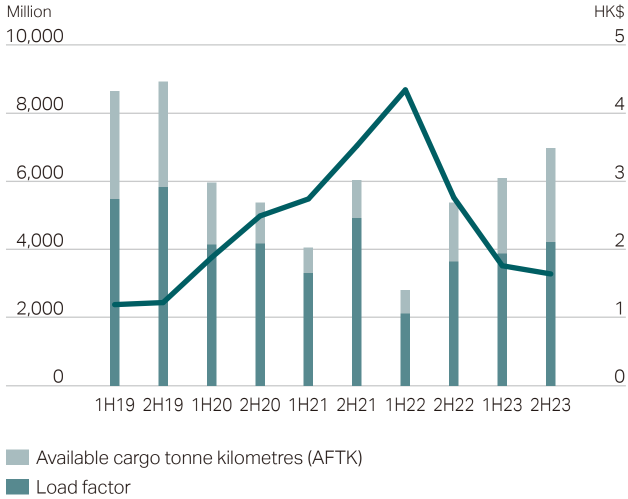
Cargo revenue in 2023 was HK$22,162 million, a decrease of 17.9% compared with 2022, reflecting a weaker global market for air cargo. Capacity, measured in available cargo tonne kilometres (AFTK), increased by 59.7% in 2023 compared with 2022. Cargo revenue tonne kilometres (RFTK) traffic increased by 40.3%. Total tonnage increased by 19.7% to 1,381 thousand tonnes. Cargo yield decreased by 41.3% to HK$2.74, while load factor averaged 62.0% (2022: 70.6%).

Cargo revenue and yield trend



Data in 2019-2020 included Cathay Dragon.

Cargo capacity, load factor and efficiency



Data in 2019-2020 included Cathay Dragon.

AVAILABLE CARGO TONNE KILOMETRES (AFTK), LOAD FACTOR AND YIELD CHANGE FOR 2023 WERE AS FOLLOWS:

	AFTK (million)			Load factor (%)			Yield
	2023	2022	**Change**	**2023**	2022	**Change**	**Change**
Cathay Pacific	**13,069**	8,181	**+59.7%**	**62.0**	70.6	**-8.6%pt**	**-41.3%**

HOME MARKET – HONG KONG AND GREATER BAY AREA (GBA)

- Demand from our home market of Hong Kong and the rest of the GBA has shown resilience. Although traditional air cargo commodities such as high-end electronics were weaker for a large part of 2023, the e-commerce sector from Southern China emerged as a key driver of cargo tonnage growth from Hong Kong throughout 2023. Demand was particularly robust during the traditional year-end peak season in the fourth quarter.
- Cathay Cargo became the first carrier to have cargo shipments accepted at the Hong Kong International Airport (HKIA) Logistics Park in Dongguan and transported to HKIA by vessel for outbound airfreight. The HKIA Logistics Park's pilot scheme in Dongguan enables shipments to be security screened, built up, and accepted as cargo for flights before being loaded onto vessels bound for HKIA, from where pallets and containers can be towed straight to a waiting aircraft. Air-sea operations for imports were launched in December. The scheme's base will migrate to a permanent facility from 2025.
- With our double-daily passenger belly service to Guangzhou and trucking network between Hong Kong and six destinations in Guangdong Province, we have rebuilt our connectivity between Hong Kong and the GBA.

AMERICAS

- In Mexico, we moved our freighter operation from Mexico City International Airport (MEX) to Felipe Ángeles International Airport (NLU), effective 1st July 2023.
- Cathay Cargo suspended freighter services to Columbus from August and added frequency to Toronto instead.
- Cathay Cargo increased freighter frequency on transpacific routes from the end of August to cater for the year-end air cargo peak season.
- At 31st December 2023, we were operating freighters serving 11 destinations and passenger bellies serving six destinations in the Americas.

EUROPE

- Overall demand from the region was steady throughout the majority of 2023.
- As we progressively ramped up our network, we saw notable growth on perishables and pharmaceutical products, feeding to Hong Kong and our regional destinations.
- Our joint venture with Lufthansa Cargo continued to perform well.
- At 31st December 2023, we were operating freighters serving five destinations and passenger bellies serving eight destinations in Europe.

NORTH ASIA

- The Chinese Mainland market continued to be one of our important strategic markets as production resumed post-Covid.
- Demand on our long-haul routes to the Americas and Europe remained robust throughout the year, and various online shopping events resulted in high-end electronic products peaking in the fourth quarter.
- From the summer season 2023, we resumed our multi-city freighters between cities in the Chinese Mainland after borders reopened and aircrew quarantine restrictions were lifted.
- As we increased our passenger flights to Japan, South Korea, and the Taiwan region, we observed an increase in cargo tonnage to Hong Kong with notable growth in perishables, automotives, and dangerous goods.
- At 31st December 2023, we were operating freighters serving nine destinations and passenger bellies serving nine destinations in North Asia.

SOUTHEAST ASIA

- We observed notable growth in tonnage to Hong Kong and North Asia as we ramped-up passenger bellies across the region.
- We moved perishables, seafood, electronics and project-related cargo from Southeast Asia in 2023.
- At 31st December 2023, we were operating freighters serving five destinations and passenger bellies serving 12 destinations in Southeast Asia.

SOUTHWEST PACIFIC

- Perishable products including fresh products and chilled meats remained dominant from the market, serving the consumer needs in Hong Kong and the Chinese Mainland.
- Live animal traffic volume, including horses from Melbourne and lobsters from Perth, continued to grow and our passenger flight belly-hold capacity to Perth progressively increased.
- We benefited from strong Cathay Fresh uplift using the seasonal operations to Christchurch towards the end of the year.
- At 31st December 2023, we were operating freighters serving three destinations and passenger bellies serving five destinations in the Southwest Pacific region.

SOUTH ASIA, THE MIDDLE EAST AND AFRICA

- We adjusted our freighter frequency to Dhaka from three to two flights per week from 19th January 2023.
- Our freighter frequencies to Chennai and Delhi were reduced from the winter season, with one less per week on each of these routes.
- We discontinued our freighter operation to Bengaluru from the winter season.
- At 31st December 2023, we were operating freighters serving seven destinations and passenger bellies serving six destinations in South Asia, the Middle East and Africa.

STRATEGIC AREAS OF FOCUS

BRAND AND MARKETING STRENGTH

- Cathay embarked on a rebrand of its cargo business in 2023 with the launch of Cathay Cargo, aligning with the Group's overarching brand design. We launched our new brand campaign, "We Know How", showcasing the expertise of our people and the technology we use to provide our industry-leading service. We also unveiled our first freighter bearing the new Cathay Cargo livery.

CUSTOMER SOLUTIONS

- Cathay Cargo enhanced its integrated mail platform with Cathay Mail, a digital solution that re-envisages the mail-shipment process and provides a superior service for post offices focused on shipment visibility, reliability, and speed.
- Our Cathay Fresh cold chain capabilities were highlighted as an exhibitor at the Asia Fruit Logistica 2023, including tours of the Cathay Cargo Terminal demonstrating the Cathay Fresh service features.
- The Cross Border Express (CBX), a custom-bonded air-road intermodal operation by the Cathay Cargo Terminal, has resumed acceptance of perishables cargoes from Hong Kong to Shenzhen and Guangzhou, strengthening support for perishables traffic into the Greater Bay Area via the Hong Kong gateway.
- We continued to invest in digital transformation and advanced digital tools to enhance our solutions capabilities.

DIGITALISATION AND AUTOMATION

- Cathay Cargo revamped its website enabling customers to easily access popular features such as direct digital booking, track-and-trace, and flight availability.
- As part of our omni-channel distribution strategy, we upgraded our online cargo booking flagship platform, Click & Ship, to provide an enhanced customer experience. Almost 50% of our bookings are now received through this platform.

- Application programming interface (API) connections were developed to enable our customers to directly connect with our automated booking platform, Click & Ship, and view, access, book and get instant confirmation (if applicable) of our inventory on their own platforms. We are working to meet the milestone date set by the International Air Transport Association (IATA) on setting ONE Record API as the unified effective messaging standard in the air cargo industry by January 2026. We also successfully achieved a world-first ONE Record shipment from Dongguan for export from Hong Kong in a pilot scheme in partnership with the Airport Authority Hong Kong.

SERVICE AND OPERATIONAL EXCELLENCE

- Both Cathay Cargo and Cathay Cargo Terminal (CCT) achieved the IATA Center of Excellence for Independent Validators (CEIV) accreditation for Lithium Batteries in August 2023. This accreditation process validates our commitment to the safe carriage of lithium battery shipments and underscores our dedication to maintaining exceptional operational standards.
- The availability of spare parts posed challenges for the aviation supply chain, impacting our operations and causing disruptions to our freighter services. To address this, we have implemented a preventative maintenance programme, including schedules cancellations as a precautionary measure to ensure the long-term reliability and safety. Through close collaboration with our suppliers, we strive to enhance schedule integrity and provide more reliable service for our customers.

FREIGHTER FLEET

- At the end of the year, we announced the purchase of six new-generation Airbus A350F freighters and secured the right to acquire 20 more aircraft. The first deliveries will be by early 2027.
- This order demonstrates our confidence in Cathay Cargo's business model and in the power of Hong Kong as the busiest air cargo hub in the world. It provides us a range of options for continued capacity growth as the air cargo market develops over the years ahead.

SPONSORSHIP AND CORPORATE SOCIAL RESPONSIBILITY

- Cathay Cargo was confirmed as the host airline of the 2024 edition of the World Cargo Symposium (WCS) sponsored by Hong Kong International Airport and organised by the International Air Transport Association (IATA), taking place from 12th-14th March 2024 in Hong Kong.

INDUSTRY RECOGNITION AWARDS

- Cathay Cargo was named Cargo Airline of the Year at Air Transport World's (ATW) 49th Annual Airline Industry Achievement Awards.
- Cathay Cargo was named Sustainable Cargo Airline of the Year – Asia at the Freightweek Sustainability Awards 2023.
- Cathay Cargo was named Best Green Air Cargo Carrier at the 2023 Asian Freight, Logistics and Supply Chain (AFLAS) Awards for implementing thoughtful and eco-friendly practices to protect the environment and community we operate in.
- Cathay Cargo won Best Cargo Airline – Asia at the Air Cargo News Awards 2023, recognising the opening of Hong Kong's largest pharma-dedicated handling centre, the introduction of Click & Ship, and its successful rebranding.
- Cathay Cargo's ground-breaking digital transformation and revamped website also earned it the Hong Kong User Experience of the Year – Logistics category at the Asian Experience Awards in Hong Kong presented by Asian Business Review Magazine.
- Cathay Cargo was named Global Carrier of the Year – Top Award at the Payload Asia Awards 2023.

LIFESTYLE

Cathay's Lifestyle strategy focuses on becoming a premium travel lifestyle brand that is attractive to customers and capable of creating a halo effect that cascades over our products and services. Our vision is to become a leading service brand by building deep, engaging relationships with customers, offering them curated travel lifestyle products and experiences throughout their lifetime.

Through the Lifestyle business we interact with customers beyond their journeys, foster loyalty and leverage relationships for additional value. This includes Asia Miles, our established mileage business, and new product sales businesses such as hotels, retail, experiences and insurance. Both streams provide access to the Cathay membership programme and Asia Miles, allowing members to earn and use miles for full or partial payment.

MEMBERSHIP

This year, we invested significantly to enhance the flight redemption offering and experience based on member demands:

- Doubled available redemption seats per Cathay Pacific flight compared to pre-pandemic levels.
- Launched a new miles-only redemption portal with HK Express in August 2023, allowing redemption to popular leisure destinations for as little as 3,000 miles.
- Operated Cathay Pacific Miles Flights twice in April and June 2023, granting exclusive access to redeem every seat on specific flights using Standard Awards.
- Implemented a new Standard Award Chart for all redemptions ticketed on or after 1st October 2023, for sustainable and competitive redemption bookings.
- Improved the online redemption platform for better flight search and booking amendments.
- Encouraged membership sign-ups with exclusive benefits, including free cancellations within 24 hours of booking for added flexibility.

PAYMENT

- In Hong Kong, the Standard Chartered Cathay Mastercard® regained momentum in acquisition and spending after the pandemic. This partnership introduced new opportunities for customers to earn Asia Miles through time deposits and Status Points through spending. Our miles-conversion business for non-cobranded credit cards also expanded significantly.
- Outside of Hong Kong, we launched a new co-branded credit card in Canada in partnership with Neo Financial, marking our first venture in the Fintech space. In the Taiwan region, the relaunch of our co-branded card with Taishin was a success story of longstanding partnerships.

HOLIDAYS

- Cathay Holidays was relaunched, offering exclusive travel packages, extraordinary travel experiences, and exceptional hotel deals.
- We introduced Cathay's Pick, an exclusive collection of curated travel experiences for Cathay's members and customers, including luxurious glamping adventures beneath Mount Fuji, a cruise voyage package, and a Michelin-star dining experience in collaboration with a renowned luxury hotel based in Hong Kong.
- In support of Cathay's sustainable development programme, Greener Together, a range of initiatives has been introduced to promote eco-conscious travel. Customers are rewarded with bonus miles or discounts for renting electric vehicles with car rental partners and staying at environmentally friendly hotels listed on the Greener Together Hotel List.

SHOPPING

- Building upon on the success of Cathay Shop's e-commerce sales channel, an online version of the inflight shopping experience has been introduced. Customers on selected routes can now connect their devices to inflight Wi-Fi, browse Cathay Shop, place orders, pay with miles or cash, and have items delivered to their home or collected inflight.

- Cathay organised Cathay LIVE: Music Up Close, a private concert series featuring local pop artists AGA, Serrini, and Yoyo Sham. Members enjoyed live performances, interactive games, and Q&A sessions, creating lasting, memorable experiences.

PARTNERSHIPS

- We expanded our travel lifestyle vision by partnering with brands in various industries, engaging members to earn and spend Asia Miles in their daily lives.
- In the dining realm, we launched the Cathay Culinary Fest, collaborating with members' favourite partner restaurants to offer limited-time menus. Members earned extra miles when dining at three participating restaurants.
- In the shopping sector, we showcased our global partners to encourage cross-border spending and earning of Asia Miles.
- In transportation, we piloted a campaign with Uber Taxi, awarding Asia Miles for everyday rides, including double miles for Uber Taxi trips to or from Hong Kong International Airport.

WELLNESS

- Wellness, the latest addition to the Cathay Lifestyle offerings, includes the innovative Wellness Journey in the Asia Miles by Cathay mobile app and a range of Travel and Health insurance products. Over 100,000 members have joined the Wellness Journey since its launch.
- Travel insurance saw a robust recovery with the return of passenger flights, surpassing pre-pandemic levels in 2023. Our renewed partnership with Chubb Insurance ensures comprehensive protection throughout the booking and pre-flight process, including the introduction of the Chubb Travel Insurance Annual Plan in October 2023, offering unlimited coverage for frequent travellers.

GREATER BAY AREA

- Our objective in the Greater Bay Area is to establish a lifestyle ecosystem and increase penetration in the Chinese Mainland more broadly. This entails expanding memberships, partnerships, and the strength of the Asia Miles currency to build long-term customer relationships.
- We established a new entity in the Chinese Mainland in 2023 (Wholly Foreign Owned Enterprise), allowing us to remit and sign-up partners in Renminbi, manage local taxes independently, and include retail in our business scope.
- Conducted our first livestream on Douyin in November and opened a pop-up store in Shenzhen in December. These channels resonate with local consumers, enhancing our online and offline presence and attracting quality traffic.
- Launched the "Mileage For Good" programme in 2023, enabling members to donate their Asia Miles to charity organisations. Initiatives include donating a basketball court to a remote school in the region.

OTHERS

- We introduced new sub-brands, Cathay Shop and Asia Miles by Cathay, with the goal of increasing awareness of our shopping platform and strengthening the Asia Miles currency.

AWARDS

- In April, our Cathay membership programme was recognised as one of the outstanding campaigns to attract, retain and appreciate members at the Loyalty & Engagement Awards ceremony hosted Marketing-Interactive in Hong Kong. Cathay was awarded silver in "Best Loyalty Campaign" and "Best Loyalty Programme – Lifestyle, Travel and Entertainment" and bronze in "Best Loyalty Campaign – Launch/Rebranding" and "Best Membership Programme".

REVIEW OF KEY SUBSIDIARIES AND ASSOCIATES

Profits from subsidiaries in 2023 were HK$10 million (2022 restated: loss of HK$1,764 million), and the share of losses from associates in 2023 was HK$1,562 million (2022: loss of HK$6,293 million). Set out below is a review of the performance and operations of material subsidiaries and associates.

LOW-COST TRAVEL

HONG KONG EXPRESS AIRWAYS LIMITED ("HK EXPRESS")

HK Express provides low-cost travel services as Hong Kong's only low-cost carrier, focusing on leisure travel destinations in Asia. At 31st December 2023, HK Express operated scheduled flights to 23 destinations. In the second half of 2023, Manila and Kumamoto were added to HK Express's network.

HK Express returned to pre-pandemic passenger flight frequency levels in April. By the end of 2023, the airline operated at over 130% of the pre-pandemic passenger flight frequency levels. The average flown load factor in 2023 was 86.0%, an increase of 17.7 percentage points compared with 2022. Available seat kilometres amounted to 9,432 million, reflecting the airline's significantly expanded capacity following the reopening of borders in Hong Kong, the Chinese Mainland and the Asia region.

MARKETS

NORTH ASIA

- In the Chinese Mainland, HK Express resumed its daily service to the city of Ningbo in March, matching its pre-pandemic level.
- In the Japanese market, HK Express operated short-term seasonal charter flights to Sapporo in January to cater to peak-season demand. The airline resumed its services to Takamatsu, operating scheduled charter flights from January and then regular scheduled flights from April. Regular scheduled flights to Kagoshima resumed in June, and flights to Kumamoto resumed in November.
- For the South Korea market, HK Express resumed its regular scheduled services to popular South Korean destinations Busan and Jeju in March, completing the resumption of services in South Korea in terms of the number of destinations.
- As at 31st December 2023, HK Express operated approximately 230 return flights per week, serving 16 airports in 15 destinations in North Asia.

SOUTHEAST ASIA

- For the Vietnam market, HK Express launched a new daily service to Hanoi in April and resumed its Nha Trang service in June, bringing the total number of destinations served in Vietnam to three.
- In October, the airline expanded its network to the Philippines with daily regular scheduled flights to Manila.
- As at 31st December 2023, HK Express operated approximately 72 return flights per week serving seven destinations in Southeast Asia.

CUSTOMER EXPERIENCE ENHANCEMENTS

- In October 2023, HK Express proudly launched its first Customer Carbon Offset Programme, making it the first low-cost carrier in Asia to partner with CHOOOSE, a leading climate action platform. This initiative allows customers to offset the carbon emissions generated by their flights, addressing their carbon footprint during the booking process, raising awareness of climate change, and empowering them to take action.

PASSENGER FLEET

- At 31st December 2023, HK Express had an all-Airbus narrowbody fleet of 33 aircraft, including eight Airbus A320-200 aircraft, 11 Airbus A321-200 aircraft, 10 Airbus A320-200neo aircraft and four Airbus A321-200neo aircraft. The fleet had an average age of 7.1 years.
- In 2023, HK Express took delivery of its first four Airbus A321-200neo aircraft. These aircraft form part of an order previously allocated to Cathay Dragon for 16 A321-200neo aircraft, which is the most fuel efficient of its type.
- The modern fleet enables HK Express to seize new opportunities within the region and contributes to strengthening Hong Kong's position as Asia's leading international aviation hub.
- In 2023, the Cathay Group announced the purchase of up to 32 new Airbus A321neo and A320neo aircraft. These single-aisle aircraft are expected to be delivered by 2029 and will join the fleets of Cathay Pacific and HK Express, principally serving destinations in the Chinese Mainland and elsewhere in Asia. This order demonstrates our commitment to investing in the long-term future of the Cathay Group and the Hong Kong international aviation hub, which is expected to grow exponentially with the operation of the Three-Runway System.

AWARDS

- In 2023, HK Express received two prestigious Transform Awards Asia: Gold for "Best visual identity from the travel and tourism sector" and Silver for "Best brand evolution (business)". These recognitions affirm the success of the airline's revitalised brand identity and evolved positioning among Asia's leading brands.

	For the year ended 31st December		
	2023 HK$M	2022 HK$M	**Change**
Revenue			
Passenger services*	**5,486**	646	**+749.2%**
Cargo services	**20**	6	**+233.3%**
Other services and recoveries*	**97**	40	**+142.5%**
Total revenue	**5,603**	692	**+709.7%**
Expenses			
Staff	**(848)**	(424)^	**+100.0%**
Inflight service and passenger expenses	**(42)**	(4)	**+950.0%**
Landing, parking and route expenses	**(817)**	(113)	**+623.0%**
Fuel	**(1,164)**	(128)	**+809.4%**
Aircraft maintenance	**(573)**	(276)	**+107.6%**
Aircraft depreciation and rentals	**(777)**	(733)	**+6.0%**
Other depreciation, amortisation and rentals	**(52)**	(29)	**+79.3%**
Others	**(480)**	(236)	**+103.4%**
Operating expenses	**(4,753)**	(1,943)	**+144.6%**
Net finance charges	**(360)**	(389)	**-7.5%**
Total operating expenses	**(5,113)**	(2,332)	**+119.3%**
Profit/(loss) before impairment and other gains or charges and taxation	**490**	(1,640)	**+2,130**
Taxation	**(57)**	271	**-121.0%**
Profit/(loss) after taxation	**433**	(1,369)	**+1,802**

* *A portion of ancillary revenue used to calculate ancillary penetration for HK Express is captured under "Passenger services revenue" in alignment with the Group's presentation of revenue in accordance with HKFRS 15.*

		For the year ended 31st December		
		2023	2022	**Change**
Operating Statistics – HK Express				
Available seat kilometres (ASK)	*Million*	**9,432**	983	**+859.5%**
Passenger revenue per ASK	*HK cents*	**58.1**	65.8	**-11.7%**
Revenue passenger kilometres (RPK)	*Million*	**8,112**	671	**+1,108.9%**
Revenue passengers carried	*'000*	**4,146**	314	**+1,220.4%**
Passenger load factor	*%*	**86.0**	68.3	**+17.7%pt**
Passenger yield	*HK cents*	**67.6**	96.3	**-29.8%**
Cost per ASK (with fuel)	*HK cents*	**54.8**	237.3^	**-76.9%**
Fuel consumption per million ASK	*Barrels*	**143**	134	**+6.7%**
Fuel consumption per million RPK	*Barrels*	**166**	197	**-15.7%**
Cost per ASK (without fuel)	*HK cents*	**42.5**	224.3^	**-81.1%**
ASK per HK$'000 staff cost	*Unit*	**11,120**	2,317^	**+379.9%**
ASK per employee	*'000*	**8,467**	1,062	**+697.3%**
Aircraft utilisation	*Hours per day*	**7.3**	0.9	**+711.1%**
On-time performance	*%*	**87.6**	93.1	**-5.5%pt**
Average age of fleet	*Years*	**7.1**	5.7	**+1.4 years**

^ *Restated due to adoption of the HKICPA guidance of abolition of the MPF-LSP offsetting mechanism in June 2022.*

AHK AIR HONG KONG LIMITED (“AIR HONG KONG”)

- Air Hong Kong principally operates express cargo services for DHL Express.
- At 31st December 2023, Air Hong Kong had seven dry-leased Airbus A300-600F freighters, two dry-leased A330-243F freighters and seven dry-leased A330-300P2F converted freighters.
- Air Hong Kong has been undergoing a re-fleeting plan to replace the remaining A300-600F freighters by A330-300P2F converted freighters which is expected to be completed by 2025.
- Air Hong Kong operated scheduled and charter flights to 15 major cities in Asia and the Middle East, including Bahrain, Bangkok, Beijing, Cebu (via Manila), Chengdu, Ho Chi Minh City, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo in 2023.
- In 2023, available cargo tonne kilometres decreased by 0.8% to 881 million compared with 2022.
- On-time performance decreased by 8.9 percentage points to 81.6% in 2023.
- Air Hong Kong recorded a profit in 2023 at a similar level compared with 2022.

MATERIAL AIRLINE SERVICES SUBSIDIARIES

CATHAY PACIFIC CATERING SERVICES (H.K.) LIMITED (“CATHAY DINING”) AND KITCHENS OUTSIDE HONG KONG

- Cathay Dining, a wholly owned subsidiary, operates the principal flight kitchen in Hong Kong.
- Cathay Dining provides flight-catering services to 49 international airlines in Hong Kong. It produced 19.4 million airline meals and handled 43,389 flights in 2023, representing a daily average of 53,134 meals and 119 flights, an increase of 379% and 170%, respectively, from 2022.
- Cathay Dining was awarded the Gold Award in Hong Kong Awards for Environmental Excellence 2022 under the Manufacturing and Industrial Services sector. Cathay Dining was also awarded the Sustainable Vision Award in the CLP Smart Energy Award 2023.

- Despite the higher volumes, the financial results of Cathay Dining in 2023 declined compared with 2022 due to high interest expenses and reduction in Covid-19 government grants and other assistance.
- The financial results of flight kitchens outside Hong Kong in 2023 improved compared with 2022.

CATHAY PACIFIC SERVICES LIMITED ("CATHAY CARGO TERMINAL" OR "CCT")

- Cathay Pacific Services Limited (operating as Cathay Cargo Terminal) manages and operates the Cathay Cargo Terminal at Hong Kong International Airport (HKIA). As at 31st December 2023, CCT provided cargo-handling services for the Cathay Group and 15 other scheduled airlines, excluding chartered customers.
- CCT handled 1.4 million tonnes of cargo in 2023, an increase of 17% compared with 2022.
- The financial results in 2023 declined compared with 2022 due to high interest expenses.
- To align with the Cathay Group's overarching brand redesign and the rebranding of Cathay Cargo, our new marketing brand – Cathay Cargo Terminal – was launched in April 2023.
- CCT was the first cargo terminal operator to operate commercial services to/from the HKIA Logistics Park in Dongguan. This enables the Group to offer our customers seamless sea-air shipments from the Greater Bay Area (GBA) directly into HKIA for outbound airfreight, as well as Northbound shipments from HKIA to the GBA. CCT established its own upstream bonded facility – Cathay Cargo Terminal Dongguan – located at the Bestar Logistics Centre in Dongguan.
- Reflecting our continued investment in special cargo solutions, CCT obtained IATA Center of Excellence for Independent Validators (CEIV) Lithium Batteries certification in the second quarter. This further enhances our competence in the safe handling and carriage of lithium battery shipments by adhering to the highest industry standards.
- Cathay Cargo Terminal also obtained IATA certification for providing Competency-Based Training and Assessment for Dangerous Goods in April 2023.

HONG KONG AIRPORT SERVICES LIMITED ("HAS")

- HAS, a wholly owned subsidiary, provides ramp- and passenger-handling services at Hong Kong International Airport. At 31st December 2023, it provided ground-handling services to 24 airlines, including Cathay Pacific and HK Express.
- In 2023, HAS had 45% and 17% market shares in ramp- and passenger-handling businesses, respectively, at Hong Kong International Airport. The number of flights handled under both ramp- and passenger-handling businesses increased by 134% and 426% against 2022.
- The financial results for 2023 improved compared with 2022.
- In 2023, HAS continued to meet and exceed the Critical Key Performance Indicators set by the Airport Authority Hong Kong. Recognising HAS's efforts in promoting occupational health and safety practices, HAS received the Merit Award in the 2022/23 Airport Safety Excellence Scheme and also the Outstanding Award in the Joyful@ Healthy Workplace Best Practices Award under the Occupational Safety and Health Council (OSHC). Moreover, HAS has been awarded the Certificate of Merit in the Hong Kong Awards for Environmental Excellence 2022 under the Transport and Logistics Sector.

VOGUE LAUNDRY SERVICE LIMITED ("VLS")

- VLS, a wholly owned subsidiary, provides a comprehensive range of professional services in laundry and dry cleaning of commercial linen, uniform and guest garments.
- It operates a commercial laundry plant in Yuen Long Industrial Park and runs six valet shops in Hong Kong serving retail customers.
- VLS processed 64 million items of laundry in 2023 compared with 30 million items in 2022. Despite the higher volumes, the financial results for 2023 declined compared with 2022 due to high interest expenses.

MATERIAL ASSOCIATES

AIR CHINA LIMITED (“AIR CHINA”)

- Air China, in which the Cathay Group had a 16.26% interest at 31st December 2023, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. We are represented on the Board of Directors of Air China and equity account for our share of Air China’s results.
- Our share of Air China’s results is based on its financial statements drawn up three months in arrears. Consequently, our 2023 annual results include Air China’s results for the 12 months ended 30th September 2023.
- On 16th January 2023, the Group’s interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate. While we did not sell any shares, this was accounted for as a deemed partial disposal of our interest in Air China and a gain of HK$1,929 million was recorded.
- On 7th February 2024, the Group’s interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK$2 billion. Further details can be found in note 32 to the financial statements, Non-adjusting events after the reporting period.
- For the 12 months ended 30th September 2023, Air China’s financial results improved compared to those for the 12 months ended 30th September 2022.
- At 31st December 2023, the net book value and market value of the 2,634 million shares of Air China held by the Cathay Group was HK$10,359 million (constituting 5.9% of Cathay Group’s total assets) and HK$13,011 million respectively.
- No dividend was received from Air China during the period.
- Additional information on Air China, including its performance and prospects, can be found in its 2022 Annual Report and 2023 Interim Report.

AIR CHINA CARGO CO., LTD. (“AIR CHINA CARGO”)

- Air China Cargo, in which the Cathay Group owns an equity and economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. It has its headquarters in Beijing. Its main operating base is in Shanghai Pudong.
- Our share of Air China Cargo’s results is based on its financial statements drawn up three months in arrears. Consequently, our 2023 annual results include Air China Cargo’s results for the 12 months ended 30th September 2023.

Cathay Pacific intends to continue to hold its significant investments for the foreseeable future.

OUR AREAS OF LEADERSHIP

Cathay has three areas of leadership that form a key part of our corporate strategy. These three areas – safety and operational excellence, transforming into a digital leader, and becoming a leader in sustainability – are where we are especially focused on building new capabilities for the future.

SAFETY AND OPERATIONAL EXCELLENCE

Safety excellence is the cornerstone of our success at Cathay and under our strategy, we aspire to achieve world-class leadership in safety and operational excellence. We aim to raise the bar in our quality, safety and security standards, so that we can run a consistently safe and efficient operation, deliver an outstanding customer experience and optimise utilisation of our fleet and resources.

- **Our approach to operational safety** – Cathay is firmly committed to providing our customers and our people with the highest standards of safety and security. Our approach to safety is founded on the principle of reducing risks to a level as low as reasonably practicable (ALARP), and to succeed in this we have developed a corporate safety culture and adopted a risk-driven approach in identifying and minimising the impact of hazards in our operations.
- **Safety policy** – Our safety policy clearly sets out our commitment to prioritising and managing the safety risks of our operations, which applies to the entire organisation. In compliance with the ICAO Safety Management System (SMS) framework, our policy extends a duty of care to all businesses we work with, including contractors or individuals under the Group's supervision, and shapes a corporate culture of safety.
- **Operational safety** – Our robust safety and risk management systems help us maintain a high level of safety performance that seeks to protect our employees and customers. We adhere to global best practice in airline safety to ensure our approach continues to be fit for purpose.
- **IATA Operational Safety Audit (IOSA)** – IOSA is the global standard for assessing the operational management and control systems of an airline. As an IATA member, we are IOSA registered and must remain registered to maintain IATA membership. Last year, our operations underwent a full on-site IOSA audit conducted through an external third-party audit agency, and passing the audit will ensure our registration for the subsequent 24 months. In 2025, IATA will officially transition to the new Risk-Based IOSA (RBI) approach, marking a notable shift in the IOSA programme. This move aims at enhancing safety risk management in the ever-changing aviation landscape. Cathay is committed to embracing this change and will be opting into RBI adopting during its next IOSA renewal in November 2024.
- **Safety governance** – The Cathay Group SMS has been developed to ensure that we proactively manage risks and have procedures in place to react appropriately should an incident occur. Safety performance indicators are actively monitored on a monthly basis by Safety Action Groups (SAG) and the Airline Safety Review Committee (ASRC), which is chaired by our Chief Executive Officer, and all events and incidents are investigated thoroughly. The implementation of our SMS was evaluated and assessed by the Hong Kong Civil Aviation Department (HKCAD) in October 2023. The HKCAD concluded that Cathay Pacific is in compliance with CAD712 (SMS).
- **Operational Excellence** – Teams from across the business work together to deliver a highly resilient operation. Substantial investment in digital capability is being made to further improve the ability to reliably deliver our flying schedule. In 2023, we started work on the transformation of our Integrated Operations Centre, where teams from all operational and service departments are collocated and able to use new digital capability to better manage issues from seven days before a flight through to the day of operations. Digital Twins are being developed across the operation, with the most recent example being a model to ensure we make full use of our training capabilities during the rebuild.

DIGITAL

Our vision is to transform Cathay into a digital leader famous for its strong digital culture and capabilities, whilst keeping our people and customers at the heart of how we use technology.

In 2023, significant progress was achieved in the areas of data analytics, technological innovation, company-wide digital transformation, and cyber security:

- **Data analytics** – To support our continuous efforts in rebuilding our flight network, we have leveraged on our operational data and machine-learning technology to optimise our resource planning and operational reliability. This also enables us to continuously enhance our services for our customers across travel, lifestyle and cargo. To equip our people with analytics skills and capabilities, we launched the Digital Centre, a structured learning and development programme to improve our people's digital literacy, complemented by engagement events such as the Cathay Datathon, an internal competition designed for our people to learn about data analytics in an engaging way.
- **Technological innovation** – We continue to place great emphasis on innovating with artificial intelligence (AI). To improve our employee experience, we were proud to be one of the first enterprises introducing Copilot for Microsoft 365, which facilitates creativity and collaboration in the workplace. Customer 360, a new enterprise technology platform, was launched to enhance our customer-facing teams' understanding of customer needs, such as seat, meal and language preferences, in order to deliver more customised services. Meanwhile, our efforts continue in helping employees understand emerging technology whilst setting guiderails for adopting it in a safe and responsible manner.
- **Digital transformation** – We are deeply committed to supporting youth development in Hong Kong, particularly in the areas of innovation and technology. This year, we celebrated the tenth anniversary of our Digital and IT Graduate Trainee Programme, which continues to foster tech talent in our home city. In November, the sixth Annual Cathay Hackathon was held, with a record-breaking participation involving 280 tech-savvy and entrepreneurial students who gathered at Cathay City and over a period of 24 hours developed and pitched innovative solutions designed to enhance customers' travel experience, elevate Cathay's premium lifestyle services, and promote our cargo services.
- **Cyber security** – We are committed to protecting our people's, customers' and partners' information across Cathay. In July, Cathay achieved the ISO 27001 certification for security operations, the global standard that sets the benchmark for information security practices for establishing, implementing, maintaining and continually improving an information security management system. The certification is only awarded to organisations with a mature and comprehensive system for managing and protecting sensitive information, including personal data, credit card data, financial information, and intellectual property. This demonstrates our commitment to upholding the cyber security posture and helps to boost confidence, demonstrate credibility and enhance brand reputation in the eyes of customers, partners and other stakeholders knowing that their information is in safe hands.

AWARDS

Cathay's continued success in digital transformation was recognised in industry awards.

- In April, we took home the 2023 MongoDB APAC Innovation Award for the category Industry Disruptor, which recognises businesses reinventing industries by transforming customer experiences through new technologies. We won with our Flight Folder project – a system designed to enhance the way pilots and crew interact with data before and during flight.
- In June, we won Gold for the category Best Graduate Training Programme at the Hong Kong edition of the 2023 Employee Experience Awards hosted by Human Resources Online for our Digital and IT Graduate Trainee Programme.
- In November, Cathay and IBM were awarded the Commendation Award for the HKIPM Project Management Achievement Awards under the Information Technology (IT) category for the success of our cloud migration project and excellence in project management.

SUSTAINABILITY

Sustainability is at the core of Cathay's purpose – to move people forward in life. We understand that achieving this purpose in a sustainable and responsible manner for current and future generations requires collective efforts. Through our "Greener Together" approach with travellers, business partners, regulators as well as our people, we aim to lead by example and reach new heights in building a more sustainable future.

In line with this ethos, we have introduced two new targets in 2023:

- To improve our carbon intensity by 12% from the 2019 level by 2030, reducing it from 761 gCO_2/RTK to 670 gCO_2/RTK.
- To reduce the use of passenger-facing Single-use plastics (SUP) items[(a)] from an average of 7.7 pieces per passenger in 2019 to 1.5 pieces by 2025.

The two new targets build upon our existing sustainability commitments, which include:

- Committed to achieving net-zero carbon emissions in our operations by 2050.
- Committed to using sustainable aviation fuel (SAF) for 10% of fuel consumption by Cathay Pacific operating flights by 2030.
- Committed to not having more than 65% of the same gender in senior positions[(b)] by 2025 and 70% at the Board level by 2027.

Our Sustainability Report 2023 has been published in April 2024, detailing our efforts and progress in reaching these commitments. It is now available at https://www.cathaypacific.com/cx/en_HK/about-us/sustainability/sustainability-reports.html

PERFORMANCE UPDATES – CATHAY GROUP

		2023	2022	Change
Environment				
Total Scope 1 and 2 emissions	*Million tonnes of CO_2e*	**11.6**	5.4	**+114.8%**
Carbon intensity	*Grammes of CO_2 per RTK*	**704**	677	**+4.0%**
Percentage of SAF in annual jet fuel consumption	*%*	**0.03**	0.03	**–**
Passenger-facing SUP items[(a)]	*Pieces per passenger*	**3.1**	4.8	**-35.4%**
People				
Total workforce	*Number*	**23,801**	20,923	**+13.8%**
By location				
Hong Kong	*%*	**85**	85	**–**
Chinese Mainland	*%*	**2**	2	**–**
Others	*%*	**13**	13	**–**
By employment type				
Flight crew	*%*	**15**	12	**+3.0%pt**
Cabin crew	*%*	**31**	31	**–**
Ground staff	*%*	**54**	57	**-3.0%pt**
Gender diversity				
Workforce composition – female	*%*	**49**	51	**-2.0%pt**
Workforce composition – male	*%*	**51**	49	**+2.0%pt**
Female representation in senior positions[(b)]	*%*	**27**	25	**+2.0%pt**
Female representation on the Board of Directors	*%*	**12**	6	**+6.0%pt**

Notes:

(a) On-board Cathay Pacific flights only. Items include passenger-facing SUP water bottles, utensils, amenity items, and packaging, but exclude those for medical and sanitation purposes, and pre-packaged food and beverage items other than water bottles.

(b) Senior positions refer to the job levels of General Managers and Directors at the Group.

ENVIRONMENT

On the environmental front, climate change and materials & waste are our priority areas. As a pioneer and early adopter of SAF, we continue to lead the charge in accelerating the regional collaboration, development and deployment of SAF, and working ambitiously towards our 2030 10% SAF usage target. We are also dedicated to transitioning towards more sustainable use of resources and circular solutions by setting a clear roadmap for SUP and waste reduction. Through these endeavours, we affirm our unwavering commitment to sustainability leadership.

The following are some of our key initiatives and targets in our environmental efforts:

- We have formed a strategic partnership with the State Power Investment Corporation (SPIC) to drive further development of the SAF supply chain in the Chinese Mainland. Additionally, we continue to collaborate with the Civil Aviation University of China (CAUC) to explore new SAF technologies and the feasibility of commercialising SAF feedstocks.
- We have expanded our partnerships through our Corporate SAF Programme to demonstrate strong demand for SAF along the aviation value chain.
- Cathay Pacific successfully conducted the first overseas SAF uplift on our commercial flights in Singapore and Los Angeles.
- Our Fly Greener voluntary carbon offset programme, first launched in 2007, became accessible on our customer website booking and cargo booking platforms in 2023.
- We have set a new target to reduce cabin waste to no more than 0.63 kg per passenger by 2030, representing a 30% reduction from the 2019 baseline.
- We launched a new range of plant-based dishes developed in collaboration with a leading Hong Kong-based plant-forward restaurant, VEDA by Ovolo.
- Our Hong Kong headquarters, Cathay City, Cathay House, and two of our subsidiaries' premises, the Cathay Dining Building and the VLS Yuen Long Plant, have achieved certification to the ISO14001:2015 standard for environmental management systems.
- We organised our inaugural Sustainable Development Week, which showcased the sustainability efforts of different teams within Cathay and raised environmental awareness among our people.

SOCIAL

Ensuring the safety of our operations, people and customers is of utmost importance to us. We value our people as one of our greatest assets and are committed to providing them with an inclusive and supportive working environment. This enables us to attract, develop and retain a strong talent pipeline. Cathay has a long-standing commitment to supporting the communities in which we operate. We engage in various community initiatives focused on youth development, sports as well as arts and culture.

OUR PEOPLE

- At 31st December 2023, the Group employed more than 23,800 people worldwide, with around 19,600 employed in Hong Kong.
- Cathay Pacific launched its first-ever talent recruitment campaign targeting cabin crew in the Chinese Mainland and will continue to provide more job opportunities for talent from the Chinese Mainland in various roles such as cadet pilots, IT professionals, ground employees and customer service officers.
- We have established new Employee Resource Groups (ERGs) to promote equity and inclusion in the workplace, where everyone feels respected, valued and free to bring their whole selves to work. The existing ERGs are the Gender Equity Network, Fly with Pride, OneCathay Intercultural Network and Ability to Fly.
- We launched Cathay Academy, which encompasses all learning and development functions within Cathay, to promote a culture of continuous learning and improvement.
- We regularly review our human resources and remuneration policies in light of legislation, industry practices, market conditions and individual and collective performance to ensure that our employee remuneration remains competitive.

OUR COMMUNITY

- We strengthened the Cathay Volunteer Team, doubling the number of our employee volunteers during the initial recruitment period.
- We supported the Hong Kong SAR Government's Strive and Rise Programme, focused on youth mentoring and development. We hosted 1,600 students and mentors who participated in our Aviation Exploration Days, including airline facility tours, and conducted our popular Cathay Community Flight for students to experience the joy of flying for the first time.
- We partnered with non-profit organisations Feeding Hong Kong and Food Angel, donating more than 210 tonnes of food in 2023.
- We continue to support and promote the UNICEF "Change for Good" inflight fundraising programme. Since its introduction, over HK$200 million has been raised through the programme. In 2022, the latest audited year, around HK$550,000 was raised.
- Our 6th Cathay Hackathon took place in November 2023 with record-breaking applications from local and overseas universities. The signature 24-hour event saw 280 young innovators team up to develop and share creative tech solutions.
- Cathay has been the title sponsor of the Cathay/HSBC Hong Kong Sevens since 1996. The event is one of the highlights of the global rugby calendar and brings together teams and fans from around the world.

GOVERNANCE

Cathay is committed to maintaining and developing robust corporate governance practices and this is further described in the section of this annual report headed Corporate Governance Report.

SELECTED AWARDS AND RECOGNITIONS IN 2023

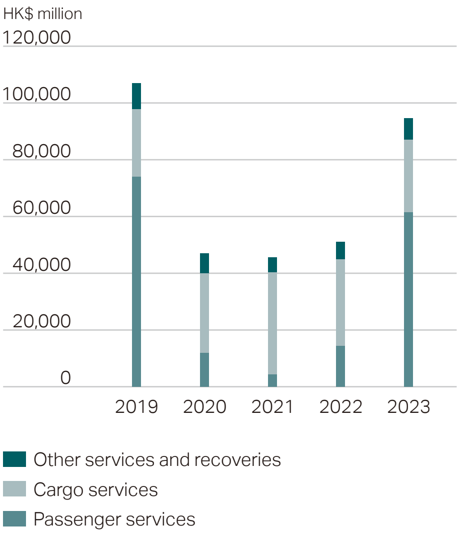
- We have been a constitute of the FTSE4Good Index, the Hang Seng Corporate Sustainability Index, the Hang Seng ESG 50 Index, and the Hang Seng (Mainland and HK) Corporate Sustainability Index. We have also been included in the first edition of the S&P Sustainability Yearbook (China) 2023. This recognition demonstrates Cathay's strong ESG performance and practices relative to other companies in Hong Kong and around the world.
- We received the Hong Kong Sustainability Awards 2023 – Distinction Award from the Hong Kong Management Association, recognising our efforts in the economic, social, and environmental aspects of sustainability.
- We were named Sustainable Cargo Airline of the Year – Asia by Freightweek.
- We were recognised as the Best Green Air Cargo Carrier at the 2023 Asian Freight, Logistics and Supply Chain (AFLAS) Awards presented by Asia Cargo News.
- We became the first airline member of the Business Coalition for Global Plastics Treaty convened by the Ellen MacArthur Foundation and WWF.
- We were awarded the Best Graduate and Management Trainee Programme Award, Best Talent Acquisition & Onboarding Strategy Award and Best Talent Management Strategy Award at the CTGoodJobs Best HR Awards 2023, recognising our efforts to develop and attract talent.
- We have received the Caring Company recognition from the Hong Kong Council of Social Service every year since 2003 for our good corporate citizenship.

The Cathay Group's attributable profit was HK$9,789 million for 2023 (2022 restated: loss of HK$6,623 million). Cathay Pacific reported a profit after tax of HK$11,341 million for 2023 (2022 restated: profit of HK$1,434 million). Profit from subsidiaries in 2023 were HK$10 million (2022 restated: loss of HK$1,764 million), and the share of losses from associates in 2023 was HK$1,562 million (2022: loss of HK$6,293 million).

REVENUE

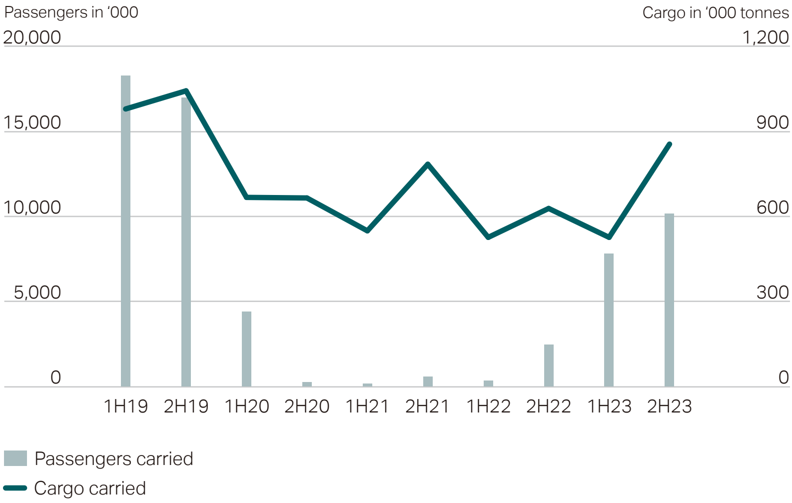
	Group			Cathay Pacific		
	2023 HK$M	2022 HK$M	**Change**	**2023 HK$M**	2022 HK$M	**Change**
Passenger services	**61,437**	14,333	**+328.6%**	**55,951**	13,686	**+308.8%**
Cargo services	**25,606**	30,554	**-16.2%**	**22,162**	26,990	**-17.9%**
Other services and recoveries	**7,442**	6,149	**+21.0%**	**7,227**	5,706	**+26.7%**
Total revenue	**94,485**	51,036	**+85.1%**	**85,340**	46,382	**+84.0%**

Revenue



Data in 2019-2020 included Cathay Dragon.

Cathay Pacific passengers and cargo carried



Data in 2019-2020 included Cathay Dragon.

CATHAY PACIFIC

- Passenger revenue increased by 308.8% to HK$55,951 million. The number of revenue passengers carried increased by 541.4% to 18.0 million. Revenue passenger kilometres increased by 396.8%.
- The passenger load factor increased by 12.1 percentage points to 85.7%. Available seat kilometres increased by 326.8%.
- Passenger yield decreased by 17.7% to HK76.3 cents.
- Cargo revenue decreased by 17.9% to HK$22,162 million with a 59.7% increase in available freight tonne kilometers.
- The cargo load factor decreased by 8.6 percentage points and cargo yield decreased by 41.3% to HK$2.74.
- The annualised effect on revenue of changes in yield and load factor is set out below:

	HK$M
+ 1 percentage point in passenger load factor	653
+ 1 percentage point in cargo load factor	358
+ HK¢1 in passenger yield	733
+ HK¢1 in cargo yield	81

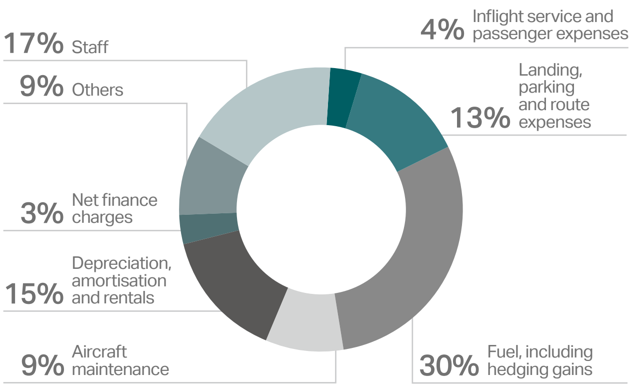
OPERATING EXPENSES

	Group			Cathay Pacific		
	2023 HK$M	2022 HK$M	**Change**	**2023 HK$M**	2022 HK$M	**Change**
Staff	**14,785**	10,646*	**+38.9%**	**11,839**	8,759*	**+35.2%**
Inflight service and passenger expenses	**3,026**	694	**+336.0%**	**2,986**	690	**+332.8%**
Landing, parking and route expenses	**11,190**	5,590	**+100.2%**	**10,110**	5,068	**+99.5%**
Fuel, including hedging gains	**24,989**	10,488	**+138.3%**	**22,932**	9,301	**+146.6%**
Aircraft maintenance	**7,357**	3,206	**+129.5%**	**6,270**	2,447	**+156.2%**
Aircraft depreciation and rentals	**9,860**	9,884	**-0.2%**	**9,152**	9,156	**-0.0%**
Other depreciation, amortisation and rentals	**2,578**	2,544	**+1.3%**	**1,854**	1,825	**+1.6%**
Others	**7,701**	4,513	**+70.6%**	**8,609**	4,689	**+83.6%**
Operating expenses	**81,486**	47,565	**+71.3%**	**73,752**	41,935	**+75.9%**
Net finance charges	**2,733**	2,909	**-6.1%**	**1,546**	1,991	**-22.4%**
Total operating expenses	**84,219**	50,474	**+66.9%**	**75,298**	43,926	**+71.4%**

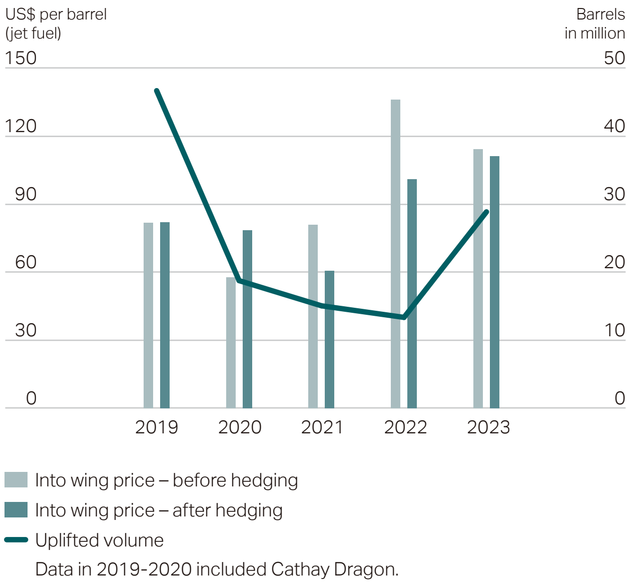
* *Restated long service payment obligation amounting to HK$75 million due to adoption of the HKICPA guidance of abolition of the MPF-LSP offsetting mechanism in June 2022.*

- The Group's and Cathay Pacific's total operating expenses increased by 66.9% and 71.4% respectively.
- Cathay Pacific's ATK increased 110.1% from 10,100 million to 21,225 million.
- The cost per ATK (with fuel) of Cathay Pacific decreased from HK$4.35 to HK$3.55, a decrease of 18.4%.
- The cost per ATK (without fuel) of Cathay Pacific decreased from HK$3.43 to HK$2.47, a decrease of 28.0%.

Group total operating expenses



Group fuel price and consumption



OPERATING RESULTS ANALYSIS

	1st half 2023 HK$M	**2nd half 2023 HK$M**	**Full year 2023 HK$M**	1st half 2022 (restated)* HK$M	2nd half 2022 HK$M	Full year 2022 (restated)* HK$M
Cathay Pacific's profit/(loss) before exceptional items and taxation	**4,890**	**5,152**	**10,042**	(1,570)	4,026	2,456
Taxation	**(310)**	**(517)**	**(827)**	43	(1,065)	(1,022)
Cathay Pacific's profit/(loss) after taxation and before exceptional items	**4,580**	**4,635**	**9,215**	(1,527)	2,961	1,434
Subsidiaries' results	**183**	**(173)**	**10**	(1,064)	(700)	(1,764)
Cathay Pacific and subsidiaries' profit/(loss) after taxation and before exceptional items	**4,763**	**4,462**	**9,225**	(2,591)	2,261	(330)
Share of profit/(losses) from associates	**(2,632)**	**1,070**	**(1,562)**	(2,483)	(3,810)	(6,293)
Underlying profit/(loss) attributable to the shareholders of the Cathay Group (note a)	**2,131**	**5,532**	**7,663**	(5,074)	(1,549)	(6,623)
Gain on deemed partial disposal of an associate (note b)	**1,929**	**–**	**1,929**	–	–	–
Net reversal of impairment and other gains or charges (note c)	**208**	**(11)**	**197**	–	–	–
Profit/(loss) attributable to the shareholders of the Cathay Group	**4,268**	**5,521**	**9,789**	(5,074)	(1,549)	(6,623)

* *Restated long service payment obligation amounting to HK$75 million due to adoption of the HKICPA guidance of abolition of the MPF-LSP offsetting mechanism in June 2022.*

Notes:

(a) The underlying profit/(loss) attributable to the shareholders of the Cathay Group was calculated excluding non-recurring items.

(b) Please refer note 2 to the financial statements for details.

(c) Reversal of impairment of HK$208 million under Cathay Pacific in connection with three previously impaired aircraft returning to service in the first half of 2023. Other charges in the second half of 2023 represented fair value losses on equity investments measured at fair value through profit or loss.

The movement in Cathay Pacific's profit/(loss) before non-recurring items can be analysed as follows:

	HK$M	
2022 Cathay Pacific's profit before taxation (restated)	**2,456**	
Increase of revenue:		
– Passenger and cargo revenue	**37,437**	– Passenger revenue increased significantly following the full reopening of borders in Hong Kong and the Chinese Mainland. The increase in capacity and traffic was partially offset by a 17.7% reduction in yield. – Cargo revenue decreased due to a 41.3% decrease in yield. This was offset by a 40.3% increase in cargo traffic.
– Other services and recoveries	**1,521**	– Increase due to higher passenger volumes and more air ticket redemptions, partially offset by a reduction in Covid-19 related government grants.
Increase of costs:		
– Staff	**(3,080)**	– Increased due to higher capacity operated and more headcount.
– Inflight service and passenger expenses	**(2,296)**	– Increased on higher passenger volumes.
– Landing, parking and route expenses	**(5,042)**	– Increased on operating additional capacity.
– Fuel, including hedging gains	**(13,631)**	– Increased fuel costs were mainly due to higher fuel consumption, partially offset by lower fuel hedging gains.
– Aircraft maintenance	**(3,823)**	– Higher due to increased aircraft flying hours.
– Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	**420**	– Mainly interest rate increases.
– Other items (including commissions)	**(3,920)**	– Higher on increased operations.
2023 Cathay Pacific's profit before taxation	**10,042**	

FUEL EXPENDITURE AND HEDGING

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

	2023 HK$M	2022 HK$M
Gross fuel cost	**25,683**	14,127
Fuel hedging gains	**(694)**	(3,639)
Net fuel cost	**24,989**	10,488

- Fuel consumption in 2023 was 28.8 million barrels (2022: 13.3 million barrels), an increase of 116.5% compared with an increase in capacity of 110.1%.
- The Group's fuel hedging cover at 31st December 2023 is set out in the chart below.
- The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. The Group uses fuel derivatives which are economically equivalent to forward contracts to achieve its desired hedging position. The chart below indicates the estimated percentage of projected consumption by quarter in 2024 and 2025 covered by hedging transactions at various Brent strike prices, as well as the average strike price for each period.
- The Group does not speculate on oil prices but uses hedging to manage short to medium term volatility in oil prices and therefore its fuel costs. Hedging is not risk free.

DIVIDENDS

- Dividends proposed for the year are HK$2,768 million.
- Dividend per ordinary share HK$0.43 for 2023 (2022: nil).

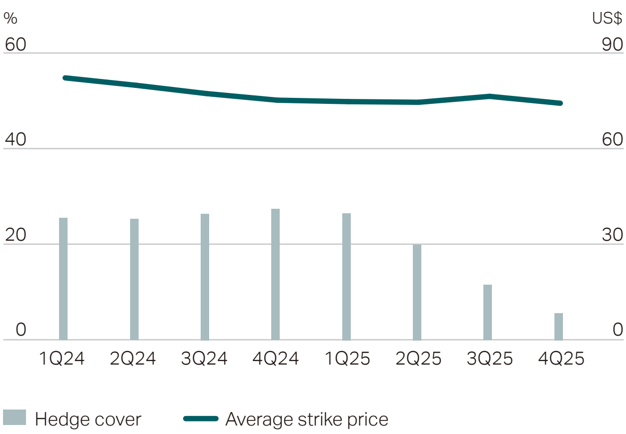
ASSETS

- Total assets at 31st December 2023 were HK$174,115 million.
- During the year, additions to property, plant and equipment and intangible assets were HK$8,731 million and HK$340 million respectively. Property, plant and equipment additions were comprised HK$8,433 million in respect of aircraft and related equipment, HK$164 million in respect of land and buildings and HK$134 million in respect of other equipment.

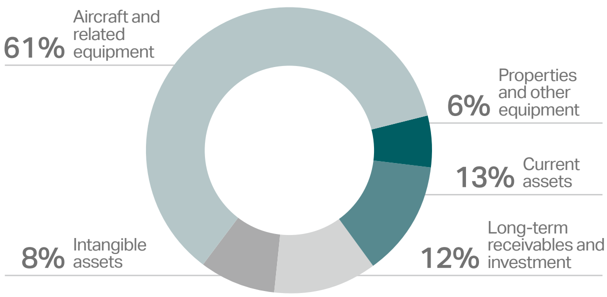
BORROWINGS AND CAPITAL

- Borrowings (being loans and other borrowings, and lease liabilities) decreased by 11.4% to HK$68,294 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 10.1% to HK$56,973 million, which are fully repayable by 2035, with 43% at fixed rates of interest after taking into account derivative transactions. Borrowings are predominately denominated in United States dollars and Hong Kong dollars and the maturity profile of these borrowings has not changed materially from the information set out in the 2022 Annual Report.
- Available unrestricted liquidity at 31st December 2023 totalled HK$19,985 million, comprising liquid funds of HK$15,530 million and committed undrawn facilities of HK$4,460 million, less pledged funds of HK$5 million. Liquid funds are predominately denominated in United States dollars and Hong Kong dollars.
- Net borrowings (after deducting liquid funds) decreased by 10.3% to HK$52,764 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 8.0% to HK$41,443 million.

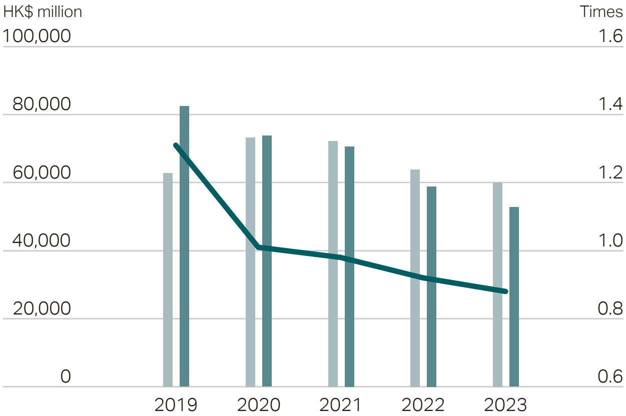
Projected fuel hedging cover



Total assets

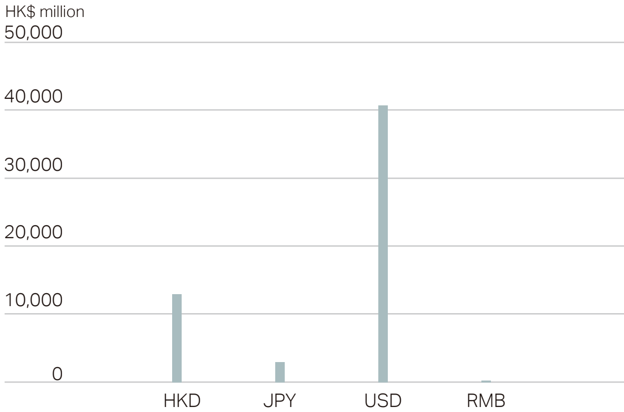


Net debt and equity



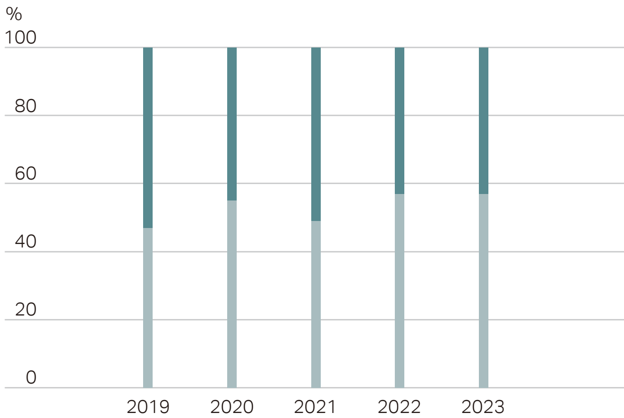
Funds attributable to the shareholders of the Cathay Group
Net borrowings
Net debt/equity ratio (see Borrowings and capital above)
Data in 2019-2020 included Cathay Dragon.

Borrowings in key currencies



- Funds attributable to the shareholders of the Cathay Group (being ordinary shares, preference shares and reserves) decreased by 5.9% to HK$60,026 million. This was due to the Group's profit of HK$9,789 million (before non-controlling interest), convertible bonds of HK$6 million converted into ordinary shares, partially offset by preference shares redeemed of HK$9,750 million, decrease in other comprehensive income of HK$1,853 million and dividends distributed to the preference shareholder of HK$1,969 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.71 times to 0.69 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.88 at 31st December 2023 (31st December 2022: 0.92 times).
- Use of proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
  - *HK$31.1 billion rights issue and preference shares and warrants issue in 2020 – HK$9.6 billion unused proceeds were brought forward on 1st January 2023 and have been fully utilised for general corporate purposes in the first-half of 2023.*

Interest rate profile: borrowings (after derivatives)



Fixed
Floating
Data in 2019-2020 included Cathay Dragon.

DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS

HEALY, Patrick#, aged 58, has been Chair and a Director of the Company since 6th November 2019. He is also Chairman of Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Air China Limited. He was a Director of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1988 and has worked with the group in the Hong Kong SAR, Germany and the Chinese Mainland.

LAM, Siu Por Ronald#, aged 51, has been a Director of the Company since 19th August 2019 and Chief Executive Officer since 1st January 2023. He was Chief Customer and Commercial Officer of the Company from August 2019 to December 2022. He was Director and General Manager, Hong Kong Operations of Hong Kong Aircraft Engineering Company Limited from July 2013 to May 2017 and Director Commercial and Cargo of the Company from June 2017 to July 2019. He is also Chair of Hong Kong Express Airways Limited since 20th August 2019 and a Director of John Swire & Sons (H.K.) Limited since 21st March 2023. He joined the Swire group in 1996 and has worked with the Company in the Hong Kong SAR, Japan and Sri Lanka.

LAU, Hoi Zee Lavinia, aged 53, has been Chief Customer and Commercial Officer and a Director of the Company since 1st January 2023. She was Director Customer Travel of the Company from August 2021 to December 2022. She was Director Commercial of the Company from July 2019 to July 2021, General Manager Planning from August 2015 to July 2019, and General Manager Sales, Pearl River Delta and the Hong Kong SAR from July 2012 to August 2015. She joined the Swire group in 1992.

MCGOWAN, Alexander James John, aged 51, has been Chief Operations and Service Delivery Officer and a Director of the Company since 1st April 2023. He was Director Service Delivery of the Company since 1st September 2020. He was General Manager Aircrew, Flight Operations of the Company from July 2018 to August 2020. He joined the Company in 2005 and has led a number of departments across the airline. Before joining the Company, he had worked for an international airline based in London and a technology start-up in Seattle.

SHARPE, Rebecca Jane# (formerly known as WALLACE, Rebecca Jane), aged 52, has been Chief Financial Officer and a Director of the Company since 25th January 2021. She is also a Director of Hong Kong Express Airways Limited with effect from 15th March 2021 and AHK Air Hong Kong Limited with effect from 25th January 2021. She was a Director and Group Director Finance of Hong Kong Aircraft Engineering Company Limited from October 2017 to January 2021, and Finance Director of The China Navigation Company Pte. Limited (now known as Swire Shipping Pte. Ltd.) from January 2013 to August 2017. She joined the Swire group in 2008 and has worked with the group in the Hong Kong SAR, the Chinese Mainland and Singapore. She is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

BRADLEY, Guy Martin Coutts[#], JP, aged 58, has been a Director of the Company since 25th August 2021. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He was a Director of Swire Pacific Limited from January 2015 to May 2017 and Chief Executive of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1987 and has worked with the group in the Hong Kong SAR, Papua New Guinea, Japan, the United States, Vietnam, the Chinese Mainland, the Taiwan region and the Middle East. He is a chartered surveyor, a fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. He is also Vice Chairman of General Committee of The Hong Kong General Chamber of Commerce and Vice-President of The Real Estate Developers Association of Hong Kong.

MA, Chongxian, aged 58, has been a Director of the Company since 11th June 2021 and Deputy Chair since 3rd November 2022. He is Chairman of Air China Limited, China National Aviation Holding Corporation Limited and China National Aviation Corporation (Group) Limited.

MCCALLUM, Gordon Douglas[#+&], aged 63, has been a Director of the Company since 12th January 2023. He is also a Director of John Swire & Sons Limited and Chairman of its wholly-owned subsidiary, Argent Energy Holdings Limited. He is also Chairman of Zopa Group Limited and Zopa Bank Limited and a Director of Swire Pacific Limited. He was previously a Director of Virgin Atlantic Airways Limited and associated companies in the Virgin Atlantic group.

SUN, Yuquan, aged 50, has been a Director of the Company since 12th May 2022. He has served as the Chief Accountant of China National Aviation Holding Corporation Limited since February 2022, and the Chief Accountant of Air China Limited since March 2023. He has also been a Director and Chairman of China National Aviation Capital Holding Co., Ltd., and a Director and Chairman of China National Aviation Media Co., Ltd. since April 2022 and of China National Aviation Finance Co., Ltd. since November 2023. He has been appointed as a Non-Executive Director of TravelSky Technology Limited with effect from 25th January 2024.

SWIRE, Merlin Bingham[#], aged 50, has been a Director of the Company since 1st June 2010. He is also a Director of Swire Pacific Limited and Swire Properties Limited. He was Chairman of Swire Pacific Limited and Swire Properties Limited from July 2018 to August 2021. He is also Deputy Chairman, Chief Executive Officer and a shareholder of John Swire & Sons Limited. He joined the Swire group in 1997 and has worked with the group in the Hong Kong SAR, Australia, the Chinese Mainland and London.

WANG, Mingyuan, aged 58, has been a Director of the Company since 24th July 2023. He has served as Chairman of Air China Development Corporation (Hong Kong) Limited since April 2011. He has also served as Vice Chairman of Tibet Airlines Co., Ltd. since June 2020 and Chairman of Air Macau Company Limited since March 2022. He has been serving as the President, Director and Vice Chairman of Air China Limited since March 2023.

XIAO, Feng[*@], aged 55, has been a Director of the Company since 1st January 2017. He has been Chief Economist of Air China Limited since March 2023.

ZHANG, Zhuo Ping[#], aged 52, has been a Director of the Company since 14th April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese Mainland, including as Chief Representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he founded a bioengineering company in Beijing and rejoined the Swire group in 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN, Bernard Charnwut[+&] (formerly known as CHAN, Chi Sze Bernard), aged 59, has been a Director of the Company since 1st December 2018. He is Chairman, President and an Executive Director of Asia Financial Holdings Limited and Chairman of its wholly owned subsidiary, Asia Insurance Company, Limited and an advisor to Bangkok Bank (China) Company Limited. He is also an Independent Non-Executive Director of Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited, CLP Holdings Limited and Yau Lee Holdings Limited and a Director of Bumrungrad Hospital Public Company Limited. He is a Steward of The Hong Kong Jockey Club. He is a former Convenor of the Non-Official Members of the Executive Council and a former member of the Legislative Council of the Hong Kong SAR.

CHENG, Lily Ka Lai[+*&], age 45, will be appointed as a Director of the Company with effect from 20th May 2024. She is an Independent Non-Executive Director of Chow Tai Fook Jewellery Group Limited, Octopus Cards Limited, Swire Properties Limited and SUNeVision Holdings Ltd. She is also an advisor and board observer to HBX Group, a global council member of Herbert Smith Freehills LLP and an Executive Director of Hubel Labs Limited. Between 2008 and 2016, she held various senior executive roles within the online travel industry, including serving as the President of TripAdvisor Asia Pacific between 2014 and 2016 and Senior Director at Expedia Inc. prior to 2010. She has more than ten years of experience as a corporate executive of listed technology companies providing consumer-facing software and internet services, including implementation of artificial intelligence and cybersecurity protocols.

HARRISON, John Barrie[*@], aged 67, has been a Director of the Company since 20th May 2015. He is an Independent Non-Executive Director of AIA Group Limited. He was Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific from 2003 to 2009 and was Deputy Chairman of KPMG International from 2008 until his retirement from KPMG in September 2010. He will resign as a Director of the Company with effect from 20th May 2024.

MUELLER, Christoph Romanus[*@], aged 62, has been a Director of the Company since 12th May 2022. He is a Non-Executive Director of WestJet Airlines Limited and a Director of Oman Air. He was Group Chief Financial Officer of DHL from 2002 to 2005, and Group Chief Executive Officer of Sabena SA from 2000 to 2001, Hapag-Lloyd Airlines from 2006 to 2009, Aer Lingus from 2009 to 2015 and Malaysia Airlines from 2015 to 2016. He was the Chairman of An Post, Ireland from 2014 to 2016 and Swissport International Limited from 2020 to 2022. He was also the President of the International Air Carrier Association (IACA) from 2010 to 2015 and Chairman of the Advisory Board of the European Organisation for the Safety of Air Navigation (Eurocontrol) from 2012 to 2015. He was the founding Chairman of Brussels Airlines and Chairman of various airlines.

TUNG, Lieh Cheung Andrew[+*&], aged 59, has been a Director of the Company since 20th May 2015. He is Managing Partner of QBN Management Limited and a Non-Executive Director of Orient Overseas (International) Limited. He is also an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited. He will resign as a Director of the Company with effect from 20th May 2024.

WANG, Xiao Bin[*@], age 56, will be appointed as a Director of the Company with effect from 20th May 2024. She is an Independent Non-Executive Director of Hang Seng Bank Limited and Worley Limited. She was an Executive Director of China Resources Power Holdings Company Limited from 2006 to 2023 and held various positions including as Director of Corporate Finance (Hong Kong) at ING Investment Banking from 1995 to 2003. Ms. Wang had worked at the audit and business advisory division of Price Waterhouse (now known as PricewaterhouseCoopers) in Australia from 1990 to 1995.

COMPANY SECRETARY

LAI, Joanna, aged 39, has been Company Secretary of the Company since 19th April 2021. She joined the Company as Group General Counsel and Company Secretary on 19th April 2021 and before then, she was Head of Legal of Swire Properties Limited. She is qualified to practise law in the Hong Kong SAR and in the State of New York.

Directors who are employee of the John Swire & Sons Limited group
+ *Member of the Remuneration Committee*
* *Member of the Audit Committee*
@ *Member of the Board Risk Committee*
& *Member of the Nomination Committee*

DIRECTORS' REPORT

We submit our report and the audited financial statements for the year ended 31st December 2023 which are on pages 79 to 153.

PRINCIPAL ACTIVITIES

Cathay Pacific Airways Limited (the "Company" or "Cathay Pacific") is managed and controlled in Hong Kong. As well as operating scheduled airline services, the Company and its subsidiaries (collectively referred to as the "Group") are engaged in other related areas including airline catering, aircraft handling, cargo terminal operations and loyalty and reward programmes. The airline operations are principally to and from Hong Kong, which is where most of the Group's other activities are also carried out.

Details of material subsidiaries, their main areas of operation and particulars of their issued capital, and details of material associates are listed on pages 138 and 139.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements incorporate the financial statements of the Group together with the Group's interests in associates. The financial performance of the Group for the year ended 31st December 2023 and the financial position of the Group and the Company at that date are set out in the financial statements on pages 79 to 153. Details of the associates are provided under note 10 to the financial statements.

DIVIDENDS

The Directors have declared an interim dividend of HK$0.43 per ordinary share for the year ended 31st December 2023. This represents a total distribution for the year of HK$2,768 million. The interim dividend will be paid on 2nd May 2024 to ordinary shareholders registered at the close of business on the record date, being Friday, 5th April 2024. Ordinary shares of the Company will be traded ex-dividend as from Tuesday, 2nd April 2024.

The Company's dividend policy for ordinary shareholders is to distribute approximately half of its consolidated profit after tax, excluding non-cash exceptional items. The application of this policy and final declarations are however subject to consideration of other factors, such as the strength of the Company's own statement of financial position, the Company's own profits, trading conditions and the prevailing and forecast economic environment.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on Friday, 5th April 2024, during which day no transfer of shares will be effected. In order to qualify for entitlement to 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 Wednesday, 3rd April 2024.

To facilitate the processing of proxy voting for the annual general meeting to be held on 8th May 2024, the register of members will be closed from Friday, 3rd May 2024 to Wednesday, 8th May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, 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, 2nd May 2024.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chair's Statement, Chief Executive Officer's Review and Outlook, Review of Operations, Financial Review, Risk Management and in the notes to the financial statements. Principal risks and uncertainties facing the Group are discussed in the Risk Management section. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Review of Operations, Corporate Governance Report and Directors' Report.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 83 and in note 22 to the financial statements, respectively.

ACCOUNTING POLICIES

The material accounting policies are set out on pages 140 to 153.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance ("ESG") Reporting Guide contained in Appendix C2 to the Listing Rules for the year covered by the annual report. Detailed information on the Company's ESG performance is provided in the Sustainability Report 2023 of the Company and Our Areas of Leadership section under Review of Operations.

DONATIONS

During the year, the Group made charitable donations amounting to HK$1.3 million in direct payments and a further HK$4.6 million in the form of discounts on airline travel, food and other in-kind donations.

PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment are shown in note 8 to the financial statements. Details of aircraft acquisitions are set out on page 4.

BANK AND OTHER BORROWINGS

The net bank loans and other borrowings, including lease liabilities, of the Group are shown in note 12 to the financial statements.

SHARE CAPITAL

On 9th August 2023, the Company announced (a) its proposal to reduce all of the credit (being HK$19,500 million) standing in the preference shares capital account of the Company ("Capital Reduction"), and such credit arising from the Capital Reduction would be applied to a new preference shares reserve account of the Company and be used to redeem all of the 195,000,000 preference shares of the Company (the "Preference Shares"), (b) its plan to redeem and cancel all of the Preference Shares by the end of July 2024, subject to market conditions and the Group's business operations at the relevant time, and (c) that subject to and following the completion of the Capital Reduction, the Company would exercise its right to first redeem and cancel 97,500,000 Preference Shares (the "First Redemption") at a redemption price of HK$100 per preference share plus any unpaid preference share dividends before the end of 2023.

Details of the proposed redemption of the Preference Shares are set out in the Company's announcement dated 9th August 2023 and the circular to shareholders dated 18th September 2023.

Following the approval by shareholders of the Company regarding the Capital Reduction at the Extraordinary General Meeting held on 11th October 2023 ("2023 EGM"), the Capital Reduction was completed on 16th November 2023 and the First Redemption was completed on 4th December 2023. Details of the redemption of the Preference Shares are set out in note 20(b) to the financial statements.

Save as disclosed above and in the section headed "Issue of Convertible Bonds" below, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares and no exercise of warrants during the year and the Group has not adopted any share option scheme.

At 31st December 2023, the share capital of the Company was HK$28,828 million (31st December 2022: HK$48,322 million), and 6,437,900,319 ordinary shares, 97,500,000 preference shares and 416,666,666 warrants were in issue (31st December 2022: 6,437,200,203 ordinary shares, 195,000,000 Preference Shares and 416,666,666 warrants). Details of the movement of share capital are set out in note 20 to the financial statements.

ISSUE OF CONVERTIBLE BONDS

On 27th January 2021 (after trading hours), Cathay Pacific Finance III Limited, a wholly-owned subsidiary of the Company, as the Issuer, the Company as the Guarantor, and BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc as the Managers, entered into the subscription agreement in relation to the issuance of 2.75% guaranteed convertible bonds (the "Bonds") in a principal amount of HK$6,740,000,000.

Assuming full conversion of the Bonds at the initial conversion price of HK$8.57 per ordinary share, the Bonds will be convertible into 786,464,410 conversion shares, representing approximately 12.22% of the total issued share capital of the Company as at 28th January 2021 (the date of the Company's announcement), and approximately 10.89% of the enlarged total issued share capital of the Company resulting from the full conversion of the Bonds (assuming that there is no other change to the issued share capital of the Company and prior to the exercise of any detachable warrants that were issued in 2020 as part of the recapitalisation plan).

For further details of the Bonds, please refer to the Company's announcements dated 28th January 2021 and 8th February 2021.

On 18th August 2023, 700,116 ordinary shares were allotted and issued to HSBC Nominees (Hong Kong) Limited on exercise of the conversion rights at the conversion price of HK$8.57 per ordinary share in the principal amount of HK$6,000,000 (the "Conversion"). The portion of the Bonds of which the conversion rights being exercised represents less than 0.01% of the Bonds and the enlarged total issued share capital of the Company resulting from the Conversion.

Details of the Conversion are set out in note 20(c) to the financial statements.

CAPITAL COMMITMENTS AND CONTINGENCIES

The details of capital commitments and contingent liabilities of the Group at 31st December 2023 are set out in note 28 to the financial statements.

AGREEMENT FOR SERVICES

The Company has an agreement for services with John Swire & Sons (H.K.) Limited ("JS&SHK"), the particulars of which are set out in the section on continuing connected transactions.

As directors and/or employees of the John Swire & Sons Limited ("Swire") group, Patrick Healy, Guy Bradley, Ronald Lam, Gordon McCallum, Rebecca Sharpe, Merlin Swire and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement (as defined below). Gregory Hughes was so interested until his resignation as a Director of the Company with effect from 1st April 2023. Gordon McCallum and Merlin Swire are also so interested as shareholders, directors and employees of the Swire group. Samuel Swire was so interested until his resignation as a Director of the Company with effect from 12th January 2023.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2023 are set out below and also given in note 27 to the financial statements.

SIGNIFICANT CONTRACTS

Contracts between the Group and Hong Kong Aircraft Engineering Company Limited ("HAECO") and its subsidiary, Taikoo (Xiamen) Aircraft Engineering Company Limited, for the maintenance and overhaul of aircraft and related equipment accounted for approximately 3.7% of the Group's operating expenses in 2023. HAECO is a wholly owned subsidiary of Swire Pacific Limited ("Swire Pacific"); all contracts have been concluded on normal commercial terms in the ordinary course of the business of both parties.

MAJOR TRANSACTIONS

(a) Acquisition of 32 Airbus A321-200neo/A320-200neo Aircraft

On 13th September 2017, Cathay Pacific Aircraft Services Limited ("CPAS"), a wholly owned subsidiary of the Company, entered into an agreement with Airbus S.A.S., pursuant to which (i) CPAS agreed to purchase and Airbus S.A.S. agreed to sell 32 Airbus A321-200neo aircraft; and (ii) CPAS acquired and Airbus S.A.S. granted the purchase rights to purchase up to 32 additional Airbus A321-200neo or A320-200neo aircraft ("Purchase Rights").

On 29th September 2023, CPAS exercised the Purchase Rights to purchase 32 Airbus A321-200neo/A320-200neo aircraft from Airbus S.A.S. This transaction constituted a major transaction under the Listing Rules in respect of which announcement dated 29th September 2023 was published, and a circular dated 24th October 2023 was sent to shareholders.

(b) Acquisition of six Airbus A350F Aircraft

On 8th December 2023, CPAS entered into an amendment agreement with Airbus S.A.S., pursuant to which (i) CPAS agreed to purchase and Airbus S.A.S. agreed to sell six Airbus A350F aircraft; and (ii) CPAS secured the right to acquire 20 additional Airbus A350F aircraft. This transaction constituted a major transaction under the Listing Rules in respect of which announcement dated 8th December 2023 was published, and a circular dated 3rd January 2024 was sent to shareholders.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31st December 2023, the Group had the following continuing connected transactions, details of which are set out below:

(a) Pursuant to an agreement ("JS&SHK Services Agreement") dated 1st December 2004, as amended and restated on 18th September 2008 and 9th August 2019, with JS&SHK, JS&SHK provides services to the Company and its subsidiaries. The services comprise advice and expertise of the directors and senior officers of the Swire group including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procuring for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by the Swire group. No fee is payable in consideration of such procuration obligation or such use.

In return for these services, JS&SHK receives annual service fees calculated as 2.5% of the Group's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Group also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The current term of the JS&SHK Services Agreement is from 1st January 2023 to 31st December 2025 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Swire is the holding company of Swire Pacific which owns approximately 45% of the number of issued ordinary shares of the Company, and JS&SHK, a wholly owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the JS&SHK Services Agreement are continuing connected transactions in respect of which announcements dated 1st December 2004, 1st October 2007, 1st October 2010, 14th November 2013, 19th August 2016, 9th August 2019 and 11th August 2022 were published.

For the year ended 31st December 2023 and under the JS&SHK Services Agreement, the amounts paid/payable by the Company to JS&SHK totalled HK$258 million.

(b) Pursuant to a framework agreement dated 17th November 2022 ("HAECO 2022 Framework Agreement") with HAECO, services (being maintenance and related services in respect of aircraft, aircraft engines and aircraft parts and components and including inventory technical management services) are provided by HAECO and its subsidiaries (the "HAECO group") to the Group. Payment is made in cash within 30 days of receipt of invoices. The term of the HAECO 2022 Framework Agreement is for 10 years ending on 31st December 2032.

HAECO is a connected person of the Company by virtue of it being a subsidiary of Swire Pacific, one of the Company's substantial shareholders. The transactions under the HAECO 2022 Framework Agreement are continuing connected transactions in respect of which an announcement dated 17th November 2022 was published, a circular dated 30th November 2022 was sent to shareholders and an extraordinary general meeting of the Company was held on 23rd December 2022.

For the year ended 31st December 2023 and under the HAECO 2022 Framework Agreement, the amounts paid/payable by the Group to the HAECO group totalled HK$3,033 million and the amounts payable by the HAECO group to the Group totalled HK$141 million.

(c) The Company entered into a framework agreement dated 26th June 2008 ("Air China Framework Agreement") with Air China Limited ("Air China") in respect of transactions between the Group on the one hand and Air China and its subsidiaries (the "Air China group") on the other hand arising from joint venture arrangements for the operation of passenger air transportation, code sharing arrangements, interline arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services agreed to be provided and other transactions agreed to be undertaken under the Air China Framework Agreement.

The current term of the Air China Framework Agreement is for three years ending on 31st December 2025 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Air China, by virtue of its 29.99% shareholding in Cathay Pacific, is a substantial shareholder and therefore a connected person of Cathay Pacific under the Listing Rules. The transactions under the Air China Framework Agreement are continuing connected transactions in respect of which announcements dated 26th June 2008, 10th September 2010, 26th September 2013, 30th August 2016, 28th August 2019 and 30th August 2022 were published.

For the year ended 31st December 2023 and under the Air China Framework Agreement, the amounts paid/payable by the Group to the Air China group totalled HK$174 million; and the amounts payable by the Air China group to the Group totalled HK$74 million.

(d) There have been written agreements between the Group and China Aircraft Services Limited ("CASL") for CASL's provision to the Group of line maintenance services, base maintenance services, supply of materials and tooling, stores rental and various aircraft maintenance support services.

Air China, by virtue of its 29.99% shareholding in the Company, is a substantial shareholder of the Company. China National Aviation Corporation (Group) Limited ("CNACG") is a fellow subsidiary and therefore an associate of Air China. CNACG is therefore a connected person of the Company. CNACG holds more than 30% of CASL. CASL is therefore a connected person of the Company.

For the year ended 31st December 2023, the amounts paid/payable by the Group to CASL for the services described above totalled HK$130 million.

The Independent Non-Executive Directors, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company were engaged to report on the Group's continuing connected transactions (a) to (c) as set out above in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions (a) to (c) as set out above disclosed by the Group in accordance with Chapter 14A of the Listing Rules, which states that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;

(b) nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual caps.

MAJOR CUSTOMERS AND SUPPLIERS

9.6% of sales and 37.3% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 4.8% of sales were made to the Group's largest customer and 13.8% of purchases were made from the Group's largest supplier, Petrochina International (Hong Kong) Corporation Limited.

No Director, any of their close associates or any shareholder who, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company has an interest in the Group's five largest suppliers.

DIRECTORS

Augustus Tang resigned, and Lavinia Lau was appointed, as a Director with effect from 1st January 2023. Samuel Swire resigned, and Gordon McCallum was appointed, as a Director with effect from 12th January 2023. Gregory Hughes resigned, and Alexander McGowan was appointed, as a Director with effect from 1st April 2023. Wang Mingyuan was appointed as a Director with effect from 24th July 2023. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the calendar year 2023. John Harrison and Andrew Tung will resign as Directors, and Lily Cheng and Wang Xiao Bin will be appointed as Directors, with effect from 20th May 2024.

Carlson Tong and Rimsky Yuen have been designated by the Hong Kong SAR Government as observers to attend board meetings and have access to management and information of the Company as long as Aviation 2020 Limited remains a holder of any of the preference shares of the Company or any amount under the bridge loan provided by it remains outstanding.

INDEPENDENCE CONFIRMATION

The Company has received from all of its Independent Non-Executive Directors confirmation of their independence as regards the factors in Rule 3.13 of the Listing Rule and considers all of them to be independent.

The Company has been granted by the Stock Exchange a waiver from strict compliance with Rule 3.10A of the Listing Rules, which requires that an issuer must appoint Independent Non-Executive Directors representing at least one-third of the Board.

TERM OF APPOINTMENT

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, Rebecca Sharpe retires this year and, being eligible, offer herself for re-election. Wang Mingyuan having been appointed as a Director of the Company under Article 91 since the last annual general meeting, also retires and, being eligible, offer himself for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

FEES AND EMOLUMENTS

Full details of Directors' fees and emoluments are set out in note 25 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$3.7 million. They received no other emoluments from the Group.

DIRECTORS' INTERESTS

At 31st December 2023, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that no Director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares (including options) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.

Other than as stated in this annual report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, Patrick Healy, Ma Chongxian and Wang Mingyuan disclosed that they were directors of Air China, and Xiao Feng and Sun Yuquan disclosed that they held positions in Air China during the year. Air China competes or is likely to compete, either directly or indirectly, with the businesses of the Company as it operates airline services to certain destinations which are also served by the Company.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2023 or during the period from 1st January 2024 to the date of this annual report are kept at the Company's registered office and are available for inspection by members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

PERMITTED INDEMNITY

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2023 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
Long position			
1. Air China Limited	4,827,269,423	74.98	Attributable interest (a)
2. China National Aviation Holding Corporation Limited	4,827,269,423	74.98	Attributable interest (b)
3. Swire Pacific Limited	4,827,269,423	74.98	Attributable interest (a)
4. John Swire & Sons Limited	4,827,269,423	74.98	Attributable interest (c)
5. Qatar Airways Group Q.C.S.C.	643,076,181	9.99	Beneficial interest (d)
6. The Financial Secretary Incorporated	416,666,666	6.47	Interest in controlled corporation (e)
7. HSBC Holdings plc	341,373,467	5.30	Interest in controlled corporation (f)
Short position			
1. HSBC Holdings plc	195,987,714	3.04	Interest in controlled corporation (f)

Note: At 31st December 2023:

(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 4,827,269,423 shares of the Company, comprising:

(i) 2,896,753,089 shares directly held by Swire Pacific;

(ii) 1,930,516,334 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: 472,248,545 shares held by Angel Paradise Ltd., 351,574,615 shares held by Custain Limited, 314,054,626 shares held by Easerich Investments Inc., 310,870,873 shares held by Grand Link Investments Holdings Ltd., 339,343,616 shares held by Motive Link Holdings Inc. and 142,424,059 shares held by Perfect Match Assets Holdings Ltd.

(b) China National Aviation Holding Corporation Limited was deemed to be interested in a total of 4,827,269,423 shares of the Company, in which its subsidiary Air China was deemed interested.

(c) Swire and its wholly owned subsidiary JS&SHK were deemed to be interested in a total of 4,827,269,423 shares of the Company by virtue of the Swire group being interested in 60.31% of the equity of Swire Pacific and controlling 68.13% of the voting rights attached to shares in Swire Pacific.

(d) Qatar Airways Group Q.C.S.C. held a total of 643,076,181 shares of the Company as beneficial owner.

(e) (i) Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, did not hold any ordinary shares of the Company; (ii) pursuant to a subscription agreement dated 9th June 2020 entered into between the Company and Aviation 2020 Limited in relation to the issue of preference shares and warrants, the Company issued 416,666,666 warrants to Aviation 2020 Limited on 12th August 2020, which entitle Aviation 2020 Limited to subscribe for up to 416,666,666 ordinary shares of the Company; (iii) if Aviation 2020 Limited chooses to exercise all warrants, it would hold approximately 6.08% of the ordinary shares of the Company as enlarged by the issue of such shares.

(f) These shares were held by The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a corporation controlled by HSBC Holdings plc, as borrower under the Global Master Securities Lending Agreement dated 27th January 2021 entered into between HSBC and Swire Pacific. The interests were disclosed based on the disclosure of interest filing made by HSBC Holdings plc on 20th July 2023.

PUBLIC FLOAT

From information that is publicly available to the Company and within the knowledge of its Directors at the date of this annual report, at least 25% of the Company's total number of issued shares were held by the public.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as Auditors to the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Patrick Healy
Chair
Hong Kong, 13th March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE STRATEGY, GOVERNANCE AND CULTURE

Cathay is committed to ensuring that its affairs are conducted in accordance with its corporate and governance culture and values of integrity, originality, excellence, humility, teamwork, continuity and high ethical standards, which form a coherent set of principles that are relevant across the Company's business and underpin everything it does. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Cathay Pacific believes that shareholder value will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensure that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers
- that high standards of ethics are maintained
- a commitment to sustainable development which supports long-term growth.

The Board provides guidance to management by defining the purpose, values and strategic direction of the Group, and plays an important role in establishing and instilling a culture that reinforces the values of acting lawfully, ethically and responsibly. The Group's Code of Conduct ensures that the corporate culture and expected behaviours are clearly communicated to everyone in the Group. Appropriate policies and procedures are in place to promote and reinforce the need for employees and others who deal with the Company to act with honesty and integrity and to raise concerns about actual or suspected cases of impropriety. Indicators used for assessing and monitoring ESG related data are set out in the Sustainability Report 2023 of the Company. The Group offers competitive remuneration and benefits designed to attract, motivate and retain talented people at all levels. Having regard to the corporate culture reflected in the policies and practices of the Group, the Board is satisfied that the purpose, values and strategic directions of the Group are aligned with its culture.

Further information on the Company's strategy and culture is provided in the section of this annual report headed Chief Executive Officer's Review and Outlook.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance and are broken down into two parts:

(a) mandatory disclosure requirements: the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and

(b) principles of good corporate governance (the "Principles"), code provisions and recommended best practices: The Principles set the overarching direction to achieving good corporate governance. The code provisions are aimed to help issuers apply the Principles. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and interim reports (and summary interim reports, if any). If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions but any deviation must be provided with considered reasons (including how good corporate governance was achieved by means other than strict compliance with the code provision). The recommended best practices are for guidance only, and issuers are encouraged, but not required, to state whether they have complied with the recommended best practices.

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Cathay Pacific has adopted its own corporate governance code which is available on its website (www.cathaypacific.com). Corporate governance does not stand still and it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices.

The Company complied with all the code provisions set out in the CG Code contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report.

THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting
- overseeing ESG matters.

To assist it in fulfilling its duties, the Board has established the Audit Committee, Board Risk Committee, Board Safety Review Committee, Executive Committee, Finance Committee, Investment Committee, Management Committee, Nomination Committee, Remuneration Committee and Sustainability Leadership Group.

CHAIR AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chair and Chief Executive Officer be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

The Chair of the Board is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them

- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive in a timely manner, adequate information which is accurate, clear, complete and reliable
- encouraging directors to voice their concerns, allowing time for discussion the issues and ensuring that Board decisions fairly reflect Board consensus
- ensuring, through the Board, that good corporate governance practices and procedures are followed.

The Chief Executive Officer of the Company is responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's business.

Throughout the year, there was a clear division of responsibilities between the Chair and the Chief Executive Officer.

BOARD COMPOSITION

The Board is structured with a view to ensure it is of a high calibre and has a balance of skills, experience and diversity of perspectives appropriate to the Company's business so that it works effectively as a team and that individuals or groups do not dominate any decision-making.

At the date of this annual report, the Board comprised the Chair (Patrick Healy), four other Executive Directors (Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe), eight Non-Executive Directors (Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng and Zhang Zhuo Ping) and four Independent Non-Executive Directors (Bernard Chan, John Harrison (who will resign as a Director with effect from 20th May 2024), Christoph Mueller and Andrew Tung (who will resign as a Director with effect from 20th May 2024)). Lily Cheng and Wang Xiao Bin will be appointed as Independent Non-Executive Directors, with effect from 20th May 2024. Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

Patrick Healy, Guy Bradley, Ronald Lam, Rebecca Sharpe and Zhang Zhuo Ping are directors and/or employees of the Swire group. Gordon McCallum and Merlin Swire are shareholders, directors and employees of the Swire group.

The Non-Executive Directors and Independent Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit, Board Risk, Board Safety Review, Nomination and Remuneration Committees of the Board comprise Non-Executive Directors and Independent Non-Executive Directors.

The Board considers that four Independent Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received by the Company from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

- provide open and objective challenge to management and other Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management.

The Company has been granted by the Stock Exchange a waiver from strict compliance with Rule 3.10A of the Listing Rules, which requires that an issuer must appoint Independent Non-Executive Directors representing at least one-third of the Board.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-Executive Directors to be independent.

APPOINTMENT AND RE-ELECTION

The Nomination Committee will identify and consider potential new candidates for directorships, and any suitably qualified candidates will be nominated by the Nomination Committee. The Nomination Committee will also select or make recommendations to the Board on the selection of individuals nominated for directorships. Directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) appointed by the Board are subject to election by shareholders at the first annual general meeting after their appointment, and all Directors are subject to re-election by shareholders every three years.

Potential new Directors are identified on the basis of relevant skills, knowledge, experience and diversity of perspectives which, in the opinion of the Nomination Committee and the Directors, will enable them to make a positive contribution to the performance of the Board.

John Harrison and Andrew Tung have been Independent Non-Executive Directors since 20th May 2015. They will have served as Directors of the Company for nine years by 20th May 2024 and will resign as Directors of the Company with effect from 20th May 2024. The Nomination Committee, interviewed and identified Lily Cheng and Wang Xiao Bin as potential new candidates for directorships.

On 27th February 2024, having regard to the merit of the candidates and the benefits of diversity on the Board, the Nomination Committee nominated Lily Cheng and Wang Xiao Bin as Independent Non-Executive Directors. The Nomination Committee is satisfied with the independence of Lily Cheng and Wang Xiao Bin having regard to the criteria set out in the Listing Rules. Having also reviewed the Board's composition and after taking into account the requirement that all Directors are subject to election or re-election (as the case may be) in accordance with the Company's Articles of Association, the Nomination Committee nominated Rebecca Sharpe and Wang Mingyuan for recommendation to shareholders for election or re-election (as the case may be) at the 2024 Annual General Meeting.

The nominations of Lily Cheng, Wang Xiao Bin, Rebecca Sharpe and Wang Mingyuan were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, number of directorships of listed companies and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the Board Diversity Policy.

On 4th March 2024, the Board, having considered the recommendation of the Nomination Committee and having taken into account the perspectives, skills, experience and diversity that Lily Cheng and Wang Xiao Bin can bring and contribute to the Board, appointed them as Independent Non-Executive Directors, with effect from 20th May 2024.

On 13th March 2024, having also considered the respective contributions of Rebecca Sharpe and Wang Mingyuan to the Board and their firm commitment to their roles, the Board recommended all of them for election or re-election (as the case may be) at the 2024 Annual General Meeting.

The particulars of the Directors standing for election or re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this annual report are provided in the section of this annual report headed Directors' Report.

INDEPENDENT VIEW MECHANISMS

The Company has established mechanisms to ensure independent views and input are available to the Board from (a) Independent Non-Executive Directors; (b) independent professional advisors; and (c) the Company's shareholders (the "Mechanisms"). The Audit Committee has been delegated with the responsibilities of overseeing the implementation and reviewing the effectiveness of the Mechanisms at least annually. The Audit Committee has reviewed the implementation and effectiveness of the Mechanisms in 2023. The Mechanisms currently in place include:

(a) Communication channels

Formal and informal communication channels have been established whereby Independent Non-Executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require. These channels include periodic formal meeting sessions with the Chair, informal briefings provided by the Chair and interaction with management and other Board members including the Chair outside the boardroom. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors.

(b) Independence of Independent Non-Executive Directors

The Nomination Committee identifies and reviews biographies of potential candidates for directorships (including potential candidates for independent non-executive directorships) and may conduct interviews with such candidates.

The Nomination Committee also reviews and assesses the independence of the Independent Non-Executive Directors as regards the factors in Rule 3.13 of the Listing Rules.

(c) Consultation with independent professional advisors

Occasions may arise when Directors consider that they need professional advice in the furtherance of their duties as a director. Circumstances may occur when it will be appropriate for Directors to seek advice from independent professional advisors. Directors may seek such advice at the Company's expense upon reasonable request to the Chair.

(d) Communication with Company's shareholders

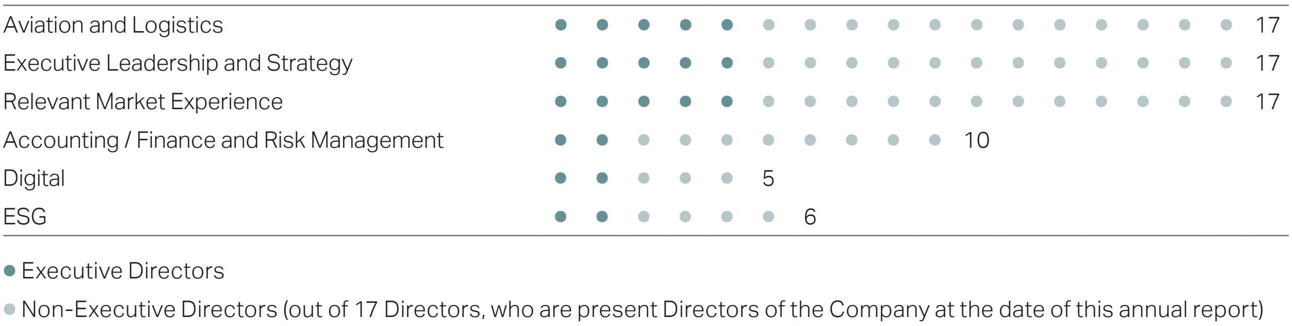
The Chief Financial Officer of the Company makes herself available for meetings with major shareholders and conducts investors and analysts briefings immediately after the announcement of the interim and annual results. In addition, the Chief Financial Officer attended meetings with analysts and investors during the year.

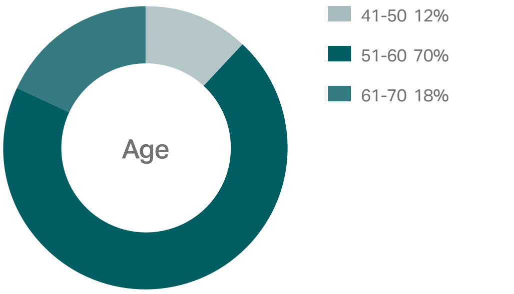
The Company has adopted a shareholders' communication policy (available on the Company's website) to encourage shareholders to provide their views on various matters affecting the Group through various channels, including through attending general meetings and/or sending enquiries and concerns to the Company. For further information, please see the section headed Communication with Shareholders and Investors and Shareholders' Communication Policy below.

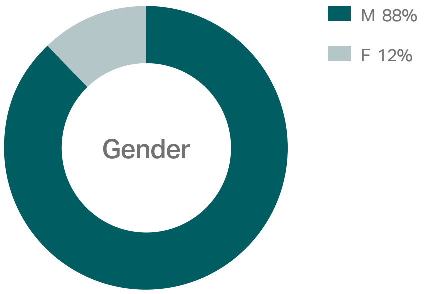
BOARD DIVERSITY

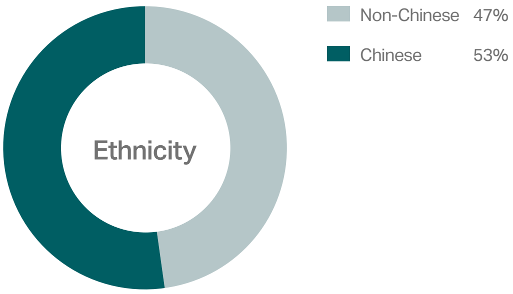
The Board has adopted a board diversity policy (available on the Company's website) and the Nomination Committee reviews its implementation and effectiveness at least on an annual basis. The Board's composition reflects a balance of skills, experience and diversity of perspectives among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness. A summary is set out below:

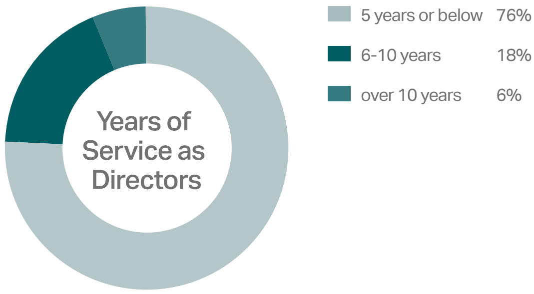
Skills, Expertise and Experience











The Company's target for gender diversity on the Board is to have not more than 70% of Directors of the same gender by the end of 2027. In order to achieve such target and a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

The Company has adopted the following measures to develop a pipeline of potential successors to the Board:

- The Company keeps track of the tenure of Directors and the need for new or replacement directors to be appointed (as the case may be), and maintains a running list of candidates comprising internal and external candidates as may be identified from time to time
- Principles and key criteria for evaluating candidates for directorship are set out in the Nomination Committee's terms of reference and the Company's Board Diversity Policy
- The skills and experience of existing Directors helps set the criteria for internal and external candidate search
- Executive search agencies may be engaged as appropriate to identify external candidates with the desirable skillsets.

For the gender ratio in the Group's workforce (including senior positions, which refer to the job levels of general managers or above at the Group but excluding the Directors), please refer to paragraph headed Performance Updates – Cathay Pacific under section headed Our Areas of Leadership section under Review of Operations in this annual report. In 2022, the Group has set a new and more ambitious goal to not have more than 65% of the same gender at senior positions by 2025.

RESPONSIBILITIES OF DIRECTORS

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of reference of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management
- the latest financial information.

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

BOARD PROCESSES

All committees of the Board follow the same processes as the full Board.

The dates of the 2023 Board meetings were determined in 2022 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2023. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on pages 56 and 57. Average attendance at Board meetings was 89%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chair encourages all directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken and kept by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

- review of a report by the Chief Executive Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- review of reports by the Chair of each of the Audit Committee, Board Risk Committee, Board Safety Review Committee, Nomination Committee and Remuneration Committee
- the raising of new initiatives and ideas
- presentation of papers to support decisions requiring Board approval
- any declarations of interest.

The executive management provides the Board with such complete and reliable information and explanations as are necessary in a timely manner to enable Directors to make an informed assessment of the financial and other information put before the Board. The Board and individual directors have separate and independent access to executive management and queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility.

The Chair meets at least annually with the Independent Non-Executive Directors without the presence of other Directors. The table below sets out the attendance record of individual Directors at meetings of the Board and its committees (with Independent Non-Executive Directors as members) and of the shareholders in 2023.

	Meetings Attended/Held								
	Board	Audit Committee	Board Risk Committee	Nomination Committee	Remuneration Committee	Board Safety Review Committee	2023 Annual General Meeting	2023 EGM	Training (Note)
Executive Directors									
Patrick Healy – Chair	6/6	4/4	3/4			4/4	√	√	√
Gregory Hughes (resigned with effect from 1st April 2023)	2/2					1/1			
Ronald Lam	6/6	4/4	4/4			3/4	√	√	√
Lavinia Lau	6/6		2/2			1/2	√	√	√
Alexander McGowan (appointed with effect from 1st April 2023)	4/4		2/2			3/3	√	√	√
Rebecca Sharpe	5/6	4/4	4/4				√	√	√

	Meetings Attended/Held								
	Board	Audit Committee	Board Risk Committee	Nomination Committee	Remuneration Committee	Board Safety Review Committee	2023 Annual General Meeting	2023 EGM	Training (Note)
Non-Executive Directors									
Ma Chongxian – Deputy Chair	2/6					0/4	x	x	√
Guy Bradley	6/6						√	x	√
Gordon McCallum (appointed with effect from 12th January 2023)	5/5			1/1	2/2	3/4	√	x	√
Sun Yuquan	4/6	0/4					x	x	√
Merlin Swire	6/6						√	x	√
Samuel Swire (resigned with effect from 12th January 2023)	1/1								
Wang Mingyuan (appointed with effect from 24th July 2023)	1/3							x	√
Xiao Feng	4/6	2/4	1/4				x	x	√
Zhang Zhuo Ping	6/6						√	√	√
Independent Non-Executive Directors									
Bernard Chan	6/6			1/1	2/2		√	√	√
John Harrison	6/6	4/4	4/4				√	√	√
Christoph Mueller	6/6	4/4	4/4			4/4	√	√	√
Andrew Tung	6/6	4/4		1/1	2/2	3/4	√	√	√
Average attendance	89%	81%	86%	100%	100%	73%	81%	59%	

Note: Directors who had attended training sessions and/or received training materials about financial, commercial, economic, risk management, legal regulatory and/or business affairs.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

All Directors have been provided with training materials on various topics, including regulatory updates, corporate governance and ESG, issued by The Stock Exchange of Hong Kong Limited and external advisors. They were invited to attend seminars and conferences about financial, commercial, economic, risk management, legal, regulatory and/or business affairs.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

CONFLICTS OF INTEREST

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

DELEGATION BY THE BOARD

Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Chief Executive Officer. The Chief Executive Officer has been given clear guidelines and directions as to his powers and, in particular, the circumstances under which he should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports

- feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules. The Securities Code is available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that Directors cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors of the Company are required to notify the Chair and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chair himself, he must notify the Chair of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Securities Code.

Directors' interests at 31st December 2023 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

The following committees have been established to assist the Board in discharging its responsibilities:

AUDIT COMMITTEE – see pages 62 and 63.

BOARD RISK COMMITTEE

The Board Risk Committee meets quarterly to review the Company's corporate risks which are not related to safety and security arising from the Group's flight operations. It comprises three Non-Executive Directors John Harrison (until his resignation with effect from 20th May 2024), Christoph Mueller, and Xiao Feng. Wang Xiao Bin will become a Board Risk Committee member with effect from 20th May 2024. Two of the Board Risk Committee members are Independent Non-Executive Directors, one of whom, Christoph Mueller, is Chair. Regular attendees at the meetings were the Chief Executive Officer, the Chief Financial Officer, the Chief Customer and Commercial Officer, the Chief Operations and Service Delivery Officer, the Chief Risk Officer, the Group General Counsel, and the General Manager Group Internal Audit.

BOARD SAFETY REVIEW COMMITTEE

The Board Safety Review Committee reviews and reports to the Board on safety issues. It met four times during 2023 and comprised its Chair (Captain Timothy Jenkins), the Chief Executive Officer (Ronald Lam), two Independent Non-Executive Directors (Christoph Mueller, Chair of the Board Risk Committee, and Andrew Tung (until his resignation with effect from 20th May 2024)), and two Non-Executive Directors (Ma Chongxian, and Gordon McCallum). Lily Cheng will become a Board Safety Review Committee member with effect from 20th May 2024. Regular attendees at the meetings included the Chair of the Board, the Chief Operations and Service Delivery Officer, the Director Service Delivery and the General Manager Group Safety and Operational Risk Management of the Company, the Chief Executive Officer of Hong Kong Express Airways Limited and the Chief Operating Officer of AHK Air Hong Kong Limited.

EXECUTIVE COMMITTEE

The Executive Committee comprises the Chief Executive Officer (Ronald Lam (Committee Chair)), three other Executive Directors (Lavinia Lau, Alexander McGowan and Rebecca Sharpe) and five Non-Executive Directors (Ma Chongxian, Sun Yuquan, Wang Mingyuan, Xiao Feng, and Zhang Zhuo Ping). It is responsible for bringing matters which it considers to be of strategic importance to the attention of the Board.

FINANCE COMMITTEE

The Finance Committee met monthly during 2023 to review the financial position of the Company. It is responsible for establishing the financial risk management policies. It comprises the Chief Executive Officer (Ronald Lam (Committee Chair)), three other Executive Directors (Lavinia Lau, Alexander McGowan and Rebecca Sharpe), two

Non-Executive Directors (Xiao Feng and Sun Yuquan), General Manager Financial Services, Head of Treasury and an independent representative from the financial community.

INVESTMENT COMMITTEE

The Investment Committee comprises the Chief Financial Officer (Rebecca Sharpe (Committee Chair)) and two other Executive Directors (Lavinia Lau and Alexander McGowan). It is responsible for evaluating and approving certain capital expenditure, investments and asset disposals (excluding aircraft purchases and leasing) in accordance with the Delegations of Authority as approved by the Board.

MANAGEMENT COMMITTEE

The Management Committee meets monthly and is established to assist the Chief Executive Officer in delivering the Company's strategies and objectives. It comprises the Chief Executive Officer (Committee Chair), Chief Customer and Commercial Officer, Chief Financial Officer, Chief Operations and Service Delivery Officer, Director Cargo, Director Customer Lifestyle, Director Customer Travel, Director Digital and IT, Director Engineering, Director Flight Operations, Director People, Director Service Delivery, Chief Executive Officer of Hong Kong Express Airways Limited, Group General Counsel and Chief Risk Officer.

NOMINATION COMMITTEE

The Nomination Committee comprises three Non-Executive Directors, Bernard Chan, Gordon McCallum and Andrew Tung (until his resignation with effect from 20th May 2024). Two of the Nomination Committee members are Independent Non-Executive Directors, one of whom, Andrew Tung, is the Chair (until his resignation with effect from 20th May 2024). Bernard Chan will succeed Andrew Tung as the Chair of the Nomination Committee, and Lily Cheng will become a member of the Nomination Committee, with effect from 20th May 2024. Its terms of reference comply with the CG Code and are posted on the Company's website and the Stock Exchange's website.

The Nomination Committee met once in 2023 and once in 2024 up to the date of this annual report. A summary of its work is as follows:

- it conducted (i) an annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board and considered that the Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness; (ii) an annual assessment of the independence of each Independent Non-Executive Director and considered all of the Independent Non-Executive Directors to be independent; and (iii) an annual review of the implementation and effectiveness of the Company's Board Diversity Policy and considered it to be appropriate;
- it made recommendations to the Board in respect of the appointment of two Non-Executive Directors and two Independent Non-Executive Directors; and
- it made recommendations to the Board in respect of the proposed election and re-election of the Directors retiring at the 2024 Annual General Meeting.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Non-Executive Director (Gordon McCallum) and two Independent Non-Executive Directors (Andrew Tung (Committee Chair, until his resignation with effect from 20th May 2024) and Bernard Chan). Lily Cheng will succeed Andrew Tung as the Chair of the Remuneration Committee with effect from 20th May 2024.

The Remuneration Committee reviews and approves remuneration proposals with respect to Executive Directors and senior management of the Company with reference to the Board's corporate goals and objectives and the Group's remuneration policy (which is available on the Company's website) (see further under the paragraph headed Remuneration Policy). Fees (if any) payable to Non-Executive Directors are subject to an annual cap approved by shareholders at general meetings. The Remuneration Committee assesses the performance of Executive Directors and considers market data and peer comparison based on reports prepared by independent external consultants, which would review and confirm that the remuneration of the Company's Executive Directors and senior management is comparable with that paid to equivalent directors and senior executives in peer companies. Neither the Directors nor senior management of the Company takes part in any discussion about his or her own remuneration.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual

Executive Directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group. Full details of the remuneration of the Directors are provided in note 25 to the financial statements.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website and the Stock Exchange's website.

A services agreement exists between the Company and JS&SHK, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group.

In order to be able to attract and retain staff with the appropriate skills, experience and of suitable calibre, the Swire group provides a competitive remuneration package to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave passage and education allowances and, after three years' service, a discretionary bonus related to the overall profit of the Swire Pacific group. The provision of housing facilitates relocation either within Hong Kong or elsewhere in accordance with the needs of the business and as part of the training process whereby managers gain practical experience in various businesses within the Swire group, and payment of bonuses on a group-wide basis enables postings to be made to group companies with very different profitability profiles. Whilst bonuses are calculated by reference to the profits of Swire Pacific overall, those profits are influenced to a significant extent by the results of the Company.

Although the remuneration of these executives is not entirely linked to the profits of the Company, it is considered that, given the volatility of the aviation business, this has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company. Furthermore, given its substantial equity interest in the Company, it is in the best interest of Swire to see that executives of high quality are seconded to and retained within the Company.

A number of Executive Directors and senior staff with specialist skills are employed directly by the Company on terms similar to those applicable to the staff referred to above.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in November 2023. At the meeting held in November 2023, the Remuneration Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 25 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following table sets out the fees paid to the Independent Non-Executive Directors and certain Non-Executive Directors (Ma Chongxian, Sun Yuquan, Wang Mingyuan and Xiao Feng), which were approved by the Board and were below the total maximum amount approved by the shareholders at the general meeting held on 18th May 2011:

Fee	**2023 HK$**	2022 HK$
Director's Fee	**575,000**	575,000
Fee for Audit Committee Chair	**268,000**	268,000
Fee for Audit Committee Member	**186,000**	186,000
Fee for Board Risk Committee Chair	**268,000**	268,000
Fee for Board Risk Committee Member	**186,000**	186,000
Fee for Remuneration Committee Chair	**83,000**	83,000
Fee for Remuneration Committee Member	**60,000**	60,000
Fee for Nomination Committee Chair	**83,000**	83,000
Fee for Nomination Committee Member	**60,000**	60,000

SUSTAINABILITY LEADERSHIP GROUP

The Sustainability Leadership Group (previously known as "Sustainable Development Committee") meets at least four times a year to review, evaluate and make recommendations to the Board on the strategy, policy, target and investment in major initiatives related to the sustainable and ESG development of the Group. It comprises five Executive Directors (Chair of the Board, Chief Executive Officer (Committee Chair), Chief Customer and Commercial Officer, Chief Operations and Service Delivery Officer and Chief Financial Officer).

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate.

(b) Risk Management

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the risk management systems. Details of the Group's Risk Governance and Risk Management Framework, Risk Management Processes, Areas of Focus in 2023 and Principal Risks and Uncertainties facing the Group are included in the Risk Management section.

(c) Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 62 and 63.

The foundation of internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

The key components of the Group's internal control structure are as follows:

Culture: The Board believes that good corporate governance reflects the culture of an organisation. This is more significant than any written procedures.

The Group aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Group has a Code of Conduct, which is posted on its internal intranet site.

The Group is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Group's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Group's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Controls and review: A control self-assessment (CSA) process requires management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over financial and other areas, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. The results are reviewed by the Audit Committee annually as part of their assessment of overall control environment.

The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be catagorised into operational, financial and compliance, although there may, on occasion, be some overlap between them. The typical control activities include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Group has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Detailed control guidelines have been set and made available to all relevant employees of the Company about the handling of corporate data which may be price sensitive.

Systems and procedures are in place to identify, control and report on major risks, including business, safety, legal, financial, environmental and reputational risks. Exposures to these risks are monitored by the Board with the assistance of various committees and management.

Group Internal Audit Department

The Group Internal Audit Department assists the Audit Committee in carrying out the independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. It performs regular reviews of key risk areas and monitors compliance with the Group's financial, operational and compliance procedures. The Group's internal audit plan, which is prepared using a risk based methodology, is discussed and agreed every year with the Audit Committee, together with the required resources. In addition to its agreed annual schedule of work, the Department conducts other special reviews as required. The General Manager Group Internal Audit has direct access to the Audit Committee, Board Risk Committee and the Chief Executive Officer. Audit reports are sent to the Chief Executive Officer, the Chief Financial Officer, the Chief Customer and Commercial Officer, the Chief Operations and Service Delivery Officer, the Chief Risk Officer and the external auditors and the relevant management of audited departments. A summary of major audit findings and recommendations aimed at resolving material internal control deficiencies is reported regularly to the Audit Committee, and the Chair of the Audit Committee regularly reports any such material audit findings to the Board. As a key criterion of assessing the adequacy and effectiveness of the Group's risk management and internal control systems, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the Group Internal Audit Department and also the corrective actions taken by relevant departments.

Audit Committee

The Audit Committee, consisting of one Non-Executive Director (Xiao Feng) and three Independent Non-Executive Directors (John Harrison (Committee Chair, until his resignation with effect from 20th May 2024), Christoph Mueller and Andrew Tung (until his resignation with effect from 20th May 2024)), assists the Board in discharging its responsibilities for internal control and other matters. Wang Xiao Bin will succeed John Harrison as the Chair of the Audit Committee, and Lily Cheng will become a member of the Audit Committee respectively, with effect from 20th May 2024.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website and the Stock Exchange's website.

The Audit Committee met four times in 2023. Regular attendees at the meetings are the Chief Executive Officer, Chief Financial Officer, Group General Counsel, General Manager Group Internal Audit and representatives of the external auditor. The Audit Committee meets at least twice a year with the external auditors and the General Manager Group Internal Audit separately without the presence of management. Each meeting receives written reports from the external auditors and Group Internal Audit.

Minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes are sent to all committee members for their comment and records, within reasonable time after the meeting.

The work of the Audit Committee during 2023 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2022 annual and 2023 interim reports and announcements, with recommendations to the Board for approval
- the plans, cash flows and liquidity, going concern and 2024 Budget of the Group
- the Group's compliance with certain regulatory and statutory requirements
- the Group's internal control systems
- the review of progress on the 2023 internal audit programme
- periodic reports from Group Internal Audit and progress in resolving any matters identified in them
- the approval of the Group Internal Audit Charter
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on pages 64 and 65
- the effectiveness of the independent views mechanisms
- the adequacy and effectiveness of the accounting, financial reporting and internal audit functions
- the proposal for redemption of preference shares
- the Company's compliance with the CG Code
- the Company's fuel hedging policy, foreign currency policy, data incident escalation matrix, external auditor non-assurance services policy, anti-bribery, corruption, anti-money laundering and terrorist financing policy, and privacy and data protection policy.

In 2024, the Audit Committee has reviewed, and recommended to the Board for approval, the 2023 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee and the Board Risk Committee (in relation to risk management) oversee the Group's risk management and internal control systems on an ongoing basis and review annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the risk management and internal control systems, the work and effectiveness of Group Internal Audit and the Group Corporate Risk functions
- the changes in the nature and extent of significant risks (including ESG risks) since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed

- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Group Internal Audit and Group Corporate Risk
- work programmes proposed by both Group Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self-assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

External Auditors

The Audit Committee acts as the key representative body, independent from management, for overseeing the Company's relations with the external auditors (the "auditors"). The auditors have direct access to the Chair of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
- approval of audit and non-audit fees.

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants in accordance with the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit services and the nature of the non-audit services) at a meeting of the Audit Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service.

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The Non-Assurance Services (NAS) Pre-approval Policy was adopted by the Audit Committee on 7th November 2022 for complying with the new requirement of the Hong Kong Institute of Certified Public Accountants Code of Ethics. The NAS Pre-approval Policy was revised and adopted by the Audit Committee on 28th February 2023. The External Auditor Non-Assurance Services Policy (the merger of the NAS Pre-approval Policy and the 2016 Auditor Services Policy) was adopted by the Audit Committee on 5th May 2023, which was revised on 2nd August 2023, and has been further revised and adopted by the Audit Committee on 6th November 2023. Pursuant to the External Auditor Non-Assurance Services Policy, pre-approval of non-audit services to be provided by the auditor for the following year should be sought annually at the last Audit Committee meeting of the calendar year. The pre-approval would then apply up until the end of the following calendar year, unless an alternative timeline is approved by the Audit Committee. Services not approved through the annual process would be subject to pre-approval from the Audit Committee Chair and be ratified at the next Audit Committee meeting.

Auditors' Remuneration

In 2023, the total remuneration paid to the external auditors was HK$20 million, being HK$16 million for audit, HK$2 million for tax advice and HK$2 million for other professional services.

OTHER MATTERS

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary reports to the Chair and is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update her skills and knowledge.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in the Group's Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior staff, the appropriate handling and dissemination of inside information
- has adopted an inside information policy which provides a framework for escalating inside information matters to the Board.

REMUNERATION POLICY

The Group has adopted the remuneration policy for employees at all levels of the Group with the following key principles:

- total compensation should be competitive with the market – market competitiveness is assessed by benchmarking against a predetermined target market positioning for comparable jobs on total compensation, including base salary, allowances, bonus and retirement benefits
- differentiation of pay based on individual performance – all staff will have performance goals that are agreed with their direct appraiser each year and their performance will be assessed against these goals and how they measure up to the required competencies for each role. The performance rating will be a key factor in determining their pay
- internal equity – the Company ensures that its staff are paid equitably and fairly, in line with the size of the job, their individual skills match and performance, and free from gender bias, racism or other forms of bias
- transparency – all staff will be given honest and comprehensive feedback on their performance and how they are viewed by the Company
- affordability – the Company's ability to pay will be taken into account in the annual pay review
- bonus – the award of a bonus is made at the Company's discretion. The amount of bonus awarded each year will vary depending on the Company's financial performance and individual performance

- retirement benefit – all staff are offered the opportunity to participate in a suitable pension scheme to provide for their retirement. There are a range of schemes applicable depending on the employee's terms and conditions of employment.

WHISTLEBLOWING POLICY

The Group has adopted a whistleblowing policy (which is available on the Company's website) for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns (which will be escalated to Audit Committee where appropriate), in confidence and anonymity, about possible improprieties in any matter related to the Group. The whistleblowing policy sets out a reporting mechanism which is designed to help mitigate legal, financial, operational and reputational risks to the Group. The primary objectives of this policy are (i) to encourage employees, third parties who deal with the Group (e.g. customers and suppliers), as well as individuals and entities acting for or on behalf of the Group, to report suspected wrongdoing with confidence that their concerns will be given serious, prompt and appropriate attention; (ii) to provide guidance on how to report suspected wrongdoing; (iii) to provide assurance to anyone who makes a report in good faith that they will not be subjected to retaliation of any kind. Any reporting under this policy can be done confidentially through multiple channels as stated in this policy.

ANTI-BRIBERY, CORRUPTION, ANTI-MONEY LAUNDERING AND TERRORIST FINANCING POLICY

The Group has adopted anti-bribery, corruption, anti-money laundering and terrorist financing policy to reaffirm its commitment as part of a comprehensive and robust anti-corruption and anti-bribery compliance programme to provide guidance to all relevant parties about compliance with global anti-bribery laws. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in our business dealings and relationships wherever it operates. Its personnel must comply with applicable anti-bribery and anti-corruption laws of all countries in which the Group does business.

SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND SHAREHOLDERS' COMMUNICATION POLICY

The Board and management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company. The Company shall maintain regular dialogue with shareholders and reviews the Shareholders' Communication Policy (available on the Company's website) at least annually to ensure its effectiveness. The Audit Committee has reviewed the implementation and effectiveness of the Shareholders' Communication Policy for the year 2023.

The methods used to communicate with shareholders include the following:

- the Chief Financial Officer makes herself available for meetings with major shareholders and conducts investors and analysts briefings immediately after the announcement of the interim and annual results. In addition, the Chief Financial Officer attended meetings with analysts and investors during the year
- through financial reports (interim and annual reports), sustainability reports, circulars or other regulatory disclosures as may be required through the websites of the Company and/or the Stock Exchange
- through audio webcasts of analyst presentations, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses through the Company's website
- through the Annual General Meeting as discussed below and other general meetings that may be convened.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@cathaypacific.com, and such letter should be marked "Shareholders' Communications"). The relevant contact details are set out in the section of this annual report headed Corporate and Shareholder Information. In addition, there are different engagement channels to solicit and understand the views of the Company's shareholders and stakeholders. Details of the channels can be found on the Company's website: https://www.cathaypacific.com/cx/en_HK/contact-us.html.

THE ANNUAL GENERAL MEETING

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 10th May 2023. The meeting was open to all shareholders. The Directors who attended the meeting are shown in the table on pages 56 and 57.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained and questions from shareholders on voting by poll were answered at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2022
- electing/re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares then in issue.

Minutes of the meeting together with voting results are available on the Company's website.

DIVIDEND POLICY

Cathay Pacific has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

SHAREHOLDER ENGAGEMENT

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Company's Corporate Governance Code which is available on the Company's website.

If they wish to propose a resolution or put forward a proposal relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Company's Corporate Governance Code which is available on the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

OTHER INFORMATION FOR SHAREHOLDERS

Key shareholder dates for 2024 are set out in the section of this annual report headed Corporate and Shareholder Information.

RISK GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

It is the responsibility of the Board to ensure that the Cathay Group establishes, maintains and reviews the effectiveness of the risk management and internal control systems. In this endeavour it is supported and advised by the Board Risk Committee, the Board Safety Review Committee and the Audit Committee. The Group Risk Management Policy outlines the Group's approach to risk management, the key roles and responsibilities and the main reporting procedures.

The Group's risk management framework is founded on the principle of "three lines of defence", a commonly used model, and one that is designed to avoid conflict of interest whereby managers review or oversee their own activities. The three lines of defence operate as follows:

- Business or specialist functions that are directly involved in business management activities or executive decision making are classified as First Line.
- Functions that oversee, advise and support the First Line in managing the risks associated with those activities are considered Second Line.
- Group Internal Audit, which provides independent and objective assurance and advice to the Board as to the effectiveness of the Group's risk management and internal controls, is classified as Third Line.

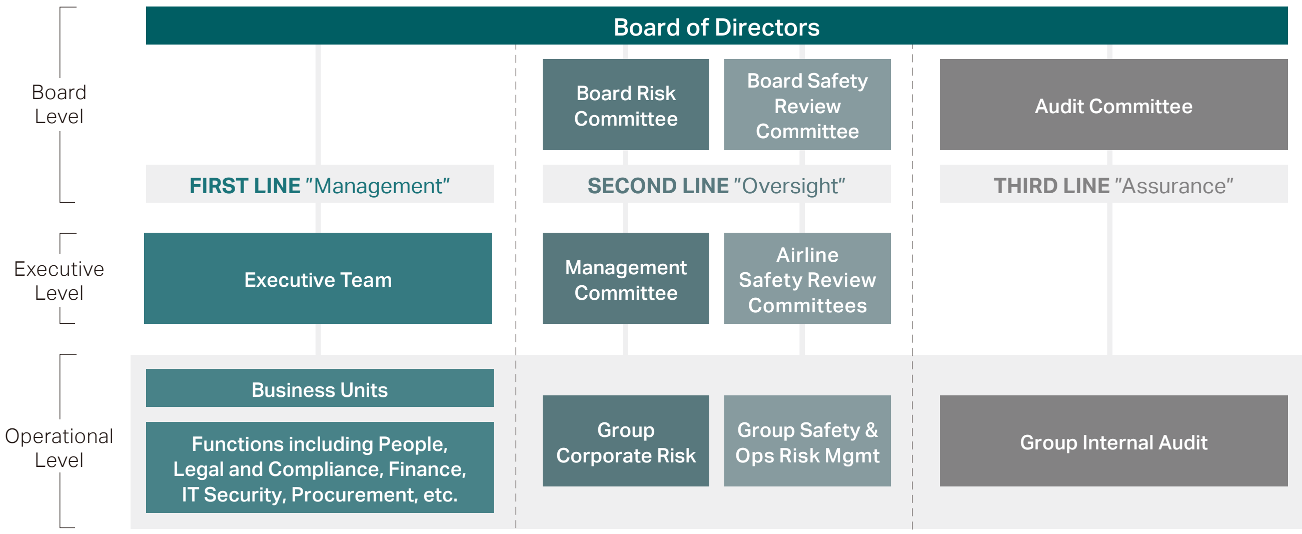
The two core principles of the risk management framework are:

(a) The Board has overall responsibility for the systems, processes and conduct of risk management. The Board's responsibilities in this regard have been defined as ensuring that: material risks have been identified, defined and prioritised; reasonable steps have been taken or plans are in place to mitigate these risks and their impacts to an acceptable level; and that a sound risk culture is in place.

(b) The First Line is responsible for managing risks. The risk management function is expected to engage fully to support them, providing ideas, expertise and advice and in particular, to ensure that the First Line takes decisions objectively and in full possession of all relevant information.

The application of the three lines of defence model within the Group's risk governance framework is shown in Fig. 1 below.

FIG. 1 RISK GOVERNANCE OVERVIEW



Note: It is recognised that Legal and Compliance sits between first and second lines; for practical purposes they are included in the first line.

The Group's risk management function sits in the Second Line and comprises two parallel pillars focusing on safety and security risks in operations, and corporate risks.

Safety and Security Risks	Corporate Risks
• **Board Safety Review Committee (BSRC)** is charged with keeping under review all matters concerned with the safe operation, in the aircraft and on the ground, of any aircraft of which Cathay Pacific or an airline subsidiary is the operator. The BSRC considers reports of significant incidents concerning safety (including people safety) or security. They also make sure that appropriate remedial action is taken or appropriate recommendations implemented where required. Each quarter, the Chair of the BSRC provides the Board with a report on the state of the safety management systems operating across the Group. • **Airline Safety Review Committee (ASRC)**, chaired by the Chief Executive Officer, convenes each month and reports to the BSRC. The ASRC reviews the airline's safety performance for the purposes of directing both reactive and proactive safety actions to be undertaken by its members. The ASRC is responsible to the Chief Executive Officer for ensuring that appropriate group-wide safety, health and security related risk management strategies, systems, policies, processes and controls are implemented, managed, monitored and maintained at all times. • **Group Safety & Operational Risk Management (GSORM) department** is headed by the General Manager GSORM, who reports directly to the Chief Executive Officer. GSORM is responsible for maintaining an effective Safety Management System ("SMS"), facilitating operational and people safety risk identification and analysis activities, and monitoring mitigation actions. GSORM provides oversight of the safety, security, and audit programmes of Cathay Pacific.	• **Board Risk Committee (BRC)** is charged with supporting the Board in its responsibility for risk management within the Group, focusing on risks not related to safety and security arising from the operations of the Group. In particular, the BRC is responsible for overseeing the ongoing implementation and development of the Group's risk management framework and assessing its effectiveness. Each quarter, the Chair of the BRC provides the Board with a report on the state of the risk management framework and the general activities of the BRC. • **Management Committee (MANCOM)**, an executive committee, is established to assist the Chief Executive Officer in delivering the Company's strategies and objectives. It oversees and manages the implementation of the Company's risk management framework and consider top risks to achieving the Company's goals. At the monthly MANCOM meetings the Chief Risk Officer reports on the risk profile and mitigation of the Group's top risks. In addition, MANCOM has a periodic focus on the management of key emerging risks. • **Group Corporate Risk (GCR) department** is headed by the Chief Risk Officer reporting to the Chief Executive Officer. GCR's function is to facilitate the implementation of the Group Risk Management Policy and acts as an independent oversight function on its effectiveness. It has specific responsibility for developing, maintaining and ensuring the effectiveness of the risk management framework.

RISK MANAGEMENT PROCESSES

(a) Safety and Security Risks

The safety risk management process involves the identification of hazards or threats (including risk associated with changes to the organisation or operations), the adverse events they may lead to, their potential consequences (expressed as risk, in terms of severity and likelihood), and the implementation of risk controls or mitigations to reduce risk to as low as reasonably practicable. This process includes input from various stakeholders and a plan or schedule for the implementation of further risk controls, mitigations and/or monitoring intervals to assess ongoing efficacy.

A risk rating is assigned to identified risks, signalling the degree of urgency required to address the risk and the subsequent level of management or governance responsibility.

A fundamental component of the SMS are the eight Safety Actions Groups (including Review Committees) which meet on a monthly basis. They report to the ASRC on matters regarding operational and people safety, including identified risks and escalation items. During regular operational safety risk reviews, each operational Safety Action Group conducts a full risk review of their respective areas and presents these risks directly to the ASRC. In addition to this continuous review, a consolidated operational & occupational safety risk summary is presented to the BSRC on a quarterly basis, this summary details top safety and security risks, their mitigation actions, ownership and governance processes.

This ensures that significant hazards and risks arising from the Safety Action Groups and the SMS are subject to regular review by senior operations and airline management. Such reviews ensure that appropriate corrective and preventive actions are implemented and monitored for effectiveness in preventing safety occurrences from taking place.

(b) Corporate Risks

The management of corporate risks is conducted in three stages: identification, assessment and mitigation.

Identification: Risk identification is undertaken through a combination of top-down and bottom-up assessments. To assist with the risk identification process, a risk taxonomy, which is a generic set of risk categories, is developed to act as foundation for a holistic review of the different corporate risks that may occur.

Top-down assessment seeks to identify the biggest risks facing the Group and normally takes the form of cross-departmental risk identification workshops and regular discussions with management of the business. Through the top-down assessment, with the support of and oversight from GCR, the Group's risk register for its top 30 risks is drawn up which is used by management to prioritise risk management activities. The risk register is regularly monitored by GCR, and is updated and reported to the MANCOM monthly and BRC quarterly.

Bottom-up assessment seeks to identify risks facing each of Cathay Pacific's lines of business, operational and service delivery departments, corporate functions, regions and subsidiaries that may impact the ability of the business units to achieve their goals and targets. With GCR's facilitation, bottom-up risk registers are developed and monitored by the respective business units, and oversight of these risk registers lies with the respective business units and are only reported to the BRC and/or MANCOM as necessary.

Assessment: Each of the top 30 corporate risks are evaluated and assessed by subject matter experts within the First Line business units through risk deep dives supported by GCR. The deep dive process includes determining the root causes and consequences of the risk, its impact on the Group's strategic objectives, the Group's vulnerability to the risk, existing controls in place to manage the risk and management's assessment over their effectiveness.

Each top corporate risk has a "risk owner" from the First Line who has overall accountability for managing the risk. GCR monitors the top corporate risks regularly and engages with the risk owners as appropriate to ensure the risks are reviewed and assessed dynamically.

Mitigation: As part of the risk deep dive exercise, mitigation measures are also considered that might reduce either impact and/or vulnerability. A programme of mitigation measures are agreed and packaged into a recommended action plan which is put to management for approval. The action plan is monitored as part of the risk management process with progress reported to the BRC. Through this approach the Board and management can see tangible improvements in systems and processes resulting from this process.

Improvements are also reflected in risk scores as action plans are delivered.

Areas of the business particularly susceptible to top corporate risks, and controls which are considered critical to the mitigation of these major risks, are also prioritised for review as part of the Group's internal audit plan which is prepared in conjunction with the Group's risk management activities.

Environmental Social and Governance ("ESG") risks: A specific taxonomy has been developed to holistically identify and manage ESG risks across the Group. The assessment of ESG risks is integrated with the wider top-down and bottom-up risk identification and management processes as described above. A formal assessment on ESG risks is reported at least annually to the BRC.

Oversight and Reporting of the Risk Management Framework

The structure, conduct and conclusions of the Group's risk management activities including mitigation measures and action plans are subject to review by both the MANCOM and BRC. The Chair of the BRC reports on these activities to the Board as a standing agenda item.

AREAS OF FOCUS IN 2023

(a) Safety and Security Risks

During this year the focus remained on the continuous improvement of risk identification, analysis and mitigation strategies. Post-pandemic, ensuring a safe airline recovery also remained a significant focus of the Safety Management System, this included thorough safety and security risk assessments of port restarts as well as a strong audit focus to ensure external suppliers and other agencies were adequately resourced and functioning to Cathay Pacific's high standards.

The increasing instability in geopolitics, such as the ongoing military actions in Ukraine and more recently escalations in conflict in the Middle East, remains an area of constant vigilance – both from an airport and people security perspective, as well as in ensuring our global route networks overflight security is not compromised.

(b) Corporate Risks

In 2023, focus was on continuous monitoring the top corporate risks and tracking of risk mitigation actions to ensure timely completion. During this post-pandemic period, a review was undertaken on the Group's preparedness to deliver capacity commitments and maintain service levels expected of a premium carrier. A refresh was also conducted on the top financial risks facing the business.

As the regulatory landscape continues to evolve quickly, including the various sanctions regimes and China's Personal Information Protection Law, assessments were conducted to understand the potential implications of these new regulations on the Group's operations and the Group's preparedness in complying with them.

The year of 2023 had seen rapid developments and innovation in the technology sector, with artificial intelligence dominating the scene. With Cathay's vision to become a digital leader, deep dives were conducted to improve the adequacy of Cathay's governance over the responsible and ethical use of artificial intelligence and other advanced technologies. In addition, the management of cybersecurity and resilience of IT systems were also reviewed.

Progress has been made to enhance the supplier and third party risk management framework and develop a holistic third party risk universe for assessing and monitoring third party risks. Processes for third party due diligence, onboarding and ongoing monitoring processes continue to be enhanced to improve the robustness of these processes and the Company's overall resilience against third party risks.

To improve risk awareness across the organisation, the Risk Master Class series was introduced and made available on the Company's intranet. These Risk Master Classes cover topics from basic risk methodologies to key emerging risk matters, to help the business understand the risks and opportunities involved in their day to day activities.

A risk tool had been rolled out to facilitate management and monitoring of the top risks. In addition, a network of Risk Champions, with representatives from different business units and regions across the organisation, was also established, so as to better embed risk management and strengthen risk culture within the business.

KEY RISK MANAGEMENT AREAS

The Group is exposed to a broad range of risks. The following deals with the principal risks facing the Group.

(a) Risks arising from the rapid ramp-up of operations

As the business emerges from the Covid-19 pandemic, it is subject to risks relating to the ramp-up of operations in Hong Kong and around the world. These stem from sources such as workforce capacity in view of global labour shortage in the aviation sector, timely reactivation of aircraft, and management of third parties across the supply chain globally to deliver services.

The Group closely monitors market demand and capacity it is able to offer as the external business environment evolves. Safety assessment continues to remain the cornerstone of the ramp-up and rebuild efforts.

(b) Risks arising from workforce capacity and capability

Aviation is a very specialised industry. The Group requires experts and highly-trained professionals, both in the front line and in the back office, to support the airlines' business and operations. Fierce competition for talent, especially with global labour shortage in the aviation and travel sector, could negatively impact the Group's long term growth plans.

The Group monitors its workforce capacity and capability requirements on an ongoing basis. Established workforce and succession plans and employee wellbeing strategies are in place. Workforce-related issues are being monitored by the management team.

(c) Risks arising from changes in macroeconomic conditions

The Group's business is dependent on global economic conditions. Periods of significantly reduced economic activity, increased unemployment and reduced consumer spending could result in passengers choosing to reduce travel. The economic environment could also create volatility in foreign exchange and interest rates.

The Group maintains a diverse portfolio of businesses which includes premium service Cathay Pacific, low-cost carrier HK Express, Cargo and Lifestyle, each with specialised teams to maximise business opportunities at any given time. Global economic conditions and their potential impact on demand are considered by the management team in determining future plans for the business.

For financial and market risks relating to currency and interest rates, please refer to the Financial Risk Management section under the Notes to the Financial Statements.

(d) Risks arising from the geopolitical, legal and regulatory environment

As an international airline, the business is subject to risk from any actual or potential political events (including war, terrorism, social unrest etc.). These may lead to closure or restriction of access to airspace or airports, and cause a reduction in passenger and cargo traffic. For example, the conflicts between Russia and Ukraine and in the Middle East contribute to an increase in the price of commodities and volatility in the global economy and financial markets. The Group's operations are also affected by tensions between major economies, the ongoing trade discussions, and imposition of sanctions and other trade restrictions. This in turn affects revenue and may adversely affect financial performance, and also increases the cost of compliance.

The aviation industry is highly regulated. Failure to comply with applicable laws or regulations may result in loss, penalty and reputational damage to the Group.

The geopolitical environment and its potential impacts on the business continues to be closely monitored by the management team. Overflying risk is closely monitored across all regions in which the Group flies and conservative safety margins are factored into day-to-day flight planning.

Changes in the legal and regulatory environment within which the business operates are tracked and programmes are in place to comply with relevant obligations.

(e) Risks arising from the competitive environment

The airline business is highly competitive, especially in Cathay Pacific's home base of Hong Kong. Competition for passengers and cargo impacts yields, puts pressure on revenues and may adversely affect financial performance. As an aviation hub, Hong Kong International Airport competes for traffic with other airports, particularly in the Greater Bay Area, the wider Asia region and the Middle East, and the loss of traffic to those airports may adversely affect the Group's business.

The Group continues to invest in all its lines of business to differentiate itself as one of the world's greatest service brands. These include initiatives to invest in products to enhance customer experience, manage the cost base to remain competitive, and improve agility in responding to changes in the external business environment.

(f) Risks arising from climate change

Airlines are more exposed to transition risk, which refers to the potential financial impacts on companies as a result of the shift towards a low-carbon economy and the implementation of policies and regulations to address climate change. Impact of physical risk to airlines is mainly related to effect on its operation as a result of potential damage to property and infrastructure or personal injury from extreme weather events and sea level rise caused by climate change.

At Cathay Group, a sustainable development strategy is in place and climate change considerations are incorporated in key business decisions. The Group has committed to achieve net zero carbon emissions by 2050, supported with a near term target to use 10% Sustainable Aviation Fuel by 2030. Meeting these targets would help reduce our impact on the environment while mitigating our transition risk. The Group also conducts an ongoing review on climate resilience to understand and manage the associated physical risks.

(g) Risks arising from a significant movement in jet fuel prices

Higher jet fuel prices would result in a higher overall cost base as fuel is one of the key components of the operating expenses for the Group. As such, a spike in the cost of fuel could translate into higher airfares which would impact travel and cargo demand. Further details about fuel price risk and the Group's approach to monitoring and mitigating the risk can be found in the Financial Risk Management section under the Notes to the Financial Statements.

(h) Risks arising from disruption of IT services

Reliance on IT services for core operational and customer processes continues to increase throughout the business. As such, core business operations could be at risk of disruption if IT services are not adequately resilient.

Programmes are in place to continually review and improve the IT infrastructure. Business Continuity and Disaster Recovery plans are in place to make sure resilience controls continue to operate effectively. The business also works closely with third party suppliers who provide infrastructure that are critical to the business to make sure resilience arrangements are adequate.

(i) Risks arising from unauthorised access to IT systems

Risks from cyberattacks continue to be on the increase globally and across all industries as malicious actors seek to exploit any weaknesses in the IT security environment. The Group's operations rely on sophisticated IT systems, and its business carries a significant volume of customer and employee data within its systems. Any unauthorised access to these systems could cause disruptions to operations or put such personal data at risk.

The Group continues to enhance its cyber security maturity by investing in people, processes and technologies that strengthens its detection and response capabilities to these new threats from cyber criminals, third parties and hackers. A robust Privacy & Data Protection programme is in place that includes policies, procedures, manuals, guides and controls to protect personal data.

(j) Risks arising from emerging technologies

Technological advancements such as artificial intelligence (AI), machine learning and robotic process automation present valuable opportunities for innovation, thereby enhancing customer and employee experience and also operational efficiency to improve business performance. Lagging behind in adopting new technologies may hinder Cathay's vision to become one of the world's greatest service brands and a digital leader.

The Digital Leadership Group, chaired by the Chief Executive Officer, has been established to define the overall vision and strategy for the deployment of AI and advanced technologies and continuously monitor the market to identify opportunities suitable for the Company. A governance mechanism has been established to oversee the responsible and ethical use of AI and other advanced technologies.

(k) Risks arising from prolonged disruption events

Prolonged global or regional disruption events have the potential to create operational challenges and put strain on the balance sheet. An effective risk management framework has been established to respond to disruption events and sustain operations in the event of a significant drop in revenue over a prolonged period. The Group maintains and adheres strictly to an established Cash Management Policy, which includes a target liquidity balance. The Group has continued to maintain a healthy cash position. This is continuously monitored by the Finance Committee and the Board.

To the members of
Cathay Pacific Airways Limited

(Incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Cathay Pacific Airways Limited and its subsidiaries (together "the Group") set out on pages 79 to 153, which comprise the consolidated statement of financial position as at 31st December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ASSESSING IMPAIRMENT OF GOODWILL

Refer to accounting policies 2 and 7 and note 9 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of the Group's goodwill arising from business combinations amounted to HK$11,615 million as at 31st December 2023. Where indicators of impairment of the Group's cash-generating units ("CGUs") are identified, management performs an impairment assessment of the CGU by comparing the carrying value of each CGU with its recoverable amount, which is the higher of its fair value less costs of disposal and value in use based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves estimating future cash flows and discount rates. In addition, for CGUs containing goodwill, an impairment assessment is performed at least annually even if there is no indicator of impairment. We identified the assessment of impairment of goodwill as a key audit matter because of the significance of the carrying value of such assets to the consolidated financial statements and because the preparation of discounted cash flow forecasts involves estimating future cash flows and discount rates which are subject to a significant degree of judgement and could be subject to management bias.	Our audit procedures to assess the impairment of goodwill included the following: • meeting with management and reviewing board minutes and other papers to understand the Group's latest operating plans; • assessing management's identification of the Group's CGUs and the allocation of assets to the CGUs for the purpose of impairment assessment; • assessing whether management had performed impairment testing in accordance with the requirements of the prevailing accounting standards; • involving our internal valuation specialists to assess the methodology and significant assumptions including discount rates adopted by management in its impairment assessments; • evaluating the assumptions adopted in the preparation of the discounted cash flow forecasts, including projected future growth rates for income and expenses and discount rates; • performing sensitivity analyses on the key assumptions, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow forecasts and assessing whether there were any indicators of management bias in the selection of these assumptions.

REVENUE RECOGNITION

Refer to accounting policies 18 and 19 and notes 1 and 19 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
Passenger and cargo sales are recognised as revenue when the related transportation service is provided. The value of the sales for which the related transportation service has not yet been provided at the end of the reporting period, adjusted for breakage, is recorded as a contract liability. The value attributed to programme awards under the Group's customer loyalty programme, Asia Miles, is recognised as a contract liability. This arises as members of the programme accumulate Asia Miles by travelling on the Group's flights or when the Group sells Asia Miles to participating partners in the programme. The amount is subsequently recognised as income when the related goods or services are provided subsequent to the redemption of the Asia Miles. Management allocates the amount received in relation to mileage earning flights, based on stand-alone selling price, between the flight and Asia Miles earned by members of the programme. The Group maintains sophisticated information technology ("IT") systems in order to track the point of service provision for each sale and also to track the issuance and subsequent redemption and utilisation of Asia Miles. We identified revenue recognition as a key audit matter because revenue is one of the Group's key performance indicators and it involves complicated IT systems and allocation of revenue between flights and Asia Miles, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess revenue recognition included the following: • assessing the design, implementation and operating effectiveness of management's general IT controls and key application controls over the Group's IT systems which govern revenue recognition, including access controls, controls over programme changes, interfaces between different systems and key manual internal controls over revenue recognition; • performing substantive analytical procedures on passenger and cargo revenue by developing an expectation using independent inputs and information generated from the Group's IT systems and comparing such expectations with recorded revenue; • inspecting underlying documentation for revenue related journal entries which met specified risk-based criteria; • assessing management's estimate of the unit stand-alone selling price of Asia Miles and the allocation of the amount received in relation to mileage earning flights between the flight and contract liability attributable to Asia Miles earned by members; • inspecting contracts with major partners of the Asia Miles programme to assess if there were any terms and conditions that may have affected the accounting treatment of the related Asia Miles.

HEDGE ACCOUNTING

Refer to accounting policy 10 and notes 11, 13, 16, 18, 22 and 29 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group enters into derivative financial instrument contracts in order to manage its exposure to fuel price risk, foreign currency risk and interest rate risk, which arise during the normal course of its business. Hedge accounting under HKFRS 9 is applied to a majority of these arrangements, and related contracts gave rise to derivative financial assets of HK$298 million and derivative financial liabilities of HK$626 million as at 31st December 2023. We identified hedge accounting (including the valuation of hedging instruments) as a key audit matter because hedge accounting can be complex and the Group has entered into a large number of derivative contracts and designated them as hedging instruments, necessitating a sophisticated system to record and track each hedging relationship. In addition, the valuation of hedging instruments can involve a significant degree of both complexity and management judgement, and hence is subject to an inherent risk of error.	Our audit procedures to assess hedge accounting included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over derivative financial instruments and the application of hedge accounting; • obtaining written confirmations from contract counterparties for derivative financial instruments that existed at the reporting date on a sample basis; • inspecting management's hedge documentation and contracts, on a sample basis, for the purpose of assessing whether the designation of hedging relationships was in accordance with the requirements of the prevailing accounting standards; • re-performing calculations of hedge effectiveness on a sample basis; • engaging our financial instruments valuation specialists to re-perform year end valuations of derivative financial instruments on a sample basis and compare these valuations with those recorded by the Group.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit Roy.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

13th March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31st December 2023

	Note	**2023 HK$M**	2022 (restated)* HK$M	**2023 US$M**	2022 (restated)* US$M
Revenue					
Passenger services		**61,437**	14,333	**7,876**	1,838
Cargo services		**25,606**	30,554	**3,283**	3,917
Other services and recoveries		**7,442**	6,149	**954**	788
Total revenue		**94,485**	51,036	**12,113**	6,543
Expenses					
Staff		**(14,785)**	(10,646)	**(1,896)**	(1,365)
Inflight service and passenger expenses		**(3,026)**	(694)	**(388)**	(89)
Landing, parking and route expenses		**(11,190)**	(5,590)	**(1,435)**	(717)
Fuel, including hedging gains		**(24,989)**	(10,488)	**(3,204)**	(1,345)
Aircraft maintenance		**(7,357)**	(3,206)	**(943)**	(411)
Aircraft depreciation and rentals		**(9,860)**	(9,884)	**(1,264)**	(1,267)
Other depreciation, amortisation and rentals		**(2,578)**	(2,544)	**(331)**	(326)
Others		**(7,701)**	(4,513)	**(986)**	(578)
Operating expenses		**(81,486)**	(47,565)	**(10,447)**	(6,098)
Operating profit before non-recurring items		**12,999**	3,471	**1,666**	445
Gain on deemed partial disposal of an associate	*2*	**1,929**	–	**247**	–
Net reversal of impairment and other gains or charges		**197**	–	**26**	–
Operating profit	*3*	**15,125**	3,471	**1,939**	445
Finance charges		**(3,961)**	(3,074)	**(507)**	(394)
Finance income		**1,228**	165	**157**	21
Net finance charges	*4*	**(2,733)**	(2,909)	**(350)**	(373)
Share of losses of associates		**(1,534)**	(6,677)	**(197)**	(856)
Profit/(loss) before taxation		**10,858**	(6,115)	**1,392**	(784)
Taxation	*5*	**(1,068)**	(507)	**(137)**	(65)
Profit/(loss) for the year		**9,790**	(6,622)	**1,255**	(849)
Profit/(loss) for the year attributable to					
Ordinary shareholders of the Cathay Group		**9,067**	(7,237)	**1,162**	(928)
Preference shareholder of the Cathay Group	*21*	**722**	614	**93**	79
Non-controlling interests		**1**	1	**–**	–
Profit/(loss) for the year		**9,790**	(6,622)	**1,255**	(849)
Underlying profit/(loss) attributable to shareholders of the Cathay Group^		**7,663**	(6,623)	**982**	(849)
Earnings/(loss) per ordinary share					
Basic	*6*	**140.8¢**	(112.4)¢	**18.1¢**	(14.4)¢
Diluted	*6*	**125.8¢**	(112.4)¢	**16.1¢**	(14.4)¢

* *Background and details of 2022 restatement can be found in material accounting policy 1(b).*

^ *The underlying profit/(loss) was calculated excluding non-recurring items, which included a deemed partial disposal gain of HK$1,929 million and a total of HK$197 million in net reversal of impairment loss and other gains or charges.*

The financial statements are prepared and presented in HK$, the functional currency of Cathay Pacific. The US$ figures are shown only as supplementary information and are translated at US$1:HK$7.8.

The notes on pages 84 to 139 and the material accounting policies on pages 140 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2023

	Note	2023 HK$M	2022 (restated)* HK$M	2023 US$M	2022 (restated)* US$M
Profit/(loss) for the year		**9,790**	(6,622)	**1,255**	(849)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Cash flow hedges		**(1,201)**	(707)	**(154)**	(90)
Share of other comprehensive income of associates		**(252)**	227	**(32)**	29
Exchange differences on translation of foreign operations		**(555)**	(1,442)	**(71)**	(185)
Items that are or may not be reclassified subsequently to profit or loss:					
Defined benefit plans		**157**	108	**20**	14
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**(2)**	(4)	**–**	(1)
Other comprehensive loss for the year, net of taxation	*7*	**(1,853)**	(1,818)	**(237)**	(233)
Total comprehensive income/(loss) for the year		**7,937**	(8,440)	**1,018**	(1,082)
Total comprehensive income attributable to					
Ordinary shareholders of the Cathay Group		**7,214**	(9,055)	**925**	(1,161)
Preference shareholder of the Cathay Group	*21*	**722**	614	**93**	79
Non-controlling interests		**1**	1	**–**	–
		7,937	(8,440)	**1,018**	(1,082)

* *Background and details of 2022 restatement can be found in material accounting policy 1(b).*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2023

	Note	**2023** **HK$M**	2022 (restated)* HK$M	**2023** **US$M**	2022 (restated)* US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	*8*	**116,088**	118,855	**14,883**	15,238
Intangible assets	*9*	**14,539**	14,800	**1,864**	1,898
Investments in associates	*10*	**16,046**	16,492	**2,057**	2,114
Other long-term receivables and investments	*11*	**3,608**	3,297	**463**	423
Deferred tax assets	*15*	**1,085**	1,134	**139**	145
		151,366	154,578	**19,406**	19,818
Interest-bearing liabilities	*12*	**(57,771)**	(62,463)	**(7,407)**	(8,008)
Other long-term payables	*13*	**(2,810)**	(2,841)	**(360)**	(365)
Other long-term contract liabilities	*19*	**(252)**	(282)	**(33)**	(36)
Deferred tax liabilities	*15*	**(7,756)**	(8,117)	**(994)**	(1,041)
		(68,589)	(73,703)	**(8,794)**	(9,450)
Net non-current assets		**82,777**	80,875	**10,612**	10,368
Current assets and liabilities					
Stock		**967**	1,137	**124**	146
Trade and other receivables	*16*	**6,252**	6,921	**801**	887
Assets held for sale		**–**	1	**–**	–
Liquid funds	*17*	**15,530**	18,277	**1,991**	2,343
		22,749	26,336	**2,916**	3,376
Interest-bearing liabilities	*12*	**(10,523)**	(14,643)	**(1,349)**	(1,877)
Trade and other payables	*18*	**(17,238)**	(11,199)	**(2,210)**	(1,436)
Contract liabilities	*19*	**(15,223)**	(13,537)	**(1,951)**	(1,735)
Taxation		**(2,509)**	(4,023)	**(322)**	(516)
		(45,493)	(43,402)	**(5,832)**	(5,564)
Net current liabilities		**(22,744)**	(17,066)	**(2,916)**	(2,188)
Total assets less current liabilities		**128,622**	137,512	**16,490**	17,630
Net assets		**60,033**	63,809	**7,696**	8,180
CAPITAL AND RESERVES					
Share capital	*20*	**28,828**	48,322	**3,696**	6,195
Reserves	*22*	**31,198**	15,481	**3,999**	1,984
Funds attributable to the shareholders of the Cathay Group		**60,026**	63,803	**7,695**	8,179
Non-controlling interests		**7**	6	**1**	1
Total equity		**60,033**	63,809	**7,696**	8,180

* *Background and details of 2022 restatement can be found in material accounting policy 1(b).*

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Patrick Healy
Director
Hong Kong, 13th March 2024

John Harrison
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December 2023

	Note	**2023 HK$M**	2022 HK$M	**2023 US$M**	2022 US$M
Operating activities					
Cash generated from operations	*23*	**32,148**	21,386	**4,122**	2,742
Interest received		**737**	129	**94**	17
Interest paid		**(3,364)**	(2,432)	**(431)**	(313)
Tax paid		**(3,113)**	(1,247)	**(399)**	(160)
Net cash inflow from operating activities		**26,408**	17,836	**3,386**	2,286
Investing activities					
Net decrease/(increase) in liquid funds other than cash and cash equivalents		**3,873**	(183)	**497**	(23)
Proceeds from sales of property, plant and equipment		**222**	50	**28**	6
Net increase in other long-term receivables and investments		**(57)**	(17)	**(7)**	(2)
Payments for property, plant and equipment and intangible assets		**(6,801)**	(3,729)	**(872)**	(478)
Dividends received		**66**	1,096	**8**	140
Repayment of loan to associates		**29**	23	**4**	3
Net cash outflow from investing activities		**(2,668)**	(2,760)	**(342)**	(354)
Financing activities					
New financing	*12*	**4,654**	6,115	**596**	784
Loan and lease repayments	*12*	**(16,386)**	(22,351)	**(2,101)**	(2,865)
Initial cash benefit from lease arrangements		**273**	–	**35**	–
Preference shares redemption	*20*	**(9,750)**	–	**(1,250)**	–
Dividends paid – preference shares		**(1,969)**	–	**(252)**	–
Net cash outflow from financing activities		**(23,178)**	(16,236)	**(2,972)**	(2,081)
Net increase/(decrease) in cash and cash equivalents		**562**	(1,160)	**72**	(149)
Cash and cash equivalents at 1st January		**7,340**	8,573	**941**	1,099
Effect of exchange differences		**(8)**	(73)	**(1)**	(9)
Cash and cash equivalents at 31st December	*17*	**7,894**	7,340	**1,012**	941

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2023

	Attributable to the shareholders of the Cathay Group									
	Share capital HK$M	Preference shares reserve HK$M	Convertible bond reserve HK$M	Retained profit HK$M	Investment revaluation reserve (non-recycling) HK$M	Cash flow hedge reserve HK$M	Others HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
At 1st January 2023 (restated)*	**48,322**	**–**	**526**	**13,209**	**(157)**	**1,467**	**436**	**63,803**	**6**	**63,809**
Profit for the year	**–**	**–**	**–**	**9,789**	**–**	**–**	**–**	**9,789**	**1**	**9,790**
Other comprehensive income	**–**	**–**	**–**	**157**	**(2)**	**(1,201)**	**(807)**	**(1,853)**	**–**	**(1,853)**
Total comprehensive income for the year	**–**	**–**	**–**	**9,946**	**(2)**	**(1,201)**	**(807)**	**7,936**	**1**	**7,937**
Convertible bond conversion	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
Proposed capital reduction	**(19,500)**	**19,500**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Redeemed preference shares	**–**	**(9,750)**	**–**	**–**	**–**	**–**	**–**	**(9,750)**	**–**	**(9,750)**
Dividend – preference shares	**–**	**–**	**–**	**(1,969)**	**–**	**–**	**–**	**(1,969)**	**–**	**(1,969)**
At 31st December 2023	**28,828**	**9,750**	**526**	**21,186**	**(159)**	**266**	**(371)**	**60,026**	**7**	**60,033**
At 1st January 2022	48,322	–	526	19,724	(153)	2,174	1,651	72,244	5	72,249
Loss for the year (restated)*	–	–	–	(6,623)	–	–	–	(6,623)	1	(6,622)
Other comprehensive income	–	–	–	108	(4)	(707)	(1,215)	(1,818)	–	(1,818)
Total comprehensive income for the year (restated)	–	–	–	(6,515)	(4)	(707)	(1,215)	(8,441)	1	(8,440)
At 31st December 2022 (restated)*	48,322	–	526	13,209	(157)	1,467	436	63,803	6	63,809

* *Background and details of 2022 restatement can be found in material accounting policy 1(b).*

The notes on pages 84 to 139 and the material accounting policies on pages 140 to 153 form part of these financial statements.

1. SEGMENT INFORMATION

(a) Segment results

	2023					
	Cathay Pacific HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	84,687	5,603	3,447	748		94,485
Inter-segment sales	653	–	7	3,110		3,770
Segment revenue	85,340	5,603	3,454	3,858		98,255
Segment profit/(loss), before non-recurring items	11,588	850	924	(363)	–	12,999
Gain on deemed partial disposal of an associate	1,929	–	–	–	–	1,929
Net reversal of impairment and other gains or charges	197	–	–	–	–	197
Segment profit/(loss)	13,714	850	924	(363)	–	15,125
Net finance (charges)/income	(1,546)	(360)	8	(835)	–	(2,733)
	12,168	490	932	(1,198)	–	12,392
Share of losses of associates	–	–	–	–	(1,534)	(1,534)
Profit/(loss) before taxation	12,168	490	932	(1,198)	(1,534)	10,858
Taxation	(827)	(57)	(154)	(2)	(28)	(1,068)
Profit/(loss) for the year	11,341	433	778	(1,200)	(1,562)	9,790
Non-controlling interests	–	–	–	(1)	–	(1)
Profit/(loss) attributable to the shareholders of the Cathay Group	11,341	433	778	(1,201)	(1,562)	9,789
Other segment information						
Depreciation and amortisation	10,931	745	6	642		12,324
Purchase of property, plant and equipment and intangible assets	8,893	121	–	57		9,071

1. SEGMENT INFORMATION (continued)

	2022					
	Cathay Pacific HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	45,899	692	3,541	904		51,036
Inter-segment sales	483	–	5	1,545		2,033
Segment revenue	46,382	692	3,546	2,449		53,069
Segment profit/(loss) (restated)	4,447	(1,251)	927	(652)	–	3,471
Net finance (charges)/income	(1,991)	(389)	2	(531)	–	(2,909)
	2,456	(1,640)	929	(1,183)	–	562
Share of losses of associates	–	–	–	–	(6,677)	(6,677)
Profit/(loss) before taxation (restated)	2,456	(1,640)	929	(1,183)	(6,677)	(6,115)
Taxation	(1,022)	271	(153)	13	384	(507)
Profit/(loss) for the year (restated)	1,434	(1,369)	776	(1,170)	(6,293)	(6,622)
Non-controlling interests	–	–	–	(1)	–	(1)
Profit/(loss) attributable to the shareholders of the Cathay Group (restated)	1,434	(1,369)	776	(1,171)	(6,293)	(6,623)
Other segment information						
Depreciation and amortisation	10,755	744	5	685		12,189
Purchase of property, plant and equipment and intangible assets	6,958	64	2	60		7,084

(i) Cathay Pacific provides full service international passenger and cargo air transportation. Management considers that there is no suitable basis for allocating operating results between passenger and cargo operations. Accordingly these operations are not disclosed as separate business segments.

(ii) HK Express is a low cost passenger carrier offering scheduled services within Asia.

(iii) Air Hong Kong provides express cargo air transportation offering scheduled services within Asia.

(iv) Airline services represent our supporting airline operations including catering, cargo terminal operations, ground handling services and commercial laundry operations.

(v) Associates represent the share of results from associates held by the Group under the equity method.

The composition of reportable segments of the Group is determined according to the nature of the business, and is aligned with financial information provided regularly to the Group's executive management.

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 "Revenue from Contracts with Customers" to its sales contracts such that the Group does not disclose the amount of the transaction price allocated to the remaining performance obligations when the performance obligation is part of a contract that has an original expected duration of one year or less.

1. SEGMENT INFORMATION (continued)

(b) Geographical information

	2023 HK$M	2022 HK$M
Revenue by origin of sale:		
North Asia		
– Chinese Mainland, Hong Kong and Taiwan	**57,435**	34,456
– Japan and Korea	**3,841**	2,538
Americas	**12,458**	4,476
Europe	**8,248**	2,836
Southeast Asia	**5,758**	4,135
Southwest Pacific	**4,310**	1,218
South Asia, Middle East and Africa	**2,435**	1,377
	94,485	51,036

Analysis of net assets by geographical segment:

The major revenue earning asset is the aircraft fleet, which is registered in Hong Kong and is employed across the Group's worldwide route network. Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, analysis of the Group's assets by geographical regions is not disclosed.

2. GAIN ON DEEMED PARTIAL DISPOSAL OF AN ASSOCIATE

On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate.

A gain on this deemed partial disposal of HK$1,929 million was recorded, principally reflecting the change in the Group's share of net assets in Air China immediately before and after the share issuance.

3. OPERATING PROFIT

	2023 HK$M	2022 HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– right-of-use assets	**4,266**	4,798
– owned	**7,464**	6,761
Amortisation of intangible assets	**594**	630
Reversal of impairment on non-financial assets		
– property, plant and equipment	**(208)**	–
Expenses relating to short-term leases and leases of low-value assets	**9**	16
Covid-19-related rent concessions recognised	**–**	(108)
Loss on disposal of property, plant and equipment, net	**33**	143
Loss on disposal of intangible assets	**1**	9
Cost of stock expensed	**1,300**	662
Exchange differences, net	**162**	293
Auditors' remuneration	**16**	16
Government grants	**(563)**	(1,454)
Dividend income from unlisted equity investments	**(58)**	(90)

4. NET FINANCE CHARGES

	2023 HK$M	2022 HK$M
Net interest charges comprise:		
– lease liabilities stated at amortised cost	**1,497**	1,084
– bank loans and overdrafts		
– wholly repayable within five years	**928**	622
– not wholly repayable within five years	**611**	342
– other borrowings		
– wholly repayable within five years	**594**	666
– not wholly repayable within five years	**331**	315
	3,961	3,029
Income from liquid funds:		
– funds with investment managers and other liquid investments at fair value through profit or loss	**(565)**	(30)
– bank deposits and others	**(571)**	(135)
	(1,136)	(165)
Fair value change:		
– (gains)/losses on financial derivatives	**(92)**	45
	2,733	2,909

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 is net losses from derivatives that are classified as fair value through profit or loss of HK$17 million (2022: net gains of HK$74 million).

5. TAXATION

	2023 HK$M	2022 HK$M
Current tax expenses		
– Hong Kong profits tax	**142**	143
– overseas tax	**133**	463
– (over)/under provisions for prior years	**(166)**	384
Deferred tax		
– origination and reversal of temporary differences (note 15)	**959**	(483)
	1,068	507

Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the year. 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 28(c) to the financial statements).

5. TAXATION (continued)

A reconciliation between tax charge and accounting profit/(loss) at applicable tax rates is as follows:

	2023 HK$M	2022 (restated) HK$M
Profit/(loss) before taxation	**10,858**	(6,115)
Notional tax charge/(credit) calculated at Hong Kong profits tax rate of 16.5% (2022: 16.5%)	**1,792**	(1,009)
Expenses not deductible for tax purposes	**332**	420
Income not subject to tax	**(259)**	(73)
Effect of changes in effective tax rate and jurisdictional differences	**(542)**	849
Tax (over)/under provisions arising from prior years	**(166)**	384
Recognition of tax losses previously not recognised	**(89)**	(64)
Tax charge	**1,068**	507

Further information on deferred taxation is shown in note 15 to the financial statements.

Pillar Two income taxes

The Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. However, there were no new tax laws implementing the Pillar Two model rules that were enacted or substantively enacted by 31st December 2023 in the jurisdictions where the Group operates and has Pillar Two reporting obligations. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Under the legislation, the Group will be liable to pay a top-up tax for the difference between its Global Anti-Base Erosion ("GloBE") effective tax rate per jurisdiction and the 15% minimum rate. The basis of GloBE Income calculation for the aviation industry is subject to further guidance from the OECD. As a result, the quantitative impact of the enacted or substantively enacted legislation cannot yet be reasonably estimated due to the complexities in applying the legislation and calculating GloBE Income. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

6. EARNINGS/(LOSS) PER ORDINARY SHARE

	2023			2022		
	Profit[a] HK$M	**Weighted average number of ordinary shares**	**Per share amount HK cents**	Loss[a] (restated) HK$M	Weighted average number of ordinary shares	Per share amount (restated) HK cents
Basic earnings/(loss) per ordinary share	**9,067**	**6,437,462,747**	**140.8**	(7,237)	6,437,200,203	(112.4)
Effect of dilutive potential ordinary shares[b]						
– Deemed issue of ordinary shares from the exercise of warrants	**–**	**171,574,435**		–	–	
– Convertible bonds and its after tax effect of effective interest	**235**	**786,201,867**		–	–	
Diluted earnings/(loss) per ordinary share	**9,302**	**7,395,239,049**	**125.8**	(7,237)	6,437,200,203	(112.4)

(a) The amounts represent the profit/(loss) attributable to the ordinary shareholders of the Cathay Group, which is the profit/(loss) for the year after non-controlling interests and dividends attributable to the holder of the cumulative preference shares classified as equity.

(b) On 12th August 2020, the Company issued warrants which entitle the holder to subscribe for up to 416,666,666 ordinary shares. On 5th February 2021, the Company issued convertible bonds which entitle the holder to convert up to 786,464,410 ordinary shares. During the year, convertible bonds with a principal amount of HK$6,000,000 were converted into 700,116 ordinary shares. The Company's warrants and convertible bonds as at 31st December 2023 have a dilutive effect on the earnings per ordinary share. The dilutive impact for the year ended 31st December 2023 is presented above.

7. OTHER COMPREHENSIVE LOSS

	2023 HK$M	2022 HK$M
Cash flow hedges		
– gains recognised during the year	**4**	3,011
– gains transferred to profit or loss (note 22)	**(1,326)**	(3,792)
– deferred taxation (note 15)	**121**	74
Share of other comprehensive income of associates		
– recognised during the year	**(252)**	227
Exchange differences on translation of foreign operations		
– losses recognised during the year	**(479)**	(1,442)
– reclassified to profit or loss upon deemed partial disposal	**(76)**	–
Defined benefit plans		
– remeasurement gains/(losses) recognised during the year (note 14)		
– defined benefit retirement schemes	**161**	105
– long service payment obligation	**(6)**	–
– deferred taxation (note 15)	**2**	3
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		
– loss recognised during the year	**(2)**	(4)
Other comprehensive loss for the year	**(1,853)**	(1,818)

8. PROPERTY, PLANT AND EQUIPMENT

	Aircraft and related equipment		Other equipment		Land and buildings			
	Owned HK$M	Right-of-use assets HK$M	Owned HK$M	Right-of-use assets HK$M	Owned HK$M	Right-of-use assets HK$M	Under construction HK$M	Total HK$M
Cost								
At 1st January 2023	**139,032**	**58,524**	**5,339**	**259**	**15,206**	**7,505**	**–**	**225,865**
Additions	**5,581**	**2,852**	**134**	**–**	**89**	**75**	**–**	**8,731**
Disposals	**(1,605)**	**(563)**	**(93)**	**(23)**	**–**	**(55)**	**–**	**(2,339)**
Transfers	**15,380**	**(15,383)**	**3**	**–**	**–**	**–**	**–**	**–**
Other right-of-use asset adjustments	**–**	**89**	**–**	**9**	**–**	**213**	**–**	**311**
At 31st December 2023	**158,388**	**45,519**	**5,383**	**245**	**15,295**	**7,738**	**–**	**232,568**
At 1st January 2022	139,822	60,543	5,359	315	15,191	7,463	20	228,713
Additions	3,275	3,145	47	1	72	137	1	6,678
Disposals	(8,103)	(1,242)	(60)	(60)	(78)	(151)	–	(9,694)
Reclassification to assets held for sale	–	–	(7)	–	–	–	–	(7)
Transfers	4,038	(4,038)	–	–	21	–	(21)	–
Other right-of-use asset adjustments	–	116	–	3	–	56	–	175
At 31st December 2022	139,032	58,524	5,339	259	15,206	7,505	–	225,865
Accumulated depreciation and impairment								
At 1st January 2023	**68,246**	**21,444**	**4,217**	**157**	**9,004**	**3,942**	**–**	**107,010**
Charge for the year	**6,672**	**3,518**	**188**	**39**	**604**	**709**	**–**	**11,730**
Disposals	**(1,322)**	**(562)**	**(92)**	**(23)**	**–**	**(53)**	**–**	**(2,052)**
Reversal of impairment	**(208)**	**–**	**–**	**–**	**–**	**–**	**–**	**(208)**
Transfers	**7,943**	**(7,943)**	**–**	**–**	**–**	**–**	**–**	**–**
At 31st December 2023	**81,331**	**16,457**	**4,313**	**173**	**9,608**	**4,598**	**–**	**116,480**
At 1st January 2022	67,688	21,094	4,095	143	8,441	3,262	–	104,723
Charge for the year	5,937	3,930	186	46	638	822	–	11,559
Disposals	(7,717)	(1,242)	(57)	(32)	(75)	(142)	–	(9,265)
Reclassification to assets held for sale	–	–	(7)	–	–	–	–	(7)
Transfers	2,338	(2,338)	–	–	–	–	–	–
At 31st December 2022	68,246	21,444	4,217	157	9,004	3,942	–	107,010
Net book value								
At 31st December 2023	**77,057**	**29,062**	**1,070**	**72**	**5,687**	**3,140**	**–**	**116,088**
At 31st December 2022	70,786	37,080	1,122	102	6,202	3,563	–	118,855

8. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Right-of-use assets

The Group is the lessee in respect of a number of aircraft and related equipment, land and buildings and other equipment held under leases. Future lease payments are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position in accordance with accounting policies 6 and 9 respectively.

During the year, additions to right-of-use assets were HK$2,927 million (2022: HK$3,283 million), a significant proportion of which is related to the delivery of leased aircraft.

Details of cash outflows and significant non-cash transactions for leases, and the maturity analysis of lease liabilities are set out in notes 24 and 12 to the financial statements, respectively.

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions were met. One of these conditions requires that the reduction in lease payments affect only payments due before 30th June 2022. The eligible rent concessions were accounted for as negative variable lease payments, and were recognised in profit or loss in 2022 in which the event or condition that triggers those payments occurred. There was no such event in 2023.

(i) Aircraft and related equipment

The Group has obtained the right to use aircraft and related equipment through lease arrangements.

The Group held 28 aircraft at 31st December 2023 (2022: 37) under lease arrangements which transfer ownership of the underlying asset to the Group by the end of the lease term or which contain a purchase option that the Group is reasonably certain to exercise. The remaining lease terms ranged from one month to 11 years.

The Group also held 46 aircraft at 31st December 2023 (2022: 49) of which 46 (2022: 48) under lease arrangements which either do not transfer ownership of the underlying asset to the Group by the end of the lease term or which do not contain a purchase option that the Group is reasonably certain to exercise. The remaining lease terms ranged from three months to 10 years. The lease of one aircraft was terminated but remained in the fleet profile as it had not been de-registered in 2022.

Some of the lease payments are partially fixed and partially floating that are generally linked to market rates of interest. The amounts of fixed and floating lease payments are included in the measurement of lease liabilities. There are no other variable lease payments that do not depend on an index or a rate.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M
Aircraft and related equipment	**26,146**	28,683	**4,375**	5,228

(ii) Other equipment

The Group leases other equipment under leases expiring from one to three years. Some leases include an option to renew the lease and none of the leases includes variable lease payments.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Ownership interests in leasehold land held for own use

The Group holds several leasehold land interests for its airline and related businesses, where its airline-related facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of an undivided share in the underlying land. Lump sum payments were made upfront to acquire these land interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leases will expire within 24 years.

(iv) Properties leased for own use

The Group leases other properties under leases expiring from one to 10 years. Some leases include an option to renew the lease and some of the leases include insignificant amounts of variable lease payments.

(b) Advance payments are made to manufacturers for aircraft and related equipment to be delivered in future years. At 31st December 2023 advance payments included in owned aircraft and related equipment amounted to HK$3,231 million (2022: HK$2,964 million). No depreciation is provided on these advance payments.

(c) Security, including charges over the assets concerned, is provided to the leasing companies or other parties that provide the underlying finance. Further information is provided in note 12 to the financial statements.

(d) During the year ended 31st December 2023, no impairment was recognised for the Group's cash generating units and non-financial assets. A reversal of impairment of HK$208 million under Cathay Pacific in connection with three previously impaired aircraft returned to service.

9. INTANGIBLE ASSETS

	Goodwill HK$M	Computer software HK$M	Others HK$M	Total – Intangible assets HK$M	Prepayments HK$M	Total – Intangible assets and related prepayments HK$M
Cost						
At 1st January 2023	**11,654**	**8,751**	**39**	**20,444**	**24**	**20,468**
Additions	**–**	**334**	**–**	**334**	**6**	**340**
Disposals	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
At 31st December 2023	**11,654**	**9,082**	**39**	**20,775**	**30**	**20,805**
At 1st January 2022	11,654	8,425	39	20,118	8	20,126
Additions	–	390	–	390	16	406
Disposals	–	(64)	–	(64)	–	(64)
At 31st December 2022	11,654	8,751	39	20,444	24	20,468
Accumulated amortisation and impairment						
At 1st January 2023	**39**	**5,595**	**32**	**5,666**	**2**	**5,668**
Charge for the year	**–**	**590**	**4**	**594**	**6**	**600**
Disposal	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
At 31st December 2023	**39**	**6,183**	**36**	**6,258**	**8**	**6,266**
At 1st January 2022	39	5,024	28	5,091	–	5,091
Charge for the year	–	626	4	630	2	632
Disposal	–	(55)	–	(55)	–	(55)
At 31st December 2022	39	5,595	32	5,666	2	5,668
Net book value						
At 31st December 2023	**11,615**	**2,899**	**3**	**14,517**	**22**	**14,539**
At 31st December 2022	11,615	3,156	7	14,778	22	14,800

9. INTANGIBLE ASSETS (continued)

Goodwill is allocated to the Group's Cash Generating Units ("CGUs") as follows:

	2023 HK$M	2022 HK$M
Cathay Pacific	**7,884**	7,884
HK Express	**3,616**	3,616
Others	**115**	115
	11,615	11,615

The recoverable amount of each of the Group's CGUs was based on the higher of its fair value less costs of disposal and its value in use ("VIU"). The VIUs of the Group's two principal operating CGUs (Cathay Pacific and HK Express) were estimated using a discounted cash flow analysis.

The calculations use cash flow projections that are based on business plans prepared by management and supported by the Board of Directors. The business plans reflect the most recent developments as at the reporting date. Management's expectations reflect performance to date and are consistent with the assumptions that it considers a market participant would make.

For the Cathay Pacific CGU the assessment assumes a strong recovery in passenger travel in the near term with a steadily growing momentum of passenger traffic in the longer term. However, the revenue efficiency in the long-term forecast is considered weaker than historical levels owing to increased competition associated with the new Three Runway System at Hong Kong International Airport. Cash flows beyond the forecast period are extrapolated with an estimated general annual growth rate of 3.0% (2022: 3.0%) which does not exceed the long-term average growth rate for the industry (IATA's most recent 20-year global forecast is 3.4%). Cash outflows include capital and maintenance expenditure including the purchase of aircraft and other property, plant and equipment. The discount rate used of 9.6% (2022: 9.5%) is pre-tax and reflects the specific risks related to the relevant segment. The assessment results in headroom over the carrying values of the CGU as at 31st December 2023 and consequently no impairment has been made.

For the HK Express CGU, the assessment reflects stronger growth than Cathay Pacific in the near term, due to strong demand as a low cost carrier, particularly with the opening of the Three Runway System, and improved capacity from the expansion in its fleet profile. Like Cathay Pacific, a long-term forecast is considered appropriate. Cash flows beyond the forecast period are extrapolated with an estimated general annual growth rate of 3.0% (2022: 3.0%). The discount rate used of 12.1% (2022: 11.3%) is pre-tax and reflects the specific risks related to the HK Express segment. The assessment results in headroom over the carrying values of the CGU as at 31st December 2023 and consequently no impairment has been made.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amounts of the CGUs including related goodwill to exceed the recoverable amounts of the respective CGUs.

10. INVESTMENTS IN ASSOCIATES

	2023 HK$M	2022 HK$M
Share of net assets		
– listed in Hong Kong	**7,472**	7,718
– unlisted	**5,694**	5,435
Goodwill	**2,887**	3,317
	16,053	16,470
Less: impairment loss	**(56)**	(56)
	15,997	16,414
Loans due from associates	**49**	78
	16,046	16,492

Material associates are listed on page 139.

(a) Air China

At 31st December 2023, the market value of the shares in an associate, Air China, based on the quoted market price of its shares listed in Hong Kong, is HK$13,011 million (2022: HK$18,304 million).

The Group accounts for Air China three months in arrears. The Group's 2023 results included Air China's results for the 12 months ended 30th September 2023.

Air China is considered material to the Group and the share of assets and liabilities and results are summarised as below:

	2023 HK$M	2022 HK$M
Gross amounts of the associate's		
– current assets	**42,370**	30,308
– non-current assets	**330,401**	305,869
– current liabilities	**(124,440)**	(102,810)
– non-current liabilities	**(206,527)**	(193,397)
Revenue	**132,282**	70,470
Loss from continuing operations	**(12,727)**	(44,663)
Other comprehensive income	**(1,212)**	1,810
Total comprehensive income	**(13,939)**	(42,853)
Dividend received from the associate	**–**	–
Reconciled to the Group's interests in the associate		
– gross amounts of net assets of the associate	**41,804**	39,970
– Group's share of net assets of the associate at effective interest (2023: 16.26%; 2022: 18.13%)	**6,797**	7,247
– effect of cross shareholding and others	**675**	471
– goodwill	**2,887**	3,317
	10,359	11,035

10. INVESTMENTS IN ASSOCIATES (continued)

Air China is a strategic partner for the Group and the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland.

Cathay Pacific held 2,634 million shares of Air China, representing a 16.26% interest at 31st December 2023 (2022: 18.13%) and had significant influence through its representation on the Board of Directors of Air China and therefore equity accounted for its share of Air China's results.

(b) Air China Cargo

The Group accounts for Air China Cargo three months in arrears. The Group's 2023 results included Air China Cargo's results for the 12 months ended 30th September 2023.

(c) Other associates

Aggregate information of associates that are not individually material, which includes Air China Cargo, is summarised as below:

	2023 HK$M	2022 HK$M
Aggregate carrying amount of individually immaterial associates	**5,687**	5,457
Aggregate amounts of the Group's share of those associates		
– profit from continuing operations	**427**	1,249
– other comprehensive income	**(159)**	(402)
– total comprehensive income	**268**	847

11. OTHER LONG-TERM RECEIVABLES AND INVESTMENTS

	2023 HK$M	2022 HK$M
Unlisted equity investments		
– designated at fair value through other comprehensive income (non-recycling)	**45**	47
– measured at fair value through profit or loss	**782**	793
Other long-term receivables measured at amortised cost	**1,148**	934
Derivative financial assets – long-term portion	**45**	100
Retirement benefit assets (note 14)	**1,588**	1,423
	3,608	3,297

12. INTEREST-BEARING LIABILITIES

The Group's net debt/equity ratio and adjusted net debt/equity ratio at the end of the current and previous reporting periods are summarised below:

	2023 HK$M	2022 (restated) HK$M
Non-current liabilities:		
Loans and other borrowings	**33,576**	36,676
Lease liabilities	**24,195**	25,787
	57,771	62,463
Current liabilities:		
Loans and other borrowings	**5,719**	8,490
Lease liabilities	**4,804**	6,153
	10,523	14,643
Total borrowings	**68,294**	77,106
Liquid funds	**(15,530)**	(18,277)
Net borrowings	**52,764**	58,829
Funds attributable to the shareholders of the Cathay Group	**60,026**	63,803
Net debt/equity ratio	**0.88**	0.92

To allow for comparability of gearing ratios against group borrowing covenants, the Group has chosen to present a subset of net borrowings and the net debt/equity ratio which exclude leases without asset transfer components. Only lease liabilities which transfer ownership of the underlying asset to the Group by the end of the lease term or contain a purchase option that the Group is reasonably certain to exercise are included.

	2023 HK$M	2022 HK$M
Net borrowings	**52,764**	58,829
Less: lease liabilities without asset transfer components	**(11,321)**	(13,765)
Adjusted net borrowings, excluding leases without asset transfer components	**41,443**	45,064
Adjusted net debt/equity ratio, excluding leases without asset transfer components	**0.69**	0.71

12. INTEREST-BEARING LIABILITIES (continued)

(a) Loans and other borrowings

	2023 HK$M	2022 HK$M
Bank loans		
– secured	**20,233**	23,821
– unsecured	**500**	2,210
Other borrowings		
– secured	**6,277**	5,534
– unsecured	**12,285**	13,601
	39,295	45,166
Amount due within one year included in current liabilities	**(5,719)**	(8,490)
	33,576	36,676
Repayable as follows:		
Bank loans		
– within one year	**3,924**	6,297
– after one year but within two years	**5,704**	5,076
– after two years but within five years	**8,225**	11,168
– after five years	**2,880**	3,490
	20,733	26,031
Other borrowings		
– within one year	**1,795**	2,193
– after one year but within two years	**1,452**	2,002
– after two years but within five years	**13,080**	13,048
– after five years	**2,235**	1,892
	18,562	19,135
Amount due within one year included in current liabilities	**(5,719)**	(8,490)
	33,576	36,676

At 31st December 2023, aircraft and related equipment of HK$47,562 million and land and building of HK$2,044 million (2022: aircraft and related equipment of HK$48,137 million and land and building of HK$2,130 million) are pledged as security for the secured loans and other borrowings.

Loans and other borrowings are repayable up to 2035 (2022: 2035).

Loans and other borrowings of the Group not wholly repayable within five years amounted to HK$15,145 million (2022: HK$16,406 million).

Save as disclosed in note 20 and below, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed debt securities for both years.

At 31st December 2023, the Group had loans totalling HK$21,844 million (2022: HK$26,038 million) which were defeased by funds and other investments. Accordingly, these loans and the related funds, as well as related expenses and income, have been defeased in the financial statements.

12. INTEREST-BEARING LIABILITIES (continued)

On 5th February 2021, the Group completed the issuance of HK$6,740 million guaranteed convertible bonds at a rate of 2.75%, with maturity in 2026. The bonds are convertible at a conversion price of HK$8.57 per share and entitle the holder to convert up to 786,464,410 ordinary shares of Cathay Pacific Airways Limited. The conversion price of HK$8.57 per share is subject to adjustment to reflect dilutive effects of dividends distributed after the record date.

The bonds are accounted for as compound financial instruments, with both a liability component and an equity component. On 18th August 2023, 700,116 ordinary shares were allotted and issued on exercise of the conversion rights at the conversion price of HK$8.57 per ordinary share in the principal amount of HK$6,000,000.

As at 31st December 2023, the liability component had a carrying value of HK$6,476 million (2022: HK$6,366 million).

During the year ended 31st December 2023, the following transactions have taken place under the Group's US$2.5 billion Medium Term Note Programme:

- the Group did not issue any listed or unlisted notes (2022: issued HK$288 million of unlisted notes)
- the Group redeemed SG$175 million (HK$1.0 billion) of listed notes listed on the Singapore Exchange and HK$400 million of unlisted notes (2022: redeemed HK$500 million of unlisted notes).

(b) Lease liabilities

The Group has commitments under lease agreements in respect of aircraft and related equipment, other equipment and buildings. Lease liabilities are repayable on various dates up to 2033. The reconciliation of future lease payments and their carrying values at the end of the current and previous reporting periods is as follows:

	2023 HK$M	2022 HK$M
Future payments	**35,663**	37,819
Interest charges relating to future periods	**(6,664)**	(5,879)
Present value of future payments	**28,999**	31,940
Amount due within one year included in current liabilities	**(4,804)**	(6,153)
	24,195	25,787

The present value of future payments is repayable as follows:

	2023 HK$M	2022 HK$M
Within one year	**4,804**	6,153
After one year but within two years	**3,793**	5,085
After two years but within five years	**9,639**	9,938
After five years	**10,763**	10,764
	28,999	31,940

The undiscounted future payments are repayable as follows:

	2023 HK$M	2022 HK$M
Within one year	**6,302**	7,417
After one year but within two years	**4,944**	6,153
After two years but within five years	**12,002**	12,079
After five years	**12,415**	12,170
	35,663	37,819

12. INTEREST-BEARING LIABILITIES (continued)

(c) Reconciliation of interest-bearing liabilities

	Loans and other borrowings HK$M	Lease liabilities HK$M	Total HK$M
At 1st January 2023	**45,166**	**31,940**	**77,106**
Changes from financing cash flows			
– new financing	**3,348**	**1,306**	**4,654**
– repayments	**(9,693)**	**(6,693)**	**(16,386)**
Other changes			
– exchange gains	**(25)**	**(243)**	**(268)**
– changes resulting from new leases	**–**	**2,264**	**2,264**
– changes resulting from lease modification	**–**	**311**	**311**
– changes resulting from lease termination	**–**	**(2)**	**(2)**
– conversion of bonds	**(6)**	**–**	**(6)**
– others	**505**	**116**	**621**
At 31st December 2023	**39,295**	**28,999**	**68,294**
At 1st January 2022	55,122	34,732	89,854
Changes from financing cash flows			
– new financing	5,771	344	6,115
– repayments	(16,189)	(6,162)	(22,351)
Other changes			
– exchange gains	(45)	(464)	(509)
– changes resulting from new leases	–	3,350	3,350
– changes resulting from lease modification	–	175	175
– changes resulting from lease termination	–	(40)	(40)
– Covid-19-related rent concessions received	–	(108)	(108)
– others	507	113	620
At 31st December 2022	45,166	31,940	77,106

13. OTHER LONG-TERM PAYABLES

	2023 HK$M	2022 (restated) HK$M
Deferred liabilities	**2,516**	2,625
Long service payments obligations (note 14(c))	**90**	75
Derivative financial liabilities – long-term portion	**204**	141
	2,810	2,841

There are no derivative financial liabilities of the Group which did not qualify for hedge accounting (2022: nil).

13. OTHER LONG-TERM PAYABLES (continued)

The Group had a maintenance provision of HK$3,239 million (2022: HK$3,069 million) for returning the aircraft to lessors to certain maintenance conditions. The movements during the year are as follows:

	2023 HK$M	2022 HK$M
At 1st January	**3,069**	4,187
Additional provision made	**571**	446
Reversals	**(81)**	(916)
Provision utilised	**(320)**	(648)
At 31st December	**3,239**	3,069
Amount expected to be utilised within one year included in trade and other payables	**(852)**	(499)
Included in deferred liabilities above	**2,387**	2,570

14. POST-EMPLOYMENT BENEFITS

The Group operates various defined benefit and defined contribution retirement schemes for its employees in Hong Kong and in certain overseas locations. The assets of these schemes are held in separate trustee-administered funds. The retirement schemes in Hong Kong are registered under and comply with the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Schemes Ordinance ("MPFSO"). In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met. Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements.

The Group operates the following principal schemes:

(a) Defined benefit retirement schemes

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

The principal schemes in Hong Kong comprise The Swire Group Retirement Benefits Scheme ("SGRBS"), the Cathay Pacific Airways Group Retirement Benefits Scheme ("CPAGRBS") and the Cathay Pacific Airways Limited Retirement Scheme ("CPALRS").

SGRBS, in which the Company, Cathay Pacific Catering Services (H.K.) Limited ("CPCS") and Vogue Laundry Service Limited ("VLS") are participating employers, and CPAGRBS in which Hong Kong Airport Services Limited ("HAS") is a participating employer, provide resignation and retirement benefits to its members, which include the Company's cabin attendants who joined before September 1996 and other locally engaged employees who joined before June 1997, upon their cessation of service. The Company, CPCS, VLS and HAS meet the full cost of all benefits due by SGRBS or CPAGRBS to their employee members, who are not required to contribute to the scheme.

Staff employed by the Company in Hong Kong on expatriate terms before April 1993 were eligible to join another scheme, the CPALRS. Both members and the Company contribute to CPALRS.

The majority of the Group's schemes are final salary guarantee lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates for the principal schemes in Hong Kong are subject to annual review and are determined by taking into consideration the difference between the market value of plan assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. Such schemes in Hong Kong are valued annually by qualified actuaries for funding purposes.

14. POST-EMPLOYMENT BENEFITS (continued)

The disclosures for schemes in Hong Kong are based on actuarial valuations prepared by an independent firm of actuaries, Mercer (Hong Kong) Limited ("Mercer"), every three years and as needed in accordance with Hong Kong's Occupational Retirement Schemes Ordinance. The disclosures and valuations are updated annually in the intervening years by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. The most recent valuations prepared by Mercer for schemes in Hong Kong were for the period ended 31st December 2023.

Through its defined benefit retirement schemes the Group is exposed to a number of risks, the most significant of which is market risk.

Market risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of the investments by the investment managers appointed. Investment managers are governed by agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicated tracking error around this benchmark. A committee monitors the overall market risk position of the Group's principal schemes in Hong Kong on a quarterly basis.

The Group's obligations are 142.6% (2022: 136.5%) covered by the plan assets held by the trustees at 31st December 2023.

	2023 HK$M	2022 HK$M
Net expenses recognised in the profit or loss:		
Current service cost	**125**	122
Net interest income	**(79)**	(15)
Total included in staff costs	**46**	107
Actual return/(loss) on plan assets	**625**	(57)

	2023 HK$M	2022 HK$M
Net assets recognised in the consolidated statement of financial position:		
Present value of funded obligations	**3,730**	3,900
Fair value of plan assets	**(5,318)**	(5,323)
Retirement benefit assets (note 11)	**(1,588)**	(1,423)

	2023 HK$M	2022 HK$M
Movements in present value of funded obligations comprise:		
At 1st January	**3,900**	4,002
Remeasurements		
– actuarial losses/(gains) arising from changes in financial assumptions	**135**	(294)
– experience losses	**52**	27
Movements for the year		
– current service cost	**125**	122
– interest expense	**198**	90
– employee contributions	**2**	2
– benefits paid	**(682)**	(846)
– transfer	**–**	797
At 31st December	**3,730**	3,900

14. POST-EMPLOYMENT BENEFITS (continued)

The weighted average duration of the defined benefit obligations is seven years (2022: seven years).

	2023 HK$M	2022 HK$M
Movements in fair value of plan assets comprise:		
At 1st January	**5,323**	5,424
Movements for the year		
– return/(loss) on plan assets excluding interest income	**348**	(162)
– interest income	**277**	105
– employee contributions	**2**	2
– employer contributions	**50**	3
– benefits paid	**(682)**	(846)
– transfer	**–**	797
At 31st December	**5,318**	5,323

No curtailment gain/loss was incurred in the year ended 31st December 2023 and 2022.

There were no plan amendments during the year.

	2023 HK$M	**%**	2022 HK$M	%
Fair value of plan assets comprises:				
Equities				
– Asia Pacific	**415**	**8**	355	7
– Europe	**239**	**4**	238	4
– Americas	**754**	**14**	715	13
– Emerging markets	**556**	**10**	535	10
Bonds				
– Global	**1,334**	**26**	1,602	30
– Emerging markets	**187**	**4**	118	2
Absolute return funds	**913**	**17**	896	17
Cash	**920**	**17**	864	17
	5,318	**100**	5,323	100

At 31st December 2023, the prices of 87% of equities and 75% of bonds were quoted on active markets (31st December 2022: 90% and 43% respectively). The remainder of the prices were not quoted on active markets.

The majority of plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets are invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by a committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

The management of the assets within the sub-funds is delegated by the committee to a number of reputable investment managers.

14. POST-EMPLOYMENT BENEFITS (continued)

The contributions are calculated based upon funding recommendations arising from actuarial valuations. The Group expects to make contributions of HK$77 million to the schemes in 2024.

	2023	2022
The significant actuarial assumptions (expressed as weighted averages) are:		
Discount rate	**4.36%**	5.00%
Expected rate of future salary increases	**2.61%**	2.62%

The sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions is set out below. This shows how the defined benefit obligations at 31st December 2023 would have (increased)/decreased as a result of 0.5% change in the actuarial assumptions:

	Increase by 0.5%		Decrease by 0.5%	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M
Discount rate	**126**	135	**(133)**	(141)
Expected rate of future salary increases	**(85)**	(94)	**84**	96

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit liabilities recognised in the consolidated statement of financial position.

(b) Defined contribution retirement schemes

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions.

Staff employed by the Company in Hong Kong on expatriate terms are eligible to join a defined contribution retirement scheme, the CPA Provident Fund 1993. All staff employed in Hong Kong are eligible to join the CPA Provident Fund.

Under the terms of these schemes, other than the Company's contributions, staff may elect to contribute from 0% to 10% of their monthly salaries. Forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions may be used to reduce existing level of contributions. The amounts utilised in the course of the year amounted to HK$44 million (2022: HK$88 million). Amounts available at the year end for such use in future years amounted to HK$4 million (2022: HK$50 million).

A Mandatory Provident Fund ("MPF") scheme was established under the MPFSO in December 2000. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

Contributions to defined contribution retirement schemes charged to profit or loss were HK$587 million (2022: HK$455 million).

(c) Long service payment ("LSP") obligations

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payment in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary capped at HK$390,000 and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

14. POST-EMPLOYMENT BENEFITS (continued)

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date i.e. 1st May 2025.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP obligations in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP obligations in respect of the employee's service up to that date; in addition, the LSP obligations in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in material accounting policies 1 and 14.

	2023 HK$M
At 1st January (restated)	**75**
Remeasurements recognised in other comprehensive income:	
Actuarial losses arising from changes in financial assumptions	**6**
Expenses recognised in profit or loss:	
Current service cost	**9**
Interest cost	**2**
Benefits paid directly by the employer	**(2)**
At 31st December	**90**

The LSP obligations as at 31st December 2022 amounting to HK$75 million are mainly related to past service from employees.

The weighted average duration of the defined benefit obligation is 11.5 (2022: 12.3) years.

Actuarial assumptions (expressed as weighted averages) are as follows:

	2023	2022
Discount rate	**3.5-3.8%**	3.4-3.8%
Future salary increases	**2.5-3.3%**	2.5-3.3%
Expected investment return on offsettable MPF accrued benefits	**2.5-4.0%**	2.5-4.0%

The Group's LSP obligations are not sensitive to these actuarial assumptions, thus a sensitivity analysis is not presented.

15. DEFERRED TAXATION

	2023 HK$M	2022 (restated) HK$M
Deferred tax assets:		
– provisions	**(69)**	(3)
– tax losses	**(4,917)**	(5,313)
– lease liabilities	**(1,172)**	(1,459)
Deferred tax liabilities:		
– accelerated tax depreciation	**5,786**	5,214
– investments in associates	**197**	169
– right-of-use assets	**1,023**	1,277
– cash flow hedges	**28**	149
– retirement benefits	**125**	131
Provision in respect of certain lease arrangements	**5,670**	6,818
	6,671	6,983

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2023 HK$M	2022 HK$M
Net deferred tax asset recognised in the consolidated statement of financial position	**(1,085)**	(1,134)
Net deferred tax liability recognised in the consolidated statement of financial position	**7,756**	8,117
	6,671	6,983

	2023 HK$M	2022 HK$M
Movements in deferred taxation comprise:		
At 1st January	**6,983**	8,974
Movements for the year		
– charged/(credited) to profit or loss		
– deferred tax charge/(credit) (note 5)	**959**	(483)
– operating expenses	**69**	84
– credited to other comprehensive income		
– transferred to cash flow hedge reserve (note 7)	**(121)**	(74)
– transferred to retained profit (note 7)	**(2)**	(3)
– initial cash benefit from lease arrangements	**273**	–
Current portion of provision in respect of certain lease arrangements included in current liabilities – taxation	**(1,490)**	(1,515)
At 31st December	**6,671**	6,983

15. DEFERRED TAXATION (continued)

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$30,000 million (2022: HK$30,125 million) to carry forward against future taxable profits. These amounts are analysed as follows:

	2023 HK$M	2022 HK$M
No expiry date	**21,032**	20,692
Expiring in 2024 to 2037 (2022: 2023 to 2037)	**8,968**	9,433
	30,000	30,125

The provision in respect of certain lease arrangements equates to payments which are expected to be made during the years 2024 to 2034 (2022: 2023 to 2030) as follows:

	2023 HK$M	2022 HK$M
After one year but within five years	**3,796**	3,778
After five years but within 10 years	**1,661**	3,040
After 10 years	**213**	–
	5,670	6,818

16. TRADE AND OTHER RECEIVABLES

	2023 HK$M	2022 HK$M
Trade debtors, net of loss allowances	**4,323**	4,010
Derivative financial assets – current portion	**253**	1,085
Other receivables and prepayments	**1,512**	1,819
Due from associates and other related companies	**164**	7
	6,252	6,921

At 31st December 2023, derivative financial assets – current portion which did not qualify for hedge accounting amounted to nil (2022: HK$28 million).

	2023 HK$M	2022 HK$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	**3,850**	3,502
One to three months	**467**	485
More than three months	**6**	23
	4,323	4,010

	2023 HK$M	2022 HK$M
Analysis of trade debtors (net of loss allowances) by age:		
Current	**4,076**	3,754
Within three months overdue	**244**	233
More than three months overdue	**3**	23
	4,323	4,010

16. TRADE AND OTHER RECEIVABLES (continued)

The movements in the expected credit loss allowance in respect of trade debtors during the year are as follows:

	2023 HK$M	2022 HK$M
At 1st January	**36**	100
Expected credit loss recognised/(reversal)	**5**	(64)
At 31st December	**41**	36

17. LIQUID FUNDS

	2023 HK$M	2022 HK$M
Cash and cash equivalents		
Short-term deposits and bank balances	**7,894**	7,340
Other liquid funds		
Short-term deposits maturing beyond three months when placed	**385**	215
Funds with investment managers		
– debt securities listed outside Hong Kong	**7,208**	10,572
– bank deposits	**38**	31
Other liquid investments		
– debt securities listed outside Hong Kong	**5**	5
– bank deposits	**–**	114
Liquid funds	**15,530**	18,277

Included in other liquid investments are bank deposits of nil (2022: HK$114 million) and debt securities of HK$5 million (2022: HK$5 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.

Available unrestricted funds to the Group are as follows:

	2023 HK$M	2022 HK$M
Liquid funds	**15,530**	18,277
Less: amounts pledged as part of long-term financing		
– debt securities listed outside Hong Kong	**(5)**	(5)
– bank deposits	**–**	(114)
Committed undrawn facilities	**4,460**	9,030
Available unrestricted liquidity to the Group	**19,985**	27,188

Committed undrawn facilities may be drawn at any time in either Hong Kong dollar or United States dollar.

18. TRADE AND OTHER PAYABLES

	2023 HK$M	2022 HK$M
Trade creditors	**7,397**	5,380
Derivative financial liabilities – current portion	**422**	217
Other payables	**8,879**	5,272
Due to associates	**139**	135
Due to other related companies	**401**	195
	17,238	11,199

	2023 HK$M	2022 HK$M
Analysis of trade creditors by invoice date:		
Within one month	**7,047**	4,895
One to three months	**291**	332
More than three months	**59**	153
	7,397	5,380

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

Included in other payables above, the Group had a provision of HK$657 million (2022: HK$324 million) for possible or actual taxation (other than income tax), litigation and claims. The movements during the year are as follows:

	2023 HK$M	2022 HK$M
At 1st January	**324**	702
Addition/(reversal) of provision, net	**400**	(288)
Provision utilised	**(67)**	(90)
At 31st December	**657**	324

19. CONTRACT LIABILITIES

	2023 HK$M	2022 HK$M
Non-current	**252**	282
Current	**15,223**	13,537
	15,475	13,819

The Group had the following contract liabilities recognised in the consolidated statement of financial position:

		2023 HK$M	2022 HK$M
Passenger revenue, fuel and insurance surcharge	*(a)*	**10,528**	9,028
Loyalty programme	*(b)*	**4,839**	4,584
Cargo revenue	*(c)*	**108**	207
		15,475	13,819

19. CONTRACT LIABILITIES (continued)

The following table summarises the Group's revenue recognised during the year that was included in the contract liabilities at the beginning of the year:

		2023 HK$M	2022 HK$M
Passenger revenue, fuel and insurance surcharge	*(a)*	**5,987**	249
Cargo revenue	*(c)*	**163**	253

(a) The Group typically receives ticket fares from passengers in advance of carriage. The value of unflown passenger sales is recognised as a contract liability until the transportation service is provided.

(b) The value attributable to the award of programme miles as a part of an initial sales transaction is deferred until such time as the members redeem their programme miles or when they expire. Programme miles can be redeemed at any point prior to expiry. If miles are classified as activity based expiry (those issued from 1st January 2020), they do not expire as long as the member has any type of qualifying activity within any 18-month period. If miles are classified as time based expiry (those issued on or before 31st December 2019), they expire after three years of being issued. Programme miles are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of programme miles that were part of the loyalty programme deferred revenue balance at the beginning of the period, as well as miles that were issued during the period.

Changes in loyalty programme contract liabilities are as follows:

	2023 HK$M	2022 HK$M
At 1st January	**4,584**	5,779
Deferral of revenue – mileage credits issued through travel or sold to co-branded credit card and other partners	**3,684**	2,089
Recognition of revenue – mileage credits redeemed or expired	**(3,429)**	(3,284)
At 31st December	**4,839**	4,584

(c) The Group receives deposits from cargo customers. Revenue is recognised when the transportation service is provided.

20. SHARE CAPITAL

	2023		2022	
	Number of shares	**HK$M**	Number of shares	HK$M
Issued and fully paid				
Ordinary shares				
At 1st January	**6,437,200,203**	**28,822**	6,437,200,203	28,822
Conversion of bonds (notes 12(a) and 20(c))	**700,116**	**6**	–	–
At 31st December	**6,437,900,319**	**28,828**	6,437,200,203	28,822
Preference shares				
At 1st January (note 20(a))	**195,000,000**	**19,500**	195,000,000	19,500
Reduction	**(97,500,000)**	**(9,750)**	–	–
Redemption (note 20(b))	**(97,500,000)**	**(9,750)**	–	–
At 31st December	**–**	**–**	195,000,000	19,500
		28,828		48,322

Save as disclosed below, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares and no exercise of warrants during the years ended 2023 and 2022.

(a) In 2020, the Company issued preference shares and warrants to Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, of (a) 195,000,000 preference shares and (b) 416,666,666 warrants which will entitle Aviation 2020 Limited to subscribe for up to 416,666,666 fully paid ordinary shares at the warrant exercise price of HK$4.68 per share (subject to adjustment to reflect dilutive effects of dividends distributed after the record date).

The preference shares are not redeemable at the option of Aviation 2020 Limited. The Company may redeem all or some of the preference shares, in an aggregate amount equal to the issue price of the preference share of HK$100 each plus any unpaid dividends (including any Arrears of Dividend or any Additional Dividend Amount). The holder of the preference shares is not entitled to convene, attend or vote at any general meeting, except where the business of a general meeting is the consideration of resolutions for amendments to the articles that directly and adversely modify or abrogate any of the special rights and privileges attached to the preference shares.

The expiry date of the warrants is five years from the warrants issue date of 12th August 2020.

For further details of the preference shares and warrants issue, please refer to the Company's announcement dated 9th June 2020, the circular to shareholders dated 19th June 2020 and the announcement dated 12th August 2020.

(b) On 9th August 2023, the Company announced (a) its proposal to reduce all of the credit (being HK$19,500 million) standing in the preference shares capital account of the Company ("Capital Reduction"), and such credit arising from the Capital Reduction would be applied to a new preference shares reserve account of the Company and be used to redeem all of the 195,000,000 preference shares of the Company (the "Preference Shares"), (b) its plan to redeem and cancel all of the Preference Shares by the end of July 2024, subject to market conditions and the Group's business operations at the relevant time, and (c) that subject to and following the completion of the Capital Reduction, the Company would exercise its right to first redeem and cancel 97,500,000 Preference Shares (the "First Redemption") at a redemption price of HK$100 per preference share plus any unpaid preference share dividends before the end of 2023.

Following the approval by shareholders of the Company regarding the Capital Reduction at the Extraordinary General Meeting held on 11th October 2023 ("2023 EGM"), the Capital Reduction was completed on 16th November 2023 and the First Redemption was completed on 4th December 2023. As at 31st December 2023, 97,500,000 Preference Shares remain outstanding, and the Company's preference shares reserve amounted to HK$9,750 million.

20. SHARE CAPITAL (continued)

For further details of the redemption of the Preference Shares, please refer to the Company's announcement dated 9th August 2023 and the circular to shareholders dated 18th September 2023.

(c) On 18th August 2023, 700,116 ordinary shares were allotted and issued to HSBC Nominees (Hong Kong) Limited on exercise of the conversion rights at the conversion price of HK$8.57 per ordinary share in the principal amount of HK$6,000,000 (the "Conversion"). The portion of the Bonds of which the conversion rights being exercised represents less than 0.01% of the Bonds and the enlarged total issued share capital of the Company resulting from the Conversion.

For further details of the Bonds, please refer to the Company's announcements dated 28th January 2021 and 8th February 2021.

21. DIVIDENDS

(a) Dividends on cumulative preference shares issued by the Company

The preference shares will accrue dividends at the rate of:

(i) 3% per annum from and including the Issue Date (i.e. 12th August 2020) to but excluding the date falling three years from the Issue Date (the "First Step-up Date");

(ii) 5% per annum from and including the First Step-up Date to but excluding the date falling four years from the Issue Date (the "Second Step-up Date");

(iii) 7% per annum from and including the Second Step-up Date to but excluding the date falling five years from the Issue Date (the "Third Step-up Date"); and

(iv) 9% per annum from and including the Third Step-up Date

Dividends on cumulative preference shares are paid semi-annually in arrears at the current rate of 5% per annum, compounding, and can be deferred in whole or in part at the Company's discretion.

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend". On 30th June 2023, the Company paid its accumulated Arrears of Dividend of HK$1,524 million to the preference shareholder, bringing its dividend payments on the preference shares up to date.

On 14th August 2023, the Company paid dividend of HK$292.5 million on the 195,000,000 preference shares to the preference shareholder.

The Company redeemed 97,500,000 preference shares at a redemption price of HK$100 per preference share on 4th December 2023. On 14th February 2024, the Company paid dividend of HK$243.75 million on the remaining 97,500,000 preference shares to the preference shareholder.

(b) Dividends payable to ordinary shareholders

The Articles of Association of the Company require that any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend" and that the Company shall not make any discretionary distribution or dividend in cash or otherwise on any ordinary shares until all outstanding Arrears of Dividend have been paid in full.

There were no Arrears of Dividend as at 31st December 2023.

Dividends payable to ordinary shareholders attributable to the year are as follows:

	2023 HK$M	2022 HK$M
Interim dividend proposed after the end of the reporting period of HK$0.43 per ordinary share (2022: nil)	**2,768**	–

The interim dividend proposed has not been recognised as a liability at the end of the reporting period.

21. DIVIDENDS (continued)

The interim dividend will be paid on 2nd May 2024 to ordinary shareholders registered at the close of business on the record date, being Friday, 5th April 2024. Ordinary shares of the Company will be traded ex-dividend as from Tuesday, 2nd April 2024.

The register of members will be closed on Friday, 5th April 2024, during which day no transfer of shares will be effected. In order to qualify for entitlement to 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 Wednesday, 3rd April 2024.

22. RESERVES

	2023 **HK$M**	2022 (restated) HK$M
Retained profit	**21,186**	13,209
Investment revaluation reserve (non-recycling)	**(159)**	(157)
Preference shares reserve (note 20(b))	**9,750**	–
Cash flow hedge reserve	**266**	1,467
Equity component of convertible bonds issued (note 12(a))	**526**	526
Others	**(371)**	436
	31,198	15,481

Investment revaluation reserve (non-recycling) of the Group comprises the cumulative net change in the fair values of equity investments designated at fair value through other comprehensive income that are held at the end of the reporting period.

Cash flow hedge reserve of the Group relates to the effective portion of the cumulative net change in the fair values of hedging instruments. Refer to note 29 to the financial statements for details of the Group's hedging instruments.

Other reserves of the Group comprise exchange losses arising from revaluation of foreign investments which amounted to HK$94 million (2022: gains of HK$461 million) and share of associates' other negative reserves of HK$277 million (2022: HK$25 million).

The gains transferred from cash flow hedge reserve of the Group to profit or loss items was as follows:

	2023 **HK$M**	2022 HK$M
Revenue	**524**	457
Fuel	**655**	3,444
Net finance credit/(charges)	**109**	(119)
Other expenses	**38**	10
Net gains transferred to profit or loss (note 7)	**1,326**	3,792

22. RESERVES (continued)

The cash flow hedge reserve of the Group is expected to be credited to profit or loss or transferred to relevant assets as noted below when the hedged transactions affect profit or loss or the relevant assets are recognised.

	Total HK$M
2024	**(62)**
2025	**98**
2026	**(9)**
2027	**(179)**
2028	**(54)**
Beyond 2028	**(60)**
	(266)

The actual amount ultimately recognised in profit or loss or transferred to relevant assets will depend upon the fair values of the hedging instruments at the time that the hedged transactions affect profit or loss or the relevant assets are recognised.

	Retained profit HK$M	Preference shares reserve HK$M	Convertible bond reserve HK$M	Investment revaluation reserve (non-recycling) HK$M	Cash flow hedge reserve HK$M	Total HK$M
Company						
At 1st January 2023 (restated)	**18,929**	**–**	**526**	**(109)**	**1,468**	**20,814**
Profit for the year	**10,140**	**–**	**–**	**–**	**–**	**10,140**
Other comprehensive income	**167**	**–**	**–**	**–**	**(1,202)**	**(1,035)**
Total comprehensive income for the year	**10,307**	**–**	**–**	**–**	**(1,202)**	**9,105**
Transfer from share capital	**–**	**9,750**	**–**	**–**	**–**	**9,750**
Dividend – preference shares	**(1,969)**	**–**	**–**	**–**	**–**	**(1,969)**
At 31st December 2023	**27,267**	**9,750**	**526**	**(109)**	**266**	**37,700**
At 1st January 2022	14,648	–	526	(109)	2,181	17,246
Profit for the year (restated)	4,189	–	–	–	–	4,189
Other comprehensive income	92	–	–	–	(713)	(621)
Total comprehensive income for the year (restated)	4,281	–	–	–	(713)	3,568
At 31st December 2022 (restated)	18,929	–	526	(109)	1,468	20,814

Distributable reserves of the Company at 31st December 2023 amounted to HK$27,267 million (2022 restated: HK$18,929 million), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622).

23. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2023 HK$M	2022 (restated) HK$M
Operating profit	**15,125**	3,471
Depreciation of property, plant and equipment	**11,730**	11,559
Amortisation of intangible assets	**594**	630
Reversal of impairment of property, plant and equipment	**(208)**	–
Loss on disposal of property, plant and equipment, net	**33**	143
Loss on disposal of intangible assets	**1**	9
Gain on deemed partial disposal of an associate	**(1,929)**	–
Fair value losses/(gains) on equity investments measured at fair value through profit or loss	**11**	(88)
Covid-19-related rent concessions received	**–**	(108)
Gains from financial derivatives, cash flow hedge reserve and other items not involving cash flows	**(375)**	(88)
Decrease in stock	**170**	132
(Increase)/decrease in trade debtors and other receivables	**(6)**	705
Increase in net amounts due to associates and other related companies	**53**	55
Increase in trade creditors, other payables and deferred liabilities	**5,515**	382
Increase in contract liabilities	**1,656**	5,416
Non-operating movements in debtors and creditors	**(164)**	(742)
Dividend income from unlisted equity investments	**(58)**	(90)
Cash generated from operations	**32,148**	21,386

24. TOTAL CASH OUTFLOW FOR LEASES

Cash outflows for leases included in the consolidated statement of cash flows comprise the following:

	2023 HK$M	2022 HK$M
Within operating cash flows	**525**	585
Within investing cash flows	**658**	9
Within financing cash flows	**5,387**	5,818
	6,570	6,412

Significant non-cash transactions for leases:

During the year ended 31st December 2023, the Group entered into new lease arrangements in respect of property, plant and equipment with a total capitalised value at the inception of HK$2,264 million (2022: HK$3,269 million), a significant proportion of which is related to the delivery of leased aircraft.

25. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation are:

	Cash			Non-cash					
	Basic salary/ Fees (note i) HK$'000	Bonus (in respect of 2022) HK$'000	Allowances & benefits HK$'000	Contributions to retirement schemes HK$'000	Bonus paid into retirement schemes HK$'000	Other benefits HK$'000	Housing benefits HK$'000	**2023 Total HK$'000**	2022 Total HK$'000
Executive Directors									
Healy, Patrick	2,765	1,940	944	833	1,940	–	247	**8,669**	6,251
Hughes, Gregory (up to March 2023)	1,497	1,789	1,516	451	1,789	–	1,365	**8,407**	8,777
Lam, Ronald	3,654	3,069	1,974	1,551	–	–	207	**10,455**	7,914
Lau, Lavinia (from January 2023)	2,700	1,092	1,446	159	–	37	–	**5,434**	–
McGowan, Alexander (from April 2023)	1,890	1,021	1,364	284	–	76	–	**4,635**	–
Sharpe, Rebecca	2,954	1,776	2,241	889	1,776	–	78	**9,714**	7,157
Tang, Augustus (up to December 2022)	–	7,276	–	–	–	–	–	**7,276**	13,516
Non-Executive Directors									
Bradley, Guy	–	–	–	–	–	–	–	**–**	–
Ma, Chongxian	575	–	–	–	–	–	–	**575**	575
McCallum, Gordon (from January 2023)	–	–	–	–	–	–	–	**–**	–
Song, Zhiyong (up to November 2022)	–	–	–	–	–	–	–	**–**	482
Sun, Yuquan (from May 2022)	575	–	–	–	–	–	–	**575**	369
Swire, Merlin	–	–	–	–	–	–	–	**–**	–
Swire, Samuel (up to January 2023)	–	–	–	–	–	–	–	**–**	–
Wang, Mingyuan (from July 2023)	254	–	–	–	–	–	–	**254**	–
Xiao, Feng	947	–	–	–	–	–	–	**947**	947
Zhang, Zhuo Ping	–	–	–	–	–	–	–	**–**	–
Zhao, Xiaohang (up to May 2022)	–	–	–	–	–	–	–	**–**	206
Independent Non-Executive Directors									
Chan, Bernard	695	–	–	–	–	–	–	**695**	684
Harrison, John	1,029	–	–	–	–	–	–	**1,029**	1,029
Milton, Robert (up to May 2022)	–	–	–	–	–	–	–	**–**	369
Mueller, Christoph (from May 2022)	1,029	–	–	–	–	–	–	**1,029**	660
Tung, Andrew	927	–	–	–	–	–	–	**927**	912
2023 Total	**21,491**	**17,963**	**9,485**	**4,167**	**5,505**	**113**	**1,897**	**60,621**	
2022 Total	22,113	8,517	9,925	4,198	1,680	650	2,765		49,848

25. DIRECTORS' REMUNERATION (continued)

(i) Independent Non-Executive Directors receive fees as members of the Board and its committees. Executive Directors receive salaries. For Directors employed by the Swire group, the remuneration disclosed represents the amount charged to the Company.

(ii) The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.

(b) The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2023 and 2022 are as follows:

	2023	2022
Number of individuals:		
Executive Directors	**4**	4
Senior staff	**1**	1
	5	5

Details of their emoluments are as follows:

	Cash			Non-cash					
	Basic salary HK$'000	Bonus HK$'000	Allowances & benefits HK$'000	Contributions to retirement schemes HK$'000	Bonus paid into retirement schemes HK$'000	Other benefits HK$'000	Housing benefits HK$'000	**2023 Total HK$'000**	2022 Total HK$'000
2023 Total	**13,332**	**10,254**	**9,019**	**4,466**	**6,506**	**118**	**2,039**	**45,734**	
2022 Total	14,973	8,136	12,768	3,999	1,187	850	2,765		44,678

The bonuses disclosed above are related to services for the previous year.

The number of the above executive directors and senior staff whose emoluments fell within the following bands:

HK$	**2023**	2022
7,000,001 – 7,500,000	**–**	2
7,500,001 – 8,000,000	**–**	1
8,000,001 – 8,500,000	**1**	–
8,500,001 – 9,000,000	**2**	1
9,500,001 – 10,000,000	**1**	–
10,000,001 – 10,500,000	**1**	–
13,500,001 – 14,000,000	**–**	1
	5	5

26. EMPLOYEE INFORMATION – CATHAY PACIFIC

The table below sets out the number of individuals, including those who have retired or resigned during the year, in each employment category whose total remuneration for the year fell into the following ranges:

	2023			2022		
HK$	**Director**	**Flight staff**	**Other staff**	Director	Flight staff	Other staff
0 – 1,000,000	**11**	**8,414**	**8,798**	13	8,297	7,980
1,000,001 – 1,500,000	**2**	**561**	**367**	1	743	288
1,500,001 – 2,000,000	**–**	**586**	**170**	–	338	130
2,000,001 – 2,500,000	**–**	**252**	**36**	–	315	37
2,500,001 – 3,000,000	**–**	**231**	**20**	–	181	19
3,000,001 – 3,500,000	**–**	**112**	**14**	–	71	9
3,500,001 – 4,000,000	**–**	**37**	**5**	–	26	4
4,000,001 – 4,500,000	**–**	**26**	**3**	–	8	3
4,500,001 – 5,000,000	**1**	**24**	**4**	–	4	3
5,000,001 – 5,500,000	**1**	**6**	**–**	–	5	1
5,500,001 – 6,000,000	**–**	**2**	**–**	–	2	–
6,000,001 – 6,500,000	**–**	**–**	**–**	1	1	–
7,000,001 – 7,500,000	**1**	**–**	**–**	1	–	2
7,500,001 – 8,000,000	**–**	**–**	**–**	1	–	–
8,000,001 – 8,500,000	**1**	**–**	**1**	–	–	–
8,500,001 – 9,000,000	**1**	**–**	**1**	1	–	–
9,500,001 – 10,000,000	**1**	**–**	**–**	–	–	–
10,000,001 – 10,500,000	**1**	**–**	**–**	–	–	–
13,500,001 – 14,000,000	**–**	**–**	**–**	1	–	–
	20	**10,251**	**9,419**	19	9,991	8,476

27. RELATED PARTY TRANSACTIONS

(a) 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:

	2023		2022	
	Associates HK$M	**Other related parties HK$M**	Associates HK$M	Other related parties HK$M
Revenue	**214**	**7**	44	17
Aircraft maintenance	**1,149**	**1,896**	779	1,318
Other operating expenses	**266**	**528**	159	268
Dividend income	**8**	**57**	133	89
Finance income	**5**	**–**	3	–
Fixed asset purchased	**5**	**–**	–	–
Lease payments	**1**	**49**	1	40

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

(i) The Group entered into four leases expiring from two months to four years in respect of certain leasehold properties from a related party of the Group for storage of engines and inventories. Monthly rental is HK$4 million as at 31st December 2023 (2022: HK$4 million), which was determined with reference to amounts charged by the related party to third parties. For the year ended 31st December 2023, lease payments of HK$49 million (2022: HK$40 million) were paid. The balances of right-of-use assets and lease liabilities as at 31st December 2023 were HK$128 million and HK$143 million respectively (2022: HK$103 million and HK$117 million respectively).

The lease payments are included in continuing connected transactions in note 27(a)(ii) below.

(ii) Continuing connected transactions

The Company has complied with the disclosure and shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. For a definition of terms, please refer to the section of this annual report headed Directors' Report.

HAECO

Under the HAECO 2022 Framework Agreement with HAECO, the Group paid fees to, and received fees from, the HAECO group in respect of aircraft maintenance and related services. Such transactions constitute continuing connected transactions. The amounts paid/payable to the HAECO group for the year ended 31st December 2023 totalled HK$3,033 million (2022: HK$2,082 million). The amounts received/receivable from the HAECO group for the year ended 31st December 2023 totalled HK$141 million (2022: HK$26 million).

As a director of HAECO, Guy Bradley is interested in the HAECO 2022 Framework Agreement.

Air China

Under the Air China Framework Agreement with Air China dated 26th June 2008, the Group paid fees to, and received fees from, the Air China group in respect of transactions between the Group on the one hand and the Air China group on the other hand arising from joint venture arrangements for the operation of passenger air transportation, code sharing arrangements, interline arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services agreed to be provided and other transactions agreed to be undertaken under the Air China Framework Agreement. Such transactions constitute continuing connected transactions. The amounts paid/payable to the Air China group for the year ended 31st December 2023 totalled HK$174 million (2022: HK$35 million). The amounts received/receivable from the Air China group for the year ended 31st December 2023 totalled HK$74 million (2022: HK$26 million).

27. RELATED PARTY TRANSACTIONS (continued)

As directors or employees of Air China, Patrick Healy, Ma Chongxian, Sun Yuquan, Xiao Feng and Wang Mingyuan are interested in the Air China Framework Agreement.

JS&SHK

The Company has an agreement for services with JS&SHK ("JS&SHK Services Agreement"). Under the JS&SHK Services Agreement, the Group paid fees and reimbursed costs to JS&SHK in exchange for services provided. Service fees calculated at 2.5% of the Group's profit before taxation, results of associates, non-controlling interests, and any profits or losses on disposal of property, plant and equipment are paid annually. Such transactions constitute continuing connected transactions. For the year ended 31st December 2023, service fee paid/payable amounted to HK$258 million (2022: HK$23 million).

As directors and/or employees of the Swire group, Patrick Healy, Guy Bradley, Ronald Lam, Gordon McCallum, Rebecca Sharpe, Merlin Swire, and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement. Gordon McCallum and Merlin Swire are also so interested as shareholders, directors and employees of the Swire group. Gregory Hughes was interested as a Director of the Swire group until his resignation with effect from 1st April 2023. Samuel Swire was also so interested as a shareholder, a director and an employee of the Swire group until his resignation with effect from 12th January 2023.

(b) Amounts due from and due to associates and other related companies at 31st December 2023 are disclosed in notes 16 and 18 to the financial statements. These balances arising in the normal course of business are non-interest bearing and have no fixed repayment terms.

(c) Guarantees given by the Company in respect of bank loan facilities of an associate at 31st December 2023 are disclosed in note 28(b) to the financial statements.

(d) There were no material transactions with Directors except for those relating to shareholdings (as disclosed in the Directors' Report and the Corporate Governance Report). Remuneration of Directors is disclosed in note 25 to the financial statements.

28. CAPITAL COMMITMENTS AND CONTINGENCIES

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

	2023 HK$M	2022 HK$M
Authorised and contracted for		
– aircraft and related equipment	**65,358**	47,914
– others	**30**	37
Authorised but not contracted for		
– aircraft and related equipment	**6,725**	5,899
– others	**366**	117
	72,479	53,967

(b) Performance and financial guarantees outstanding at the year end:

	2023 HK$M	2022 HK$M
Associates	**206**	209

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

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

The proceedings and civil actions 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 accounting policy 22.

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 cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on the Company. However, the European Commission's finding against the Company and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to the Company in February 2016. The European Commission issued a new decision against the Company and the other airlines involved in the case in March 2017. The same fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company filed an appeal to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to the Company in June 2022. The Company filed an appeal to the European Court of Justice ("ECJ") in early June 2022 and a final ECJ judgment is expected by mid-2024.

The Company is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from the Company's alleged conduct relating to its air cargo operations. The Company is represented by legal counsel and is defending these actions.

29. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group is exposed to credit, liquidity, currency, interest rate and fuel price volatility risks. These exposures are managed, sometimes with the use of derivative financial instruments, by the Group treasury function in accordance with the policies approved by the Board.

Derivative financial instruments are used solely for financial risk management purposes and the Group does not use derivative financial instruments for proprietary trading purposes. Derivative financial instruments which constitute an effective hedge do not expose the Group to market risk since any change in their market value will be offset by a compensating change in the market value of the hedged items. Exposure to foreign exchange rates, interest rates and jet fuel prices movements are regularly reviewed and positions are amended in compliance with internal guidelines and limits.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk for the Group arises from activities with treasury counterparties and trade debtors.

The Group's exposure to credit risk arising from treasury activities is limited. To manage credit risk in respect of treasury activities, derivative financial transactions, deposit placements and fund transactions are only carried out with financial institutions which have high credit ratings and all counterparties are subject to prescribed trading limits which are regularly reviewed. Risk exposures are monitored regularly by reference to market values.

The credit risk with regard to trade debtors is relatively low. Trade debtors mainly represent passenger and freight sales due from agents and amounts due from airlines for interline services provided. The majority of the agents are connected to the settlement systems operated by the International Air Transport Association ("IATA") which is responsible for assessing the credit worthiness of such agents and collecting bank guarantees or other monetary collateral according to local industry practice. In most cases amounts due from airlines are settled on net basis via an IATA clearing house.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. 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.

The Group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix based on the Group's historical credit loss experience. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is assessed on a collective basis.

Expected loss rates are based on historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position and the amount of guarantees granted as disclosed in note 28(b) to the financial statements. Collateral and guarantees received in respect of credit terms granted at 31st December 2023 totalled HK$424 million (2022: HK$452 million).

The movement in the expected credit loss allowance in respect of trade debtors during the year is set out in note 16 to the financial statements.

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds and the availability of an adequate amount of committed undrawn credit facilities to meet obligations when due.

The Group will fund its committed contractual maturities through cash flows earned and financing available under its credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising liquid funds and the undrawn credit facilities below) on the basis of expected cash flows. In addition, the Group's liquidity management policy includes monitoring balance sheet liquidity ratios against internal and external benchmarks and maintaining debt financing plans.

Management has assessed cash flow forecasts under various scenarios. Management is of the opinion that the Group has sufficient unrestricted liquidity for at least the next 12 months from the date of approval of the consolidated financial statements. Accordingly management concludes that it is appropriate to prepare the financial statements on a going concern basis.

At the end of the reporting period, the Group held liquid funds (note 17 to the financial statements) of HK$15,530 million (2022: HK$18,277 million) that is available for managing liquidity risk.

(i) Financial arrangements

The Group had access to the following liquid funds and undrawn facilities at the end of the reporting period:

	2023 HK$M	2022 HK$M
Liquid funds (note 17)	**15,530**	18,277
Less: amounts pledged as part of long-term financing		
– debt securities listed outside Hong Kong	**(5)**	(5)
– bank deposits	**–**	(114)
Committed undrawn facilities	**4,460**	9,030
Available unrestricted liquidity to the Group	**19,985**	27,188

	2023 HK$M	2022 HK$M
Uncommitted bank overdraft facilities	**438**	431

Due to the dynamic nature of the underlying businesses, the Group treasury function also maintains funding flexibility through available committed and uncommitted credit facilities. Committed undrawn facilities may be drawn at any time in either Japanese yen, Hong Kong dollar or United States dollar. Uncommitted bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

29. FINANCIAL RISK MANAGEMENT (continued)

(ii) Payment profile of financial liabilities

The undiscounted payment profile of financial liabilities is outlined as follows:

	2023				
	Within one year HK$M	**After one year but within two years HK$M**	**After two years but within five years HK$M**	**After five years HK$M**	**Total HK$M**
Group					
Loans and other borrowings	**(7,651)**	**(8,746)**	**(23,697)**	**(6,386)**	**(46,480)**
Lease liabilities	**(6,302)**	**(4,944)**	**(12,002)**	**(12,415)**	**(35,663)**
Other long-term payables	**–**	**(561)**	**(1,399)**	**(556)**	**(2,516)**
Trade and other payables	**(16,816)**	**–**	**–**	**–**	**(16,816)**
Derivative financial liabilities, net	**(393)**	**(169)**	**–**	**–**	**(562)**
Total	**(31,162)**	**(14,420)**	**(37,098)**	**(19,357)**	**(102,037)**

	2022				
	Within one year HK$M	After one year but within two years HK$M	After two years but within five years HK$M	After five years HK$M	Total HK$M
Group					
Loans and other borrowings	(10,421)	(8,900)	(27,104)	(6,683)	(53,108)
Lease liabilities	(7,417)	(6,153)	(12,079)	(12,170)	(37,819)
Other long-term payables	–	(793)	(1,222)	(610)	(2,625)
Trade and other payables	(10,982)	–	–	–	(10,982)
Derivative financial liabilities, net	(198)	(139)	–	–	(337)
Total	(29,018)	(15,985)	(40,405)	(19,463)	(104,871)

(c) Market risk

(i) Foreign currency risk

The Group's revenue streams are denominated in a number of currencies other than the functional currency of the revenue-generating entity resulting in exposure to foreign exchange rate fluctuations. The Group's policy is to reduce foreign currency exposure on foreign currencies. To manage this exposure, assets are, where possible, financed in those foreign currencies in which sales transactions are anticipated, thus establishing a natural hedge. In addition, the Group uses currency derivatives to reduce foreign currency exposure from highly probable forecast sales transactions in foreign currencies. The use of foreign currency borrowings and currency derivatives to hedge highly probable forecast sales transactions in foreign currencies is a key component of the financial risk management process, as the change in value of the highly probable forecast sales transactions in foreign currencies is effectively mitigated by the exchange differences realised on the repayment of foreign currency borrowings and the settlement of currency derivatives.

29. FINANCIAL RISK MANAGEMENT (continued)

Hedges of foreign currency risk

The following table details the carrying amount of foreign currency borrowings and the notional amount of currency derivative contracts that have been designated as cash flow hedges of the Group's highly probable forecast sales transactions and fair value hedges of the fair value change of the Group's United States dollars denominated medium term notes at the end of the reporting period:

	2023 HK$M	2022 HK$M
Currency derivative contracts – outgoing currencies		
Renminbi	**3,934**	2,409
Euros	**1,671**	743
Australian dollars	**1,381**	554
New Taiwan dollars	**960**	431
Pound sterling	**904**	344
Indian rupee	**892**	477
Canadian dollars	**578**	223
Japanese yen	**461**	42
Indonesian Rupiah	**438**	58
Others	**1,021**	149
Foreign currency borrowings		
Japanese yen	**1,817**	2,573
Renminbi	**253**	260
Cross currency interest rate swaps – incoming currency		
United States dollars	**(5,076)**	–

	2023		2022	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Carrying amount of currency derivative contracts	**133**	**(151)**	46	(91)
Fair value hedges				
Carrying amount of cross currency interest rate swaps	**–**	**(21)**	–	–

Currency derivative assets are included in the "Other long-term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and currency derivative liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

The foreign currency borrowings designated as hedging instruments to hedge forecast sales transactions will mature over the next six years (2022: seven years).

29. FINANCIAL RISK MANAGEMENT (continued)

The Group uses currency forward contracts to manage the fluctuation in exchange rates arising from the Group's highly probable forecast sales transactions. The currency forward contracts have a maturity of less than two years (2022: two years) from the reporting date and have a weighted average forward exchange rate between the respective foreign currencies and United States dollars as follows:

	2023 USD to	2022 USD to
Renminbi	**6.91**	6.80
Euros	**0.91**	0.96
Australian dollars	**1.49**	1.49
New Taiwan dollars	**29.69**	29.87
Indian rupee	**84.62**	83.35
Pound sterling	**0.80**	0.85
Canadian dollars	**1.34**	1.33
Japanese yen	**130.63**	126.26
Indonesian Rupiah	**15,480.09**	15,839.44

The Group designates currency forward contracts as hedging instruments in cash flow hedges of the Group's highly probable forecast sales transactions and does not separate the forward and spot element of a currency forward contract but instead designates the currency forward contract in its entirety in a hedging relationship.

The Group uses cross currency interest rate swaps to manage the fluctuation of exchange rates between Hong Kong dollars and United States dollars arising from United States dollars denominated medium term notes. The cross currency interest rate swaps have a maturity of less than three years (2022: nil) from the reporting date and have a weighted average forward exchange rate between Hong Kong dollars and United State dollars as follows:

	2023 USD to	2022 USD to
Hong Kong dollars	**7.82**	–

The Group designates cross currency interest rate swaps relating to United States dollars denominated medium term notes as hedging instruments in fair value hedges and does not separate the forward and spot element and foreign currency basis spread of a cross currency interest rate swaps but instead designates the cross currency interest rate swaps in its entirety in a hedging relationship.

For cash flow hedges, the Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the foreign currency borrowings and currency derivative contracts, and the highly probable forecast sales transactions based on their currency types, currency amounts and the timing of their respective cash flows. For fair value hedges, the Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the change in fair value of the United States dollars denominated medium term notes and the cross currency interest rate swaps.

The main sources of ineffectiveness in these hedging relationships are:

– the effect of the counterparty's and the Group's own credit risk on the fair value of the currency forward contracts which is not reflected in the fair value of the hedged cash flows attributable to the change in forward rates; and

– changes in the timing of the hedged transactions.

29. FINANCIAL RISK MANAGEMENT (continued)

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2023 HK$M	2022 HK$M
Balance at 1st January	**716**	665
Effective portion of the cash flow hedge recognised in other comprehensive income	**333**	523
Amounts reclassified to profit or loss*	**(524)**	(467)
Related tax	**16**	(5)
Balance at 31st December**	**541**	716
Change in fair value of the derivative instruments during the year	**333**	523
Hedge ineffectiveness recognised in profit or loss	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**333**	523

* *Amounts reclassified to profit or loss are recognised in "Passenger services revenue" and "Cargo services revenue" in the consolidated statement of profit or loss.*

** *At 31st December 2023, the Group had HK$22 million (net of deferred tax) in the hedging reserve from discontinued hedges (2022: HK$127 million, net of deferred tax).*

Exposure to currency risk

The currencies giving rise to a risk of translation of financial assets or liabilities denominated in a currency other than the functional currency of the entity at end of the reporting period in the Group's financial statements in 2023 and 2022 are primarily United States dollars, Euros, Australian dollars, Singapore dollars, Renminbi and Japanese yen.

At the reporting date, the exposure to these currencies in relation to recognised assets and liabilities was as follows:

	2023					
	USD HK$M	**EUR HK$M**	**AUD HK$M**	**SGD HK$M**	**RMB HK$M**	**JPY HK$M**
Group						
Trade debtors and other receivables	**3,295**	**250**	**144**	**41**	**691**	**137**
Liquid funds	**14,006**	**58**	**47**	**34**	**218**	**30**
Loans and other borrowings	**(26,863)**	**–**	**–**	**–**	**(252)**	**(199)**
Lease liabilities	**(21,656)**	**(48)**	**(43)**	**(14)**	**(82)**	**(2,793)**
Trade creditors and other payables	**(5,258)**	**(260)**	**(174)**	**(59)**	**(415)**	**(109)**
Net exposure	**(36,476)**	**–**	**(26)**	**2**	**160**	**(2,934)**

29. FINANCIAL RISK MANAGEMENT (continued)

	2022					
	USD HK$M	EUR HK$M	AUD HK$M	SGD HK$M	RMB HK$M	JPY HK$M
Group						
Loans due from an associate	34	–	–	–	–	–
Trade debtors and other receivables	3,517	298	106	26	671	149
Liquid funds	13,416	86	19	27	248	38
Loans and other borrowings	(31,174)	–	–	(1,020)	(259)	(319)
Lease liabilities	(25,185)	(40)	(44)	(16)	(105)	(3,450)
Trade creditors and other payables	(3,713)	(155)	(82)	(62)	(309)	(109)
Net exposure	(43,105)	189	(1)	(1,045)	246	(3,691)

Sensitivity analysis for foreign currency exposure

A five percent appreciation of the Hong Kong dollar against the following currencies at the reporting date would have resulted in a change in profit or loss and other equity components by the amounts shown below. It represents the translation of financial assets and liabilities denominated in a currency other than the functional currency of the entity at end of the reporting period and the change in fair value of currency derivatives at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. It has been performed on the same basis as for 2022.

	2023	
	Net increase/(decrease) in profit or loss HK$M	**Net increase/(decrease) in other equity components HK$M**
United States dollars*	**1,903**	**(532)**
Euros	**(10)**	**1,461**
Australian dollars	**(3)**	**1,215**
Singapore dollars	**1**	**282**
Renminbi	**(26)**	**3,348**
Japanese yen	**56**	**471**
Net increase	**1,921**	**6,245**

	2022	
	Net increase/(decrease) in profit or loss HK$M	Net increase/(decrease) in other equity components HK$M
United States dollars*	2,264	(275)
Euros	(10)	33
Australian dollars	(3)	24
Singapore dollars	34	2
Renminbi	(25)	102
Japanese yen	57	131
Net increase	2,317	17

* *Hong Kong dollars are pegged with United States dollars between the range of 7.75 to 7.85 (US$: HK$). The above analysis on five percent appreciation of Hong Kong dollars against United States dollars is for illustrative purpose only.*

29. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises primarily from long-term borrowings. Interest rate swaps are used to achieve an appropriate mix of fixed rate and floating rate exposure consistent with the Group's policy. Interest rate risk is measured by using sensitivity analysis on variable rate financial instruments.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). Prior to the IBOR reform, the Group had financial instruments referenced to USD London Interbank Offered Rate (USD LIBOR), Hong Kong Interbank Offered Rate (HIBOR) and JPY Tokyo Interbank Offered Rate (Tokyo TIBOR).

In March 2021, the UK Financial Conduct Authority formally announced the cessation or non-representativeness of the following LIBOR benchmark settings:

– all Sterling, Euro, Swiss Franc, Japanese yen LIBOR after 31st December 2021;
– 1-week and 2-month USD LIBOR after 31st December 2021; and
– overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR after 30th June 2023.

In Hong Kong, the Hong Kong Monetary Authority still recognises HIBOR as a credible and reliable benchmark and confirms that there is no plan to discontinue HIBOR although an alternative, the Hong Kong Dollar Overnight Index Average (HONIA) has already been identified.

In Japan, the JPY TIBOR which has been reformed since 2017 continues to retain its importance as an alternative benchmark for JPY LIBOR, particularly in the loan market.

The Group did not hold any financial instruments referenced to 1-week and 2-month USD LIBOR prior to the IBOR reform and as such there were no contracts replaced. The Group's financial instruments referenced to HIBOR and JPY TIBOR were not impacted by the IBOR reform.

The Finance Committee monitors the Group's transition to alternative benchmark rates. The Group has transitioned its USD LIBOR loans and lease contracts to new Secured Overnight Financing Rate (SOFR).

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have variable rate cash flows that are referenced to SOFR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association's (ISDA) master agreements. The Group and all its contracted derivatives counterparties have adhered to the ISDA 2020 IBOR Fallbacks Protocol.

As of 31st December 2023, the Group has transitioned all USD LIBOR-linked financial instruments to new SOFR.

Hedge accounting

The Group has USD LIBOR cash flow hedging relationships which are referenced to 1-month, 3-month and 6-month LIBOR with maturities over the next five years, hence beyond the cessation date of 30th June 2023. For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

29. FINANCIAL RISK MANAGEMENT (continued)

Hedges of interest rate risk

The following table details the interest rate swaps that have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate financing liabilities at the end of the reporting period:

	2023 HK$M	2022 HK$M
Notional amount		
United States dollars	**2,823**	5,149
Hong Kong dollars	**–**	48

	2023 HK$M	2022 HK$M
Carrying amount		
Asset	**77**	163
Liability	**(11)**	–

Interest rate swap assets are included in the "Other long-term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and interest rate swap liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

The swaps will mature over the next four years (2022: five years) matching the maturity of the related financing liabilities and have fixed swap rates ranging from 2.69% to 4.22% (2022: 2.68% to 4.22%).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment dates, the notional amounts of the swaps and the outstanding principal amounts of the financing liabilities.

The main source of ineffectiveness in these hedging relationships is the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates, and differences in repricing dates between the swaps and the borrowings. The Group considers the ineffectiveness to be immaterial.

29. FINANCIAL RISK MANAGEMENT (continued)

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2023 HK$M	2022 HK$M
Balance at 1st January	**118**	(292)
Effective portion of the cash flow hedge recognised in other comprehensive income	**26**	334
Amounts reclassified to profit or loss*	**(109)**	119
Related tax	**8**	(43)
Balance at 31st December**	**43**	118
Change in fair value of the derivative instruments during the year	**26**	334
Hedge ineffectiveness recognised in profit or loss	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**26**	334

* *Amounts reclassified to profit or loss are recognised in "Finance charges" in the consolidated statement of profit or loss.*

** *The entire balance in the hedging reserve relates to continuing hedges.*

Interest rate profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	2023 HK$M	2022 HK$M
Fixed rate instruments		
Loan due from an associate	**45**	40
Loans and other borrowings	**(18,064)**	(18,638)
Lease liabilities	**(14,550)**	(16,500)
Interest rate and cross currency interest rate swaps	**(3,058)**	(6,306)
Net exposure	**(35,627)**	(41,404)

	2023 HK$M	2022 HK$M
Variable rate instruments		
Loan due from an associate	**–**	34
Liquid funds	**15,530**	18,277
Loans and other borrowings	**(21,231)**	(26,528)
Lease liabilities	**(14,449)**	(15,440)
Interest rate and cross currency interest rate swaps	**3,047**	6,289
Net exposure	**(17,103)**	(17,368)

29. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis for interest rate exposure

An increase of 25 basis points in interest rates at the reporting date would have decreased profit or loss and increased other equity components by the amounts shown below. It represents the change in fair value of interest rate swaps at the reporting date and the increase in net finance charges on variable rate financial instruments. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. It has been performed on the same basis as for 2022.

	2023		2022	
	Net decrease in profit or loss HK$M	**Net decrease in other equity components HK$M**	Net decrease in profit or loss HK$M	Net increase in other equity components HK$M
Variable rate instruments	**(46)**	**(5)**	(50)	15

(iii) Fuel price risk

Jet fuel is a major component of the Group's operating expenses and the Group's results are significantly affected by the volatility in the price of jet fuel. The Group's policy is to reduce fuel price risk by hedging a percentage of its expected fuel consumption. Crude oil swaps which are economically equivalent to forward contracts are used to achieve the Group's desired hedging position.

Hedges of fuel price risk

The following table details the crude oil forward contracts that have been designated as cash flow hedges of the Group's highly probable forecast fuel purchase transactions at the end of the reporting period:

		2023	2022
Notional amount	*Barrel (million)*	**16.5**	14.2
Carrying amount			
Asset	*HK$M*	**88**	932
Liability	*HK$M*	**(443)**	(267)

Crude oil forward contract assets are included in the "Other long-term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and crude oil forward contract liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

The crude oil forward contracts have a maturity of less than two years (2022: two years) from the reporting date and have a weighted average strike price (Brent, US$/barrel) as follows:

	2023 US$/barrel	2022 US$/barrel
Within one year	**78.92**	73.30
After one year but within two years	**75.46**	81.74

The price risk of jet fuel purchases includes a crude oil price risk component, even though crude oil is not specified in any contractual arrangement. The Group considers the crude oil component to be a separately identifiable and reliably measureable component of jet fuel price. As such, crude oil forward contracts are designated as a hedge of the crude oil risk component of highly probable forecast fuel purchase transactions.

The Group seeks to hedge the crude oil price risk component only and applies a hedge ratio of 1:1. The main source of ineffectiveness in these hedging relationships is the effect of the counterparty's and the Group's own credit risk on the fair value of the crude oil forward contracts which is not reflected in the fair value of the hedged cash flows attributable to the change in crude oil price.

29. FINANCIAL RISK MANAGEMENT (continued)

The following table provides a reconciliation of the hedging reserve in respect of fuel price risk and shows the effectiveness of the hedging relationships:

	2023 HK$M	2022 HK$M
Balance at 1st January	**633**	1,801
Effective portion of the cash flow hedge recognised in other comprehensive income	**(355)**	2,154
Amounts reclassified to profit or loss*	**(693)**	(3,444)
Related tax	**97**	122
Balance at 31st December**	**(318)**	633
Change in fair value of the derivative instruments during the year	**(355)**	2,154
Hedge ineffectiveness recognised in profit or loss	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**(355)**	2,154

* *Amounts reclassified to profit or loss are recognised in "Fuel, including hedging gains" in the consolidated statement of profit or loss.*

** *As at 31st December 2023, the Group had nil (net of deferred tax) in the hedging reserve from discontinued hedges (2022: HK$26 million, net of deferred tax).*

Sensitivity analysis for fuel price exposures

An increase/(decrease) of five percent in the crude oil price at the reporting date would have resulted in a change in profit or loss and other equity components by the amounts shown below. It represents the change in fair value of crude oil forward contracts at the reporting date. The analysis assumes that all other variables remain constant and it has been performed on the same basis as for 2022.

	2023		2022	
	Net increase in profit or loss HK$M	**Net increase/ (decrease) in other equity components HK$M**	Net increase in profit or loss HK$M	Net increase/ (decrease) in other equity components HK$M
Increase in crude oil price by 5%	**–**	**434**	–	414
Decrease in crude oil price by 5%	**–**	**(434)**	–	(414)

(d) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 31st December 2023 and 2022 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

	2023		2022	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Loans and other borrowings	**(39,295)**	**(41,138)**	(45,166)	(47,189)

The fair value of these financial instruments are measured using valuation techniques in which all significant inputs are based on observable market data. The most significant inputs are market interest rates.

29. FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31st December 2023 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 inputs 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 discounted cash flow valuation techniques in which any significant input is not based on observable market data.

	2023				2022			
	Level 1 HK$M	**Level 2 HK$M**	**Level 3 HK$M**	**Total HK$M**	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
Recurring fair value measurement								
Assets								
Unlisted equity investments at fair value	**–**	**–**	**827**	**827**	–	–	840	840
Liquid funds								
– funds with investment managers	**–**	**7,208**	**–**	**7,208**	–	10,572	–	10,572
– other liquid investments	**–**	**5**	**–**	**5**	–	5	–	5
Derivative financial assets	**–**	**298**	**–**	**298**	–	1,185	–	1,185
	–	**7,511**	**827**	**8,338**	–	11,762	840	12,602
Liabilities								
Derivative financial liabilities	**–**	**(626)**	**–**	**(626)**	–	(358)	–	(358)
	–	**(626)**	**–**	**(626)**	–	(358)	–	(358)

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 equity investments in Level 3 is determined using discounted cash flow valuation techniques. The significant unobservable input used in the fair value measurement is the discount rate. At 31st December 2023 and 2022, information about fair value measurements using significant unobservable inputs (Level 3) is as follows:

Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Possible reasonable change	(Negative)/positive impact on fair value (HK$M)
Unlisted equity investments				
Discount rate	2023: 8.3-11.0% (2022: 8.0-11.0%)	The higher the discount rate, the lower the fair value	2023: +/- 0.5% (2022: +/- 0.5%)	2023: (23)/25 (2022: (29)/32)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2023 HK$M	2022 HK$M
Unlisted equity investments at fair value		
At 1st January	**840**	756
Unrealised loss recognised in other comprehensive income during the year	**(2)**	(4)
Fair value (losses)/gains recognised in profit or loss during the year	**(11)**	88
At 31st December	**827**	840

29. FINANCIAL RISK MANAGEMENT (continued)

Any gain or loss arising from the remeasurement of the Group's equity investments held for strategic purposes are recognised in the investment revaluation reserve (non-recycling) in other comprehensive income. Upon disposal of the equity investments, the amount accumulated in other comprehensive income is transferred directly to retained profit.

Any gain or loss arising from the remeasurement of the Group's equity investments held for trading purposes are recognised in profit or loss as "Others".

(f) Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under ISDA master agreements, providing offsetting in the event of default. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The table below illustrates the net amounts of financial instruments with the same counterparty:

	2023		
	Amount of financial assets/(liabilities) presented in the statement of financial position HK$M	**Financial instruments not offset in the statement of financial position HK$M**	**Net amount HK$M**
Group			
Derivative financial assets	**298**	**(235)**	**63**
Derivative financial liabilities	**(626)**	**235**	**(391)**
	(328)	**–**	**(328)**

	2022		
	Amount of financial assets/(liabilities) presented in the statement of financial position HK$M	Financial instruments not offset in the statement of financial position HK$M	Net amount HK$M
Group			
Derivative financial assets	1,185	(312)	873
Derivative financial liabilities	(358)	312	(46)
	827	–	827

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, whilst taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Group regards the net debt/equity ratio and adjusted net debt/equity ratio (excluding leases without assets transfer components) as the key measurements of capital risk management. The components and calculation of the net debt/equity ratio and adjusted net debt/equity ratio are shown in note 12 to the financial statements and a ten year history of net debt/equity ratio is included on pages 154 and 155 of the annual report. The Group's strategy is to maintain the adjusted net debt/equity ratio within its debt covenants of 2.

The Group is not subject to externally imposed capital requirements.

During the year ended 31st December 2023, no significant changes were made in the objectives, policies or processes relating to the management of the Group's capital risk management.

31. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$M	2022 (restated) HK$M	2023 US$M	2022 (restated) US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment		**100,074**	101,357	**12,830**	12,994
Intangible assets		**10,394**	10,647	**1,332**	1,365
Investments in subsidiaries		**26,867**	31,204	**3,444**	4,001
Investments in associates		**10,505**	10,540	**1,347**	1,351
Other long-term receivables and investments		**2,773**	2,519	**356**	323
		150,613	156,267	**19,309**	20,034
Interest-bearing liabilities		**(50,570)**	(54,035)	**(6,483)**	(6,928)
Other long-term payables		**(1,498)**	(1,507)	**(192)**	(193)
Other long-term contract liabilities		**(252)**	(282)	**(32)**	(36)
Deferred tax liabilities		**(7,335)**	(7,723)	**(941)**	(990)
		(59,655)	(63,547)	**(7,648)**	(8,147)
Net non-current assets		**90,958**	92,720	**11,661**	11,887
Current assets and liabilities					
Stock		**924**	1,093	**118**	140
Trade and other receivables		**5,591**	6,308	**717**	809
Liquid funds		**8,012**	7,435	**1,027**	953
		14,527	14,836	**1,862**	1,902
Interest-bearing liabilities		**(9,252)**	(13,798)	**(1,186)**	(1,769)
Trade and other payables		**(13,671)**	(8,681)	**(1,753)**	(1,113)
Contract liabilities		**(14,095)**	(12,510)	**(1,807)**	(1,603)
Taxation		**(1,939)**	(3,431)	**(248)**	(440)
		(38,957)	(38,420)	**(4,994)**	(4,925)
Net current liabilities		**(24,430)**	(23,584)	**(3,132)**	(3,023)
Total assets less current liabilities		**126,183**	132,683	**16,177**	17,011
Net assets		**66,528**	69,136	**8,529**	8,864
CAPITAL AND RESERVES					
Share capital	*20*	**28,828**	48,322	**3,696**	6,195
Reserves	*22*	**37,700**	20,814	**4,833**	2,669
Total equity		**66,528**	69,136	**8,529**	8,864

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 US$1:HK$7.8.

Patrick Healy
Director
Hong Kong, 13th March 2024

John Harrison
Director

32. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 7th February 2024, the Group's interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK$2 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2023, but is expected to result in a gain from deemed partial disposal in 2024.

As the Group applies the equity method to its interest in Air China three months in arrears and the financial information of Air China as at and up to 7th February 2024 is not available, the gain from deemed partial disposal cannot be determined on the date these financial statements are issued. The gain will primarily arise from the Group's share of proceeds from the share subscription (i.e. HK$317 million) less the carrying value of interest deemed to be disposed, which represents approximately 2.4% of the carrying value of the Group's interest in Air China. The carrying value of the Group's interest in Air China as at 31st December 2023, which has accounted for Air China's results up to 30th September 2023, was HK$10.4 billion. The amount of the gain from deemed partial disposal will be finalised once Air China's financial information for relevant subsequent period is made available to the Group and recognised in the Group's first half results for 2024.

MATERIAL SUBSIDIARIES AND ASSOCIATES

at 31st December 2023

SUBSIDIARIES

	Place of incorporation/ establishment and operation	Principal activities	Percentage of issued capital owned	Issued and paid up share capital and debt securities
AHK Air Hong Kong Limited	Hong Kong	Cargo airline	100	1,000,000 shares
Airline Property Limited	Hong Kong	Property investment	100	2 shares
Airline Stores Property Limited	Hong Kong	Property investment	100	2 shares
Airline Training Property Limited	Hong Kong	Property investment	100	2 shares
Asia Miles Limited	Hong Kong	Travel reward programme	100	2 shares
Cathay Holidays Limited	Hong Kong	Travel tour operator	100	40,000 shares
Cathay Pacific Aircraft Leasing (H.K.) Limited	Hong Kong	Aircraft financing facilitator	100	1 share
Cathay Pacific Aircraft Services Limited	Isle of Man	Aircraft acquisition facilitator	100	10,000 shares of US$1 each
Cathay Pacific Catering Services (H.K.) Limited	Hong Kong	Airline catering	100	600 shares
Cathay Pacific Finance Limited	Hong Kong	Aircraft financing facilitator	100	1 share
Cathay Pacific Finance III Limited	Cayman Islands	Financial services	100	1 share of US$1, and HK$6,740 million of convertible bonds in issue
Cathay Pacific MTN Financing (HK) Limited	Hong Kong	Financial services	100	1 share, and HK$888 million, US$650 million, RMB230 million and SGD175 million of medium term notes in issue
Cathay Pacific Services Limited	Hong Kong	Cargo terminal	100	1 share
Connaught Network Services Private Limited	India	Information processing	100*	90,000 shares
Guangzhou Guo Tai Information Processing Company Limited	People's Republic of China	Information processing	100*	Registered capital of HK$8,000,000 (wholly foreign owned enterprise)
Hong Kong Airport Services Limited	Hong Kong	Aircraft ramp handling	100	100 shares
Hong Kong Aviation and Airport Services Limited	Hong Kong	Property investment	100*	2 shares
Hong Kong Express Airways Limited	Hong Kong	Operation of scheduled airline services	100	1,000,000 shares
Troon Limited	Bermuda	Financial services	100	12,000 shares of US$1 each
Vogue Laundry Service Limited	Hong Kong	Laundry and dry cleaning	100	3,700 shares

Material subsidiaries and associates are those which materially affect the results or assets of the Group.

All shares are ordinary shares unless otherwise stated.

* *Shareholding held through subsidiaries.*

ASSOCIATES

	Place of incorporation/ establishment and operation	Principal activities	Percentage of issued capital owned
Air China Cargo Co., Ltd.	People's Republic of China	Cargo carriage service	24*
Air China Limited	People's Republic of China	Airline	16.26

* *Shareholding held through subsidiaries.*

MATERIAL ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The measurement basis used is historical cost modified by the use of fair value for certain financial assets and liabilities and post-employment benefits as explained in accounting policies 8, 9, 10, 11 and 14 below.

The preparation of the financial statements in conformity with HKFRSs requires management to make certain estimates and assumptions which affect the amounts of property, plant and equipment, intangible assets, long-term investments, post-employment benefits obligations and taxation included in the financial statements. These estimates and assumptions are continually re-evaluated and are based on management's expectations of future events which are considered to be reasonable. Further details on these estimates and assumptions are disclosed in notes 8, 9, 29(e), 14 and 15 to the financial statements, respectively.

The HKICPA has issued the following amendments to HKFRSs for the current accounting period of the Group.

(a) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17 "Insurance contracts"
- Amendments to HKAS 8 "Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates"
- Amendments to HKAS 1 "Presentation of financial statements" and HKFRS Practice Statement 2 "Making materiality judgements: Disclosure of accounting policies"
- Amendments to HKAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"
- Amendments to HKAS 12 "Income taxes: International tax reform – Pillar Two model rules"

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

The standard and the amendments do not have a material impact on these financial statements except as described below.

Amendments to HKAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

1. BASIS OF ACCOUNTING (continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

As disclosed in note 14 to the financial statements, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") in June 2022, which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the Mandatory Provident Fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1st May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19 to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 (see note 14 to the financial statements), with the corresponding adjustment to the comparative carrying amount of the LSP obligations. This change in accounting policy did not have any impact on the opening balance of equity at 1st January 2022 and the cash flows for the year ended 31st December 2022.

1. BASIS OF ACCOUNTING (continued)

The following table summarises the impacts of the change in accounting policy and adoption of the HKICPA guidance ("Impacts") on the comparatives presented in the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of financial position:

	As previously reported HK$M	Impacts HK$M	As restated HK$M
Consolidated statement of profit or loss for the year ended 31st December 2022:			
Staff expenses	(10,571)	(75)	**(10,646)**
Operating expenses	(47,490)	(75)	**(47,565)**
Operating profit before non-recurring items and operating profit	3,546	(75)	**3,471**
Loss before taxation	(6,040)	(75)	**(6,115)**
Loss for the year	(6,547)	(75)	**(6,622)**
Loss attributable to ordinary shareholders of the Cathay Group	(7,162)	(75)	**(7,237)**
Loss per ordinary share			
– Basic and diluted	(111.3)¢		**(112.4)¢**
Consolidated statement of other comprehensive income for the year ended 31st December 2022:			
Total comprehensive loss for the year	(8,365)	(75)	**(8,440)**
Total comprehensive loss attributable to ordinary shareholders of the Cathay Group	(8,980)	(75)	**(9,055)**
Consolidated statement of financial position at 31st December 2022:			
Other long-term payables	(2,766)	(75)	**(2,841)**
Total non-current liabilities	(73,628)	(75)	**(73,703)**
Net non-current assets	80,950	(75)	**80,875**
Net assets	63,884	(75)	**63,809**
Reserves	15,556	(75)	**15,481**
Funds attributable to the shareholders of the Cathay Group	63,878	(75)	**63,803**
Total equity	63,884	(75)	**63,809**
Reconciliation of operating profit to cash generated from operations for the year ended 31st December 2022			
Operating profit	3,546	(75)	**3,471**
Gains from financial derivatives, cash flow hedge reserve and other items not involving cash flows	(163)	75	**(88)**

1. BASIS OF ACCOUNTING (continued)

If the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19, in the Group's consolidated statement of profit or loss for the year ended 31st December 2023, staff expenses would decrease by HK$9 million, profit for the year would increase by HK$9 million while the other comprehensive income for the year and attributable to the Cathay Group would increase by HK$6 million. In the Group's consolidated statement of financial position as at same date, other long-term payables would be reduced by HK$90 million, resulting in a corresponding increase in net assets and reserves.

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31st December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

- Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to HKFRS 16 "Lease Liability in a Sale and Leaseback"
- Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments" to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1 "Non-current Liabilities with Covenants"
- Amendments to HKAS 7 and HKFRS 7 "Supplier Finance Arrangements"
- Amendments to HKAS 21 "Lack of Exchangeability"

The Group has yet to assess the full impact of these developments. So far it is not expected that the adoption of them will have a significant impact on the consolidated financial statements.

2. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's share of the results and net assets of its associates. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income. Where interests have been bought or sold during the year, only those results relating to the period of control are included in the financial statements.

Goodwill represents the excess of the cost of subsidiaries and associates over the fair value of the Group's share of the net assets at the date of acquisition. Goodwill is recognised at cost less accumulated impairment losses. Goodwill arising from the acquisition of subsidiaries is allocated to cash-generating units and is tested annually for impairment.

On disposal of a subsidiary or an associate, goodwill is included in the calculation of any gain or loss.

Non-controlling interests in the consolidated statement of financial position comprise the outside shareholders' proportion of the net assets of subsidiaries and are treated as a part of equity. In the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, non-controlling interests are disclosed as an allocation of the profit or loss and total comprehensive income for the year. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated statement of financial position in accordance with accounting policy 9.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment loss recognised and intra-Group balances with those companies. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. ASSOCIATES

Associates are those companies, not being subsidiaries, in which the Group holds a substantial long-term interest in the equity share capital and over which the Group is in a position to exercise significant influence.

The consolidated statement of profit or loss and the consolidated statement of other comprehensive income includes the Group's share of results of associates as reported in their financial statements made up to dates not earlier than three months prior to 31st December. In the consolidated statement of financial position, investments in associates represent the Group's share of net assets, goodwill arising on acquisition of the associates (less any impairment) and loans to those companies.

In the Company's statement of financial position, investments in associates are stated at cost less any impairment loss recognised and loans to those companies. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

4. FOREIGN CURRENCIES

Foreign currency transactions entered into during the year are translated into Hong Kong dollars at the market rates ruling at the relevant transaction dates whilst the following items are translated at the rates ruling at the reporting date:

(a) foreign currency denominated financial assets and liabilities.

(b) assets and liabilities of foreign subsidiaries and associates.

Exchange differences arising on the translation of foreign currencies into Hong Kong dollars are reflected in profit or loss except that:

(a) unrealised exchange differences on foreign currency denominated financial assets and liabilities, as described in accounting policies 8, 9 and 10 below, that qualify as effective cash flow hedge instruments under HKFRS 9 "Financial Instruments" are recognised in other comprehensive income and accumulated separately in equity via the statement of changes in equity. These exchange differences are included in profit or loss as an adjustment to the hedged item in the same period or periods during which the hedged item affects profit or loss.

(b) unrealised exchange differences on net investments in foreign subsidiaries and associates (including intra-Group balances of an equity nature) and related long-term liabilities are recognised in other comprehensive income and accumulated separately in equity via the statement of changes in equity.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost relating to an acquired (owned or leased) aircraft reflects all components in its full service potential excluding the maintenance condition of its landing gear, airframe and engines. The cost relating to the maintenance element is identified on acquisition as a separate component and depreciated till its next major maintenance event. Expenditure for heavy maintenance visits on aircraft, engine overhauls and landing gear overhauls, is capitalised at cost and depreciated over the average expected life between major overhauls, estimated to be 4 to 10 years. Expenditure for engine overhaul costs covered by power-by-hour (fixed rate charged per hour) maintenance agreements is expensed by hours flown. Expenditure for other maintenance and repairs is charged to profit or loss.

Depreciation of owned property, plant and equipment is calculated on a straight line basis to write down cost over their anticipated useful lives to their estimated residual values as follows:

Aircraft	over 20-23 years to residual value of the lower of 1% of cost or expected realisable value
Aircraft product	over 5-10 years to nil residual value
Other equipment	over 3-25 years to nil residual value
Buildings	over the lease term of the leasehold land to nil residual value

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of right-of-use assets is calculated on a straight line basis to write down cost over the underlying lease term to nil residual value. However, if the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, depreciation is calculated on a straight line basis to write down cost over the anticipated useful life of the underlying asset to its estimated residual value in a similar manner as for an item of owned property, plant and equipment.

Major modifications to aircraft and reconfiguration costs are capitalised as part of aircraft cost and are depreciated over periods of up to 10 years.

The depreciation policy and the carrying amount of property, plant and equipment are reviewed annually taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which affect the life expectancy of the assets. Any impairment in value is recognised by writing down the carrying amount to estimated recoverable amount which is the higher of the value in use (the present value of future cash flows) and the fair value less costs of disposal.

6. LEASED ASSETS

The Group leases various aircraft, property facilities and offices and other equipment. Lease contracts are typically made for fixed periods of one to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(a) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

6. LEASED ASSETS (continued)

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

With respect to lease agreements, where the Group is required to return the aircraft with adherence to certain maintenance conditions, a provision is made during the lease term. The provision is based on the present value of the expected future cost of meeting the maintenance and non-maintenance return condition, having regard to the current fleet plan and long-term maintenance schedules.

Where the lease is capitalised, the right-of-use asset recognised is initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses outlined in accounting policy 5.

The lease liability is remeasured under the following circumstances:

- a change in future lease payments arising from a change in an index or a rate;
- a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
- a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option; or
- a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification").

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification. Consequently, rent concessions received before 30th June 2022 have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. Rent concessions received after 30th June 2022 have been accounted for as lease modifications.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is credited to profit or loss on a straight line basis over the life of the related lease.

6. LEASED ASSETS (continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in accounting policy 6(a), then the Group classifies the sub-lease as an operating lease.

7. INTANGIBLE ASSETS

Intangible assets comprise mainly goodwill arising on consolidation and computer software licences. The accounting policy for goodwill is outlined in accounting policy 2.

Expenditure on computer software licences and others which gives rise to economic benefits is capitalised as part of intangible assets and is amortised on a straight line basis. The useful life of expenditure on computer software licences and others is four to twenty years.

8. FINANCIAL ASSETS

Other long-term receivables, bank and security deposits, trade and other short-term receivables are stated at amortised cost less allowance for credit losses.

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out below.

The accounting policy for derivative financial assets is outlined in accounting policy 10.

Investments are recognised or derecognised by the Group on the date when the purchase or sale of the assets occurs. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows:

Non-equity investments held by the Group are classified into one of the following measurement categories:

(a) amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

(b) fair value through other comprehensive income – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

(c) fair value through profit or loss, if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments are classified as fair value through profit or loss unless the equity investments are not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained profit. It is not recycled through profit or loss. Dividends from equity investments, irrespective of whether classified at fair value through profit or loss or fair value through other comprehensive income (non-recycling), are recognised in profit or loss as other income.

8. FINANCIAL ASSETS (continued)

Funds with investment managers and other liquid investments which are managed and evaluated on a fair value basis are designated at fair value through profit or loss.

Expected credit losses

The Group applies the expected credit loss model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates).

Financial assets measured at fair value, including equity investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income (non-recycling) and derivative financial assets, are not subject to the expected credit loss assessment.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring expected credit losses, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured on either of the following bases:

(i) 12-month expected credit losses: these are losses that are expected to result from possible default events within 12 months after the reporting date; or

(ii) lifetime expected credit losses: these are losses that are expected to result from all possible default events over the expected lives of the items to which the expected credit loss model applies.

Loss allowances for trade debtors are always measured at an amount equal to lifetime expected credit losses. Expected credit losses on trade debtors are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For all other financial instruments, the Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

(i) failure to make payments of principal or interest on their contractually due dates;

(ii) an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

(iii) an actual or expected significant deterioration in the operating results of the debtor; and

(iv) existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

8. FINANCIAL ASSETS (continued)

Expected credit losses are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit losses amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for the financial instrument with a corresponding adjustment to its carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial instrument is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of the financial instrument that was previously written off are recognised as a reversal of impairment in profit or loss in the periods in which the recoveries occur.

9. FINANCIAL LIABILITIES

Loans and other borrowings, lease liabilities and trade and other payables are stated at amortised cost.

Where long-term loans have been defeased by funds and other investments, those loans and deposits (and income and charge arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements. Such netting off occurs where there is a current legally enforceable right to set off the loan and the deposit and the Group intends either to settle on a net basis or to realise the deposit and settle the loans simultaneously.

The accounting policy for derivative financial liabilities is outlined in accounting policy 10.

Financial liabilities are recognised or derecognised when the contracted obligations are incurred or extinguished.

Interest expenses incurred under financial liabilities are calculated and recognised using the effective interest method.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

All derivative financial instruments are recognised at fair value in the statement of financial position.

Cash flow hedges

Where derivative financial instruments are designated as hedging instruments in a cash flow hedge and hedge exposure to fluctuations in foreign currency rates, interest rates or jet fuel prices, any fair value change is accounted for as follows:

(a) the effective portion of the fair value change is recognised in other comprehensive income and accumulated separately in equity and is included in profit or loss as an adjustment to revenue, net finance charges or fuel expense in the same period or periods during which the hedged transaction affects profit or loss.

(b) the ineffective portion of the fair value change is recognised in profit or loss immediately.

Derivative financial instruments which do not qualify as hedging instruments are accounted for as fair value through profit or loss and any fair value change is recognised in profit or loss immediately.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

11. FAIR VALUE MEASUREMENT

Fair value of financial assets and financial liabilities is determined either by reference to quoted market values or by using discounted cash flow valuation techniques in which the significant inputs are based on observable market data where available.

12. PREFERENCE SHARE CAPITAL

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

13. WARRANTS

Warrants in issue fulfill a fixed-for fixed criterion and are accounted for as equity instruments, with no subsequent fair value remeasurement. Upon the exercise of the warrants, the resulting ordinary shares issued are recorded as additional share capital.

14. POST-EMPLOYMENT BENEFITS

The Group has the three categories of defined benefit plans including defined benefit scheme, defined contribution scheme and long service payment obligations under the Hong Kong Employment Ordinance.

For defined benefit schemes and long service payment obligations, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the consolidated statement of profit or loss and the consolidated statement of other comprehensive income so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligations) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligations are calculated by independent actuaries and are determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and return on plan assets excluding interest income are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised in profit or loss immediately.

For defined contribution schemes, the Group's contributions are charged to profit or loss immediately in the period to which the contributions relate.

15. DEFERRED TAXATION

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable nor accounting profit or loss, it is not recognised.

Deferred tax assets relating to unused tax losses and deductible temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which these unused tax losses and deductible temporary differences can be utilised.

In addition, where initial cash benefits have been received in respect of certain lease arrangements, provision is made for the future obligation to make tax payments.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

16. STOCK

Stock held for consumption is valued either at cost or weighted average cost less any applicable allowance for obsolescence. Stock held for sales is stated at the lower of cost and net realisable value. Net realisable value represents estimated resale price less any estimated costs necessary to make the sale.

17. ASSETS HELD FOR SALE

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

18. REVENUE RECOGNITION

Passenger and cargo sales are recognised as revenue when the transportation service is provided. Revenue is allocated between passenger services revenue and loyalty programme revenue based on their relative stand-alone selling prices. Revenue from catering and other services is recognised when the services are rendered. Interest income is recognised as it accrues while dividend income is recognised when the right to receive payment is established.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as it is expected at contract inception that the period between the transfer of goods and services and customer payments will be one year or less.

Breakage on passenger revenue is recognised in proportion to the pattern of rights exercised by the customer as reflected by the point of flown to match the timing of revenue recognition with the underlying ticket performance obligations. This is based on historical experience. This estimation is made such that the revenue recognised from passenger ticket breakage is not expected to result in a significant reversal of cumulative revenue in the future.

The value of unflown passenger sales is recognised as a contract liability in the statement of financial position. It is expected to be recognised as passenger services revenue within 12 months when the transportation service is provided.

Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission.

The Group recognises the incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

19. LOYALTY PROGRAMME

The Company operates a customer loyalty programme called Asia Miles (the "programme"). As members accumulate miles by travelling on Cathay Pacific flights, or when the Company sells miles to participating partners in the programme, revenue from the initial sales transaction equal to the programme awards at their stand-alone selling price is deferred as a contract liability until the miles are redeemed or the passenger is uplifted in the case of the Group's flight redemptions. Breakage, the proportion of points that are expected to expire, is recognised to reduce stand-alone selling price, and is determined by a number of assumptions including historical experience, future redemption pattern and programme design.

Marketing revenue, associated with the sales of miles to participating partners is measured as the difference between the consideration received and the revenue deferred, and is recognised when the service is performed.

20. GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Income grants are presented as revenue from other services and recoveries.

Cost waivers or cost reductions are disclosed net of respective cost categories and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants that compensate for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

21. MAINTENANCE AND OVERHAUL COSTS

Replacement spares and labour costs for maintenance and overhaul of aircraft are charged to profit or loss on consumption and as incurred respectively unless they are capitalised according to the accounting policy 5.

22. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits is required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

23. ONEROUS CONTRACTS

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

24. RELATED PARTIES

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, Company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions.

25. CONVERTIBLE BONDS

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the convertible bond reserve until the bonds are converted.

STATISTICS

		2023	2022 (restated)
Consolidated profit or loss summary	*HK$M*		
Passenger services		**61,437**	14,333
Cargo services		**25,606**	30,554
Other services and recoveries		**7,442**	6,149
Revenue		**94,485**	51,036
Operating expenses		**(81,486)**	(47,565)
Operating gain/(loss) before non-recurring items		**12,999**	3,471
Profit on disposal of investments		**–**	–
Gain on deemed partial disposal of associates		**1,929**	–
Restructuring costs		**–**	–
Net reversal of/(impairment) and other gains or charges		**197**	–
Net finance charges		**(2,733)**	(2,909)
Share of (losses)/profits of associates		**(1,534)**	(6,677)
Profit/(loss) before taxation		**10,858**	(6,115)
Taxation		**(1,068)**	(507)
Profit/(loss) for the year		**9,790**	(6,622)
Attributable to			
Ordinary shareholders of the Cathay Group		**9,067**	(7,237)
Preference shareholder of the Cathay Group		**722**	614
Non-controlling interests		**1**	1
Profit/(loss) for the year		**9,790**	(6,622)
Dividends paid to ordinary shareholders		**–**	–
Consolidated statement of financial position summary	*HK$M*		
Property, plant and equipment and intangible assets		**130,627**	133,655
Long-term receivables and investments		**19,654**	19,789
Borrowings		**(68,294)**	(77,106)
Liquid funds less bank overdrafts		**15,530**	18,277
Net borrowings		**(52,764)**	(58,829)
Net current liabilities (excluding liquid funds, bank overdrafts and current portion of borrowings)		**(27,751)**	(20,700)
Other long-term payables and long-term contract liabilities		**(3,062)**	(3,123)
Deferred taxation		**(6,671)**	(6,983)
Net assets		**60,033**	63,809
Financed by:			
Funds attributable to the ordinary shareholders of the Cathay Group*		**50,085**	42,865
Funds attributable to the preference shareholder of the Cathay Group		**9,941**	20,938
Funds attributable to the shareholders of the Cathay Group		**60,026**	63,803
Non-controlling interests		**7**	6
Total equity		**60,033**	63,809
Per ordinary share			
Ordinary shareholders' funds	*HK$*	**7.78**	6.66
EBITDA	*HK$*	**4.03**	1.40
Profit/(loss)/earnings – basic	*HK cents*	**140.8**	(112.4)
– diluted	*HK cents*	**125.8**	(112.4)
Dividend	*HK$*	**0.43**	–
Ratios			
Profit/(loss) margin	*%*	**10.4**	(13.0)
Return on capital employed	*%*	**10.6**	(2.8)
Dividend cover	*Times*	**3.3**	–
Cash interest cover	*Times*	**12.2**	9.3
Gross debt/equity ratio	*Times*	**1.14**	1.21
Net debt/equity ratio	*Times*	**0.88**	0.92
Adjusted net debt/equity ratio (excludes leases without asset transfer components)**	*Times*	**0.69**	0.71

* *Funds attributable to the ordinary shareholders are arrived at after deducting preference shares reserve (2022: capital) and unpaid cumulative dividends attributable to the preference shareholder as at 31st December of the respective reporting period.*

** *On adoption of HKFRS 16 with effect from 1st January 2019, the Group recognised lease liabilities in relation to leases without asset transfer components. This resulted in a significant increase in the Group's total and net borrowings, and hence the Group's net debt/equity ratio. To allow for comparability of gearing ratios over time and against group borrowing covenants, the Group has chosen to present the adjusted net debt/equity ratio which excludes leases without asset transfer components.*

2021	2020	2019	2018	2017	2016	2015	2014
4,357	11,950	73,985	73,119	66,408	66,926	73,047	75,734
35,814	27,890	23,810	28,316	23,903	20,063	23,122	25,400
5,416	7,094	9,178	9,625	6,973	5,762	6,173	4,857
45,587	46,934	106,973	111,060	97,284	92,751	102,342	105,991
(46,037)	(58,639)	(103,646)	(107,465)	(99,563)	(93,276)	(95,678)	(101,556)
(450)	(11,705)	3,327	3,595	(2,279)	(525)	6,664	4,435
–	–	–	–	586	–	–	–
210	–	114	–	244	–	–	–
(385)	(2,383)	–	–	–	–	–	–
(818)	(4,056)	–	–	–	–	–	–
(2,629)	(2,895)	(2,939)	(2,114)	(1,761)	(1,301)	(1,164)	(1,158)
(1,985)	(1,282)	1,643	1,762	2,630	2,049	1,965	772
(6,057)	(22,321)	2,145	3,243	(580)	223	7,465	4,049
531	674	(454)	(466)	(308)	(497)	(1,157)	(599)
(5,526)	(21,647)	1,691	2,777	(888)	(274)	6,308	3,450
(6,123)	(21,876)	1,691	2,345	(1,259)	(575)	6,000	3,150
596	228	–	–	–	–	–	–
1	1	–	432	371	301	308	300
(5,526)	(21,647)	1,691	2,777	(888)	(274)	6,308	3,450
–	–	(1,495)	(590)	–	(1,259)	(2,046)	(1,022)
139,025	146,986	155,265	128,298	122,403	117,390	111,158	108,789
27,859	29,394	30,878	31,585	32,212	27,902	27,947	29,290
(89,854)	(93,129)	(97,260)**	(73,877)	(78,394)	(70,169)	(63,105)	(65,096)
19,284	19,341	14,864	15,296	19,094	20,290	20,647	21,098
(70,570)	(73,788)	(82,396)**	(58,581)	(59,300)	(49,879)	(42,458)	(43,998)
(11,172)	(14,249)	(23,690)	(20,329)	(18,649)	(21,727)	(23,961)	(22,478)
(3,919)	(4,210)	(4,806)	(4,649)	(3,502)	(7,517)	(15,838)	(10,487)
(8,974)	(10,872)	(12,475)	(12,385)	(11,892)	(10,643)	(8,781)	(9,263)
72,249	73,261	62,776	63,939	61,272	55,526	48,067	51,853
51,920	53,529	62,773	63,936	61,101	55,365	47,927	51,722
20,324	19,728	–	–	–	–	–	–
72,244	73,257	62,773	63,936	61,101	55,365	47,927	51,722
5	4	3	3	171	161	140	131
72,249	73,261	62,776	63,939	61,272	55,526	48,067	51,853
8.07	8.32	15.96	16.25	15.53	14.07	12.18	13.15
1.45	(0.97)	4.91	3.85	2.68	2.56	4.45	3.44
(95.1)	(424.3)	39.1	54.2	(29.1)	(13.3)	138.7	72.8
(95.1)	(424.3)	39.1	54.2	(29.1)	(13.3)	138.7	72.8
–	–	0.18	0.30	0.05	0.05	0.53	0.36
(12.1)	(46.1)	1.6	2.1	(1.3)	(0.6)	5.9	3.0
(2.0)	(12.8)	3.5	4.0	0.8	1.0	8.0	4.7
–	–	2.4	2.0	(6.4)	(2.9)	2.9	2.2
6.2	(5.3)	6.5	10.4	4.9	9.1	25.5	20.7
1.24	1.27	1.55	1.16	1.28	1.27	1.32	1.26
0.98	1.01	1.31**	0.92	0.97	0.90	0.89	0.85
0.75	0.75	0.99	0.92	0.97	0.90	0.89	0.85

Note:

(1) *The Group adopted HKFRS 16 with effect from 1st January 2019, and has changed its accounting policies in relation to lessee accounting. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1st January 2019. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.*

(2) *The Group adopted HKFRS 9 and HKFRS 15 with effect from 1st January 2018, and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1st January 2018. Comparative information in years earlier than 2018 is not restated and in accordance with the policies applicable in those years.*

(3) *The Group changed its accounting policy in relation to its long service payment ("LSP") obligations following the HKICPA guidance on the accounting implications of the abolition of the mandatory provident fund ("MPF") – LSP offsetting mechanism issued in July 2023. The policy was applied retrospectively as from June 2022 by recognising a catch-up adjustment on the Group's LSP obligations. The policy change does not have any effect on earlier periods before the legislative changes. Comparative information in 2022 is restated.*

		2023	2022
Cathay Pacific operating summary (and Cathay Dragon as at 31st December 2020 and previous years)			
Available tonne kilometres ("ATK")	*Million*	**21,225**	10,100
Revenue tonne kilometres ("RTK")	*Million*	**15,090**	7,190
Available seat kilometres ("ASK")	*Million*	**85,607**	20,056
Revenue passengers carried	*'000*	**17,985**	2,804
Revenue passenger kilometres ("RPK")	*Million*	**73,342**	14,764
Revenue load factor	*%*	**77.3**	71.6
Passenger load factor	*%*	**85.7**	73.6
Cargo carried	*'000 tonnes*	**1,381**	1,154
Cargo revenue tonne kilometres ("RFTK")	*Million*	**8,099**	5,774
Cargo load factor	*%*	**62.0**	70.6
Excess baggage carried	*Tonnes*	**4,337**	2,343
Kilometres flown	*Million*	**344**	147
Block hours	*'000 hours*	**492**	212
Aircraft departures	*'000*	**90**	42
Length of scheduled routes network	*'000 kilometres*	**491**	490
Number of destinations at year end	*Destinations*	**241**	255
Staff number at year end	*Number*	**18,211**	16,462
ATK per employee	*'000*	**1,165**	614
On-time performance			
Departure (within 15 minutes)	*%*	**76.2**	80.1
Average aircraft utilisation	*Hours per day*		
A320-200		**–**	–
A321-200		**–**	0.5
A321-200neo		**3.8**	0.8
A330-300		**4.8**	1.4
A340-300		**–**	–
A350-900		**9.6**	2.6
A350-1000		**13.4**	10.1
747-400		**–**	–
747-400F/BCF/ERF/8F		**13.2**	10.4
777-200/300		**2.8**	0.4
777-300ER		**7.1**	1.8
Fleet average		**7.7**	3.3
Fleet profile			
Cathay Pacific (and Cathay Dragon as at 31st December 2020)			
A320-200		**–**	4
A321-200		**2**	3
A321-200neo		**12**	7
A330-300		**43**	43
A340-300		**–**	–
A350-900		**30**	28
A350-1000		**18**	18
747-400		**–**	–
747-400F		**–**	–
747-400BCF		**–**	–
747-400ERF		**6**	6
747-8F		**14**	14
777-200		**–**	–
777-300		**17**	17
777-300ER		**39**	41
Total		**181**	181
Aircraft operated by Cathay Dragon (note 1):			
A320-200		**–**	–
A321-200		**–**	–
A330-300		**–**	–
Total		**–**	–

Note:

(1) Cathay Dragon's remaining aircraft will be transferred to Cathay Pacific and HK Express.

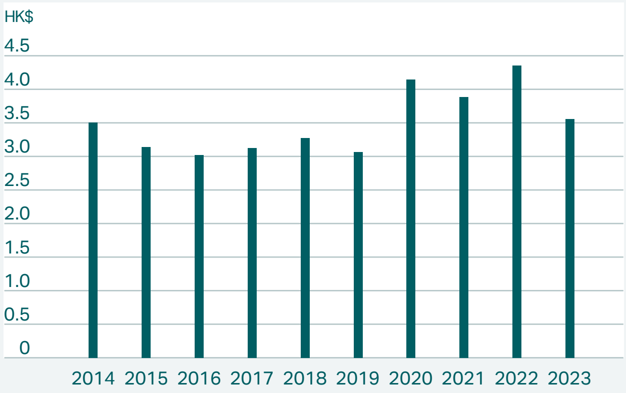
(2) The Group adopted HKFRS 16 with effect from 1st January 2019, and has changed its accounting policies in relation to lessee accounting. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1st January 2019. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.

2021	2020	2019	2018	2017	2016	2015	2014
11,354	14,620	33,077	32,387	31,439	30,462	30,048	28,440
8,615	10,220	24,090	24,543	23,679	22,418	22,220	20,722
13,228	34,609	163,244	155,362	150,138	146,086	142,680	134,711
717	4,631	35,233	35,468	34,820	34,323	34,065	31,570
4,120	20,079	134,397	130,630	126,663	123,478	122,330	112,257
68.4	67.7	77.4	79.6	79.7	79.5	79.9	78.1
31.1	58.0	82.3	84.1	84.4	84.5	85.7	83.3
1,333	1,332	2,022	2,152	2,056	1,854	1,798	1,723
8,220	8,309	11,311	12,122	11,633	10,675	10,586	10,044
81.4	73.3	64.4	68.8	67.8	64.4	64.2	64.3
607	563	2,179	2,329	2,449	2,471	2,596	2,699
175	226	618	611	596	579	576	550
237	304	880	877	857	826	823	789
42	55	175	177	175	172	173	167
504	622	670	715	653	636	620	586
255	255	255	232	200	182	179	210
16,721	19,452	27,342	26,623	26,029	26,674	26,833	25,755
679	752	1,256	1,217	1,208	1,142	1,120	1,104
86.2	86.7	76.3	72.7	71.2	72.1	64.7	70.1
–	1.2	8.9	8.8	9.3	9.3	9.4	9.2
–	1.1	9.1	10.1	9.4	9.4	9.8	9.9
0.3	–	–	–	–	–	–	–
1.1	2.3	9.8	10.4	10.7	11.4	12.1	12.4
–	–	–	–	3.8	8.3	8.5	11.6
4.0	3.9	14.6	15.0	14.1	12.7	–	–
10.3	10.2	14.6	12.6	–	–	–	–
–	–	–	–	–	5.2	5.7	8.2
12.3	13.1	12.4	12.8	12.5	11.7	11.9	11.8
0.1	1.3	8.0	8.6	8.8	9.4	8.6	8.8
2.1	3.7	14.9	15.6	16.0	16.0	15.9	16.1
3.4	4.3	11.9	12.3	12.3	12.2	12.2	12.2
7	11	–	–	–	–	–	–
5	7	–	–	–	–	–	–
5	2	–	–	–	–	–	–
51	51	29	33	37	41	42	40
–	–	–	–	–	4	7	11
28	27	24	22	22	10	–	–
15	13	12	8	–	–	–	–
–	–	–	–	–	–	3	7
–	–	–	–	–	–	4	5
–	–	1	1	–	1	1	1
6	6	6	6	6	6	6	6
14	14	14	14	14	14	13	13
–	–	1	4	5	5	5	5
17	17	17	14	12	12	12	12
45	51	51	52	53	53	53	47
193	199	155	154	149	146	146	147
–	–	15	15	15	15	15	15
–	–	8	8	8	8	8	8
–	–	25	25	24	20	19	18
–	–	48	48	47	43	42	41

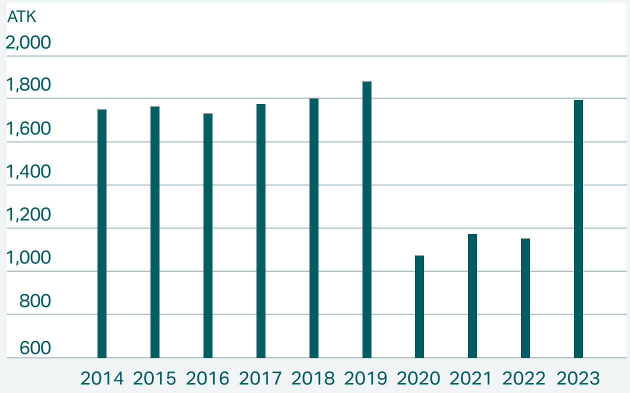
Note:

(3) The Group adopted HKFRS 9 and HKFRS 15 with effect from 1st January 2018, and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1st January 2018. Comparative information in years earlier than 2018 is not restated and in accordance with the policies applicable in those years.

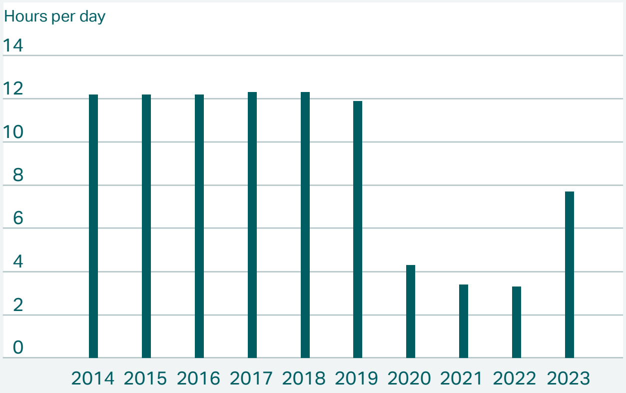
Cost per ATK (with fuel)



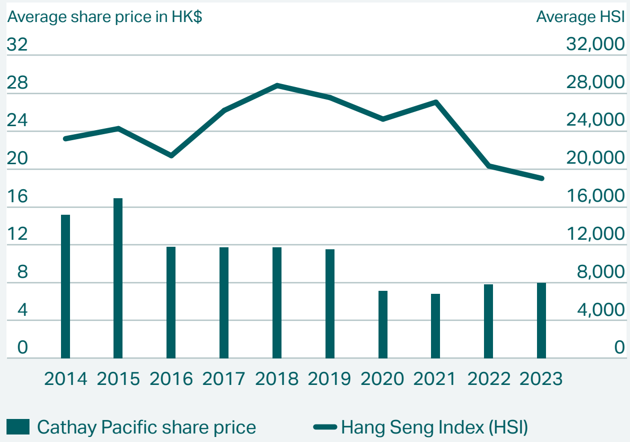
ATK per HK$'000 staff cost



Aircraft utilisation



Share price



		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Productivity											
Cost per ATK (with fuel)	*HK$*	**3.55**	4.35	3.88	4.14	3.06	3.27	3.12	3.02	3.14	3.50
ATK per HK$'000 staff cost	*Unit*	**1,793**	1,153	1,174	1,074	1,879	1,801	1,775	1,730	1,764	1,750
Aircraft utilisation	*Hours per day*	**7.7**	3.3	3.4	4.3	11.9	12.3	12.3	12.2	12.2	12.2
Share prices	*HK$*										
High		**8.9**	9.0	7.9	10.0	13.9	14.7	13.4	14.0	20.6	17.7
Low		**7.1**	6.3	6.0	5.1	9.5	9.9	10.4	10.1	12.7	13.7
Year-end		**8.2**	8.5	6.4	7.2	11.5	11.1	12.1	10.2	13.4	16.9
Price ratios (Note)	*Times*										
Price/earnings		**5.8**	(7.6)	(6.7)	(1.7)	26.8	18.6	(37.8)	(69.8)	8.8	21.1
Market capitalisation/ funds attributable to the ordinary shareholders of the Cathay Group		**1.1**	1.3	0.8	0.9	0.7	0.7	0.8	0.7	1.1	1.3
Price/cash flows		**1.6**	2.6	3.5	(3.3)	2.5	2.5	7.4	5.2	3.1	5.4

Note: Based on year end share price, where applicable.

GLOSSARY

TERMS

Borrowings Total borrowings (loans, other borrowings and lease liabilities) less security deposits, notes and zero coupon bonds.

Net borrowings Borrowings and bank overdrafts less liquid funds.

Available tonne kilometres ("ATK") Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

Available cargo tonne kilometres ("AFTK") Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.

Available seat kilometres ("ASK") Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.

Revenue passenger kilometres ("RPK") Number of passengers carried on each sector multiplied by the sector distance.

Cargo revenue tonne kilometres ("RFTK") Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.

Revenue tonne kilometres ("RTK") Traffic volume, measured in tonnes from the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.

On-time performance Departure within 15 minutes of scheduled departure time.

EBITDA Earnings before interest, tax, depreciation and amortisation.

Recoveries Cost recoveries from incidental activities.

RATIOS

$$\text{Earnings/(loss) per ordinary share} = \frac{\text{Profit/(loss) attributable to the ordinary shareholders of the Cathay Group}}{\text{Weighted average number of ordinary shares (by days) in issue for the year}}$$

$$\text{Profit/(loss) margin} = \frac{\text{Profit/(loss) attributable to the shareholders of the Cathay Group}}{\text{Revenue}}$$

$$\text{Shareholders' funds per ordinary share} = \frac{\text{Funds attributable to the shareholders of the Cathay Group}}{\text{Total issued and fully paid ordinary shares at end of the year}}$$

$$\text{Ordinary shareholders' funds per ordinary share} = \frac{\text{Funds attributable to the ordinary shareholders of the Cathay Group}}{\text{Total issued and fully paid ordinary shares at end of the year}}$$

$$\text{Return on capital employed} = \frac{\text{Operating profit and share of profits of associates less taxation}}{\text{Average of total equity and net borrowings}}$$

$$\text{Dividend cover} = \frac{\text{Profit/(loss) attributable to the ordinary shareholders of the Cathay Group}}{\text{Dividends payable to ordinary shareholders}}$$

$$\text{Cash interest cover} = \frac{\text{Cash generated from/(used in) operations}}{\text{Net interest paid}}$$

$$\text{Gross debt/equity ratio} = \frac{\text{Borrowings}}{\text{Funds attributable to the shareholders of the Cathay Group}}$$

$$\text{Net debt/equity ratio} = \frac{\text{Net borrowings}}{\text{Funds attributable to the shareholders of the Cathay Group}}$$

$$\text{Adjusted net debt/equity ratio excluding leases without asset transfer components} = \frac{\text{Net borrowings less lease liabilities without asset transfer components}}{\text{Funds attributable to the shareholders of the Cathay Group}}$$

$$\text{Passenger/Cargo load factor} = \frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$$

$$\text{Revenue load factor} = \frac{\text{Total passenger, cargo traffic revenue}}{\text{Maximum possible revenue at current yields and capacity}}$$

Breakeven load factor = A theoretical revenue load factor at which the traffic revenue equates to the net operating expenses.

$$\text{Passenger/Cargo yield} = \frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$$

$$\text{Cost per ATK} = \frac{\text{Total operating expenses of Cathay Pacific}}{\text{ATK of Cathay Pacific}}$$

CORPORATE AND SHAREHOLDER INFORMATION

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

INVESTOR RELATIONS

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FINANCIAL CALENDAR

Year ended 31st December 2023	
Annual report available to shareholders	9th April 2024
Annual General Meeting	8th May 2024
Six months ending 30th June 2024	
Interim results announcement	August 2024

DISCLAIMER

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including the effects of Covid-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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