



INTERIM REPORT 2024

Cathay Pacific Airways Limited

Stock Code: 00293



Contents

- 2 Financial and Operational Highlights
- 4 Chair's Statement
- 7 Review of Operations
- 23 Financial Review
- 26 Review Report
- 27 Condensed Financial Statements
- 49 Information Provided in Accordance
with the Listing Rules
- 51 Disclaimer

Corporate Information

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

Investor relations

For further information about Cathay Pacific Airways Limited, please contact:

Corporate Affairs Department
Cathay Pacific Airways Limited
9th Floor, Central Tower
Cathay Pacific City
Hong Kong International Airport
Hong Kong
Email: ir@cathaypacific.com

Cathay Pacific Airways Limited main internet address is www.cathaypacific.com

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 30th June 2024, the Cathay Group's passenger and cargo airlines offered scheduled services to 94 destinations worldwide, including 20 airports in 17 cities in the Chinese Mainland. Furthermore, the Group serves an additional 151 destinations through codeshare agreements.

The Group had 231 aircraft as at 30th June 2024. There are 73 new passenger and freighter aircraft scheduled to join the Group's fleet in the coming years.

Cathay Pacific, the premium full-service airline, had 178 passenger and cargo aircraft as at 30th June 2024. It is a founding member of the **oneworld** 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 36 aircraft as at 30th June 2024. Air Hong Kong, an express all-cargo carrier offering scheduled and charter services in Asia, is a wholly owned subsidiary of the Company operating 17 aircraft as at 30th June 2024.

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 30th June 2024, the Company owned 15.87% 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 30th June 2024, the Cathay Group employed more than 27,200 people worldwide, of whom around 22,700 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

| | | 2024 | 2023 | Change |
|--|--------------|----------------------------|--------|--------------------|
| | | Six months ended 30th June | | |
| Results | | | | |
| Revenue | HK\$ million | 49,604 | 43,593 | +13.8% |
| Profit attributable to the shareholders of the Cathay Group | HK\$ million | 3,613 | 4,268 | -15.3% |
| Earnings per ordinary share | | | | |
| – basic | HK cents | 52.4 | 61.5 | -14.8% |
| – diluted | HK cents | 47.0 | 55.2 | -14.9% |
| Dividend per ordinary share | HK\$ | 0.20 | – | +0.20 |
| Profit margin | % | 7.3 | 9.8 | -2.5%pt |
| Financial position | | | | |
| Funds attributable to the shareholders of the Cathay Group | HK\$ million | 61,406 | 60,026 | +2.3% |
| Net borrowings ^(a) | HK\$ million | 47,971 | 52,764 | -9.1% |
| Available unrestricted liquidity | HK\$ million | 25,416 | 19,985 | +27.2% |
| Ordinary shareholders' funds per ordinary share ^(b) | HK\$ | 8.0 | 7.8 | +2.6% |
| Net debt/equity ratio ^(a) | Times | 0.78 | 0.88 | -0.10 times |

Operating Statistics – Cathay Pacific

| | | 2024 | 2023 | Change |
|---|---------------|----------------------------|--------|------------------|
| | | Six months ended 30th June | | |
| Available tonne kilometres (ATK) | Million | 11,822 | 9,628 | +22.8% |
| Available seat kilometres (ASK) | Million | 52,881 | 37,053 | +42.7% |
| Available cargo tonne kilometres (AFTK) | Million | 6,788 | 6,095 | +11.4% |
| Revenue tonne kilometres (RTK) | Million | 8,214 | 6,969 | +17.9% |
| Passenger revenue per ASK | HK cents | 56.8 | 67.5 | -15.9% |
| Revenue passenger kilometres (RPK) | Million | 43,583 | 32,308 | +34.9% |
| Revenue passengers carried | '000 | 10,660 | 7,816 | +36.4% |
| Passenger load factor | % | 82.4 | 87.2 | -4.8%pt |
| Passenger yield | HK cents | 68.9 | 77.4 | -11.0% |
| Cargo revenue per AFTK | HK\$ | 1.61 | 1.76 | -8.5% |
| Cargo revenue tonne kilometres (RFTK) | Million | 4,063 | 3,886 | +4.6% |
| Cargo carried | '000 tonnes | 719 | 651 | +10.4% |
| Cargo load factor | % | 59.9 | 63.8 | -3.9%pt |
| Cargo yield | HK\$ | 2.68 | 2.76 | -2.9% |
| Cost per ATK (with fuel) ^(c) | HK\$ | 3.41 | 3.35 | +1.8% |
| Fuel consumption per million RTK | Barrels | 1,851 | 1,689 | +9.6% |
| Fuel consumption per million ATK | Barrels | 1,286 | 1,222 | +5.2% |
| Cost per ATK (without fuel) ^(c) | HK\$ | 2.31 | 2.34 | -1.3% |
| Underlying cost ^(d) per ATK (without fuel) | HK\$ | 2.32 | 2.56 | -9.4% |
| ATK per HK\$'000 staff cost | Unit | 1,903 | 1,783 | +6.7% |
| ATK per employee | '000 | 573 | 569 | +0.7% |
| Aircraft utilisation | Hours per day | 9.0 | 6.7 | +34.3% |
| On-time performance | % | 75.3 | 79.7 | -4.4%pt |
| Average age of fleet | Years | 11.5 | 11.0 | +0.5 year |

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK\$37,755 million and 0.61 respectively (31st December 2023: HK\$41,443 million and 0.69). Further details can be found in note 13 to the Condensed Financial Statements.

(b) Ordinary shareholders' funds are arrived at after deducting preference share reserves of HK\$9,750 million (31st December 2023: HK\$9,750 million) and unpaid cumulative dividends attributable to the preference shareholder of HK\$187 million as at 30th June 2024 (31st December 2023: HK\$191 million).

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

(d) Underlying costs exclude non-recurring items.

Fleet Profile^(a)

| Aircraft type | Number at 30th June 2024 | | | | Average age | Orders ^(c) | | | | Expiry of leases without asset transfer ^(b) | | | | | |
|--|--------------------------|-----------------------|------------------------|------------|-------------|-----------------------|----------|---------------------|-----------|--|----------|-----------|----------|-----------|----------------|
| | Owned | Leased ^(b) | | Total | | '24 | '25 | '26 and beyond | Total | '24 | '25 | '26 | '27 | '28 | '29 and beyond |
| | | With asset transfer | Without asset transfer | | | | | | | | | | | | |
| Cathay Pacific: | | | | | | | | | | | | | | | |
| A321/A320-200neo | 4 | 3 | 5 | 12 | 2.2 | 4 | | 15 ^(d) | 19 | | | | | 5 | |
| A330-300 | 39 | | 4 | 43 | 15.8 | | | | | | 2 | 2 | | | |
| A350-900 | 20 | 8 | 2 | 30 | 6.2 | | | | | | | | 2 | | |
| A350-1000 | 11 | 7 | | 18 | 4.6 | | | | | | | | | | |
| A350F | | | | | | | | 6 | 6 | | | | | | |
| 747-400ERF | 6 | | | 6 | 15.5 | | | | | | | | | | |
| 747-8F | 11 | 3 | | 14 | 11.4 | | | | | | | | | | |
| 777-300 | 17 | | | 17 | 22.7 | | | | | | | | | | |
| 777-300ER | 30 | | 8 | 38 | 11.7 | | | | | 2 | 2 | 4 | | | |
| 777-9 | | | | | | | 2 | 19 | 21 | | | | | | |
| Total | 138 | 21 | 19 | 178 | 11.5 | 4 | 2 | 40 | 46 | 2 | 4 | 6 | - | 2 | 5 |
| HK Express: | | | | | | | | | | | | | | | |
| A320-200 | 3 ^(e) | | 4 | 7 | 15.5 | | | | | 2 | | | | 2 | |
| A320-200neo | | | 10 | 10 | 5.3 | | | 8 ^{(d)(f)} | 8 | | | | | 2 | 8 |
| A321-200 | 2 ^(e) | | 11 | 13 | 8.8 | | | | | | 1 | 2 | | | 8 |
| A321-200neo | | 6 ^(g) | | 6 | 0.6 | 6 ^(h) | 4 | 9 ^{(d)(f)} | 19 | | | | | | |
| Total | 5 | 6 | 25 | 36 | 7.8 | 6 | 4 | 17 | 27 | 2 | 1 | 2 | - | 4 | 16 |
| Air Hong Kong^{(i)(j)}: | | | | | | | | | | | | | | | |
| A300-600F | | | 6 | 6 | 19.1 | | | | | 3 | 3 | | | | |
| A330-243F | | | 2 | 2 | 12.5 | | | | | | | 2 | | | |
| A330-300P2F | | | 9 | 9 | 12.9 | | | | | | | 3 | | 4 | 2 |
| Total | - | - | 17 | 17 | 15.0 | - | - | - | - | 3 | 3 | 5 | - | 4 | 2 |
| Grand total | 143 | 27 | 61 | 231 | 11.2 | 10 | 6 | 57 | 73 | 7 | 8 | 13 | - | 10 | 23 |

(a) The table does not reflect aircraft movements after 30th June 2024.

(b) Leases without asset transfer components are accounted for in a similar manner to leases with asset transfer components under accounting standards. The majority of leases without asset transfer components in the above table are within the scope of HKFRS 16.

(c) The Group believes that based on its available unrestricted liquidity as at 30th June 2024, 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 is subject to reallocation between Cathay Pacific and HK Express.

(e) Three A320-200 and two A321-200 aircraft are owned by Hong Kong Dragon Airlines Limited and sub-leased to HK Express.

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

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

(h) Two Airbus A321-200neo aircraft were delivered in July 2024.

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

(j) The Group plans to replace its entire fleet of Airbus A300-600F freighter with second-hand A330F freighter. The remaining six Airbus A300-600F are expected to be returned between 2024 and 2025.

CHAIR'S STATEMENT

The first half of 2024 was another strong period for Cathay as we maintain our focus on growing our business in a consistent and sustainable way. We are in a phase of record recruitment and training that is driving our rebuild and the addition of more flights and destinations for our customers to cater for the strong demand for travel. Our passenger flights reached 80% of pre-pandemic levels as a Group within the second quarter as planned. As more passenger flights have been added to the market we have seen yields begin to normalise as expected.

The additional belly space provided by our passenger flights also enabled us to offer more cargo capacity and more choices for our cargo customers, resulting in higher tonnage carried in the first half of 2024 compared with the same period in 2023.

Our strong performance for the first six months of the year was primarily driven by the ongoing robust demand for travel, and the solid performance of our cargo business. This result has allowed us to announce a first interim dividend payment to ordinary shareholders of HK\$0.20 per ordinary share. This will be paid on 9th October 2024 to ordinary shareholders registered at the close of business on the record date, Friday, 6th September 2024. Ordinary shares of the Company will be traded ex-dividend as from Wednesday, 4th September 2024.

The Cathay Group, including airlines, subsidiaries and associates, reported an attributable profit of HK\$3,613 million in the first half of 2024 (2023 first half: profit of HK\$4,268 million). The earnings per ordinary share in the first half of 2024 were HK52.4 cents (2023 first half: earnings per ordinary share of HK61.5 cents).

Our airlines and subsidiaries, excluding exceptional items, reported an attributable profit of HK\$3,846 million in the first half of 2024 (2023 first half: profit of HK\$4,763 million), with the year-on-year reduction principally attributable to the normalisation of ticket prices. Meanwhile, the results from associates, the majority of which are recognised three months in arrears, reflected an attributable loss of HK\$342 million (2023 first half: loss of HK\$2,632 million).

Business performance of Cathay Pacific

In the first half of 2024, Cathay Pacific's passenger revenue increased by 20.0% to HK\$30,017 million compared with the same period in 2023. Passenger flight capacity, measured in available seat kilometres (ASKs), increased by 42.7%, while traffic, measured in revenue passenger kilometres (RPKs), increased by 34.9%. We carried a total of 10.7 million passengers in the first half of 2024, an average of about 59,000 per day, which was 36.4% more than in the first half of 2023. Load factor was 82.4% compared with 87.2% in the first half of 2023 and yield decreased by 11.0% to HK68.9 cents.

Cathay Cargo's revenue in the first half of 2024 increased by 1.5% to HK\$10,902 million compared with the same period in 2023. Cargo flight capacity, measured in available cargo tonne kilometres (AFTKs), increased by 11.4%. Traffic, measured in cargo revenue tonne kilometres (RFTKs), increased by 4.6%. Total tonnage increased by 10.4% to 719 thousand tonnes. Load factor was 59.9% compared with 63.8% in the first half of 2023, and yield decreased by 2.9% to HK\$2.68.

Our costs increased from operating more flights, reflecting the 42.7% increase in ASK compared to the first half of 2023. Non-fuel costs for the first half of 2024 increased by 11.4% to HK\$27,455 million compared with the same period in 2023. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK\$2,794 million (or 27.4%) compared with the first half of 2023.

The first half of the year saw the completion of one of the most unprecedented undertakings in our history when we welcomed back our last aircraft from long-term parking in Alice Springs, Australia. An incredible amount of work by our teams, partners and the authorities went into keeping our aircraft safe and protected when they weren't flying during the pandemic, and then reactivating them for entry back into regular service, and we are delighted to have our fleet reunited once again.

Turning to customer experience, our first-ever non-airport lounge officially opened its doors to guests early this year at the Shekou Cruise Home Port in Shenzhen, further elevating the intermodal travel experience we provide to travellers going to and from the Greater Bay Area via Hong Kong

International Airport. Our partnerships with renowned dining brands continued to expand, bringing more specially designed menus to our customers on selected flights and in our lounges in collaboration with Michelin-starred restaurants. We also showcased an exclusive onboard selection of fine wines from leading wineries in China as part of our Discovery Wines series.

We continued to make good progress in our journey to becoming a sustainability leader. Earlier this year, we set a new target to improve our carbon intensity by 12% from the 2019 level by 2030. We also welcomed the launch of the Hong Kong Sustainable Aviation Fuel (SAF) Coalition as co-initiator. In terms of diversity and inclusion, female representation on our Board has risen from 11.7% to 23.5%, as we close in on our ambitious goal of having no more than 65% of the same gender in senior positions by 2025 and 70% at the Board level by 2027.

Business performance of subsidiaries and associates

HK Express reported a loss of HK\$73 million for the first half of 2024 (2023 first half: profit of HK\$333 million). The normalisation of yields with the increase of regional capacity in the market and the grounding of a significant portion of the airline's Airbus A320neo aircraft due to Pratt & Whitney engine issues have adversely affected the airline's results. Leveraging its unique positioning as a leading low-cost carrier, HK Express will continue to grow and invest in the future. To improve its financial performance, the airline is expanding its network to cater to a more diverse customer base, adding more fuel-efficient aircraft, boosting aircraft utilisation and improving operational efficiency.

Air Hong Kong reported a profit of HK\$411 million for the first half of 2024 (2023 first half: profit of HK\$402 million). Its results have been consistently solid.

The financial performance of our airline services subsidiaries improved in the first half of 2024 compared with the same period in 2023.

Results from associates, recognised three months in arrears, improved significantly compared with the first half of 2023. The improved results were mainly attributable to enhancements in Air China's yield level management and cost control.

Financial position

Our available unrestricted liquidity balance was HK\$25.4 billion at 30th June 2024. This was higher than the balance at the end of 2023 in anticipation of our repurchase of the remaining 50% of the preference shares from the Hong Kong SAR Government. This transaction was completed on 31st July 2024 at a redemption amount of HK\$9.75 billion, together with a further HK\$227 million paid in remaining preference share dividends up to 30th July 2024.

We have now fully repaid the Hong Kong SAR Government's HK\$19.5 billion preference shares investment in Cathay and provided a return on that investment in the form of HK\$2.44 billion in total preference share dividends, reflecting the success of our 18-month rebuilding journey. We sincerely thank the Hong Kong SAR Government, its two Board observers, and all of our shareholders for the support and guidance they have provided Cathay during this most difficult chapter.

Going forward, we will continue to maintain a lower level of liquidity than we did during the pandemic, reflecting our confidence in the global aviation industry.

Prospects

The return of all our parked aircraft and redemption of the preference shares represents the closing of two significant chapters in our history, and we are now firmly turning the page and embarking on a bold new strategy for the future, both in terms of scope and quality. We continue to make significant investments in our fleet, cabin products, lounges, and digital and sustainability leadership. These ongoing investments will strengthen Hong Kong's international aviation hub status riding on the Three-Runway System and reflect our unwavering commitment to fostering Hong Kong's continued economic development.

Over the coming years, we will be welcoming a host of new-generation aircraft as we modernise and expand our fleet to drive our long-term growth. This includes narrowbody Airbus A321neos and A320neos, long-haul widebody Boeing 777-9s, and A350F freighters – fuel-efficient aircraft that will play an important role in reducing carbon emissions and helping us achieve our carbon net-zero by 2050 goal.

CHAIR'S STATEMENT

Our customers can look forward to new seat products being launched in each of the coming three years, starting with our all-new Aria Suite, Premium Economy and refreshed Economy coming to our redesigned Boeing 777-300ER aircraft later this year. A world-leading First class experience will launch in 2025 onboard our 777-9s, followed by a brand new cabin and flat-bed Business class product on our A330s in 2026.

In addition to cabin products, complimentary Wi-Fi will be progressively offered to our Business class customers and Cathay Diamond members in the coming months. This important enhancement will complement our ongoing investments in dining and inflight entertainment to provide our customers with a truly exceptional experience during their flights. On the ground, we will be launching newly designed flagship lounges in Hong Kong, Beijing and, for the first time, a dedicated lounge in New York over the next three years.

All of these upcoming enhancements reinforce our ongoing commitment to delivering excellent experiences for our customers. This year, Cathay Pacific returned to the world's top five best airlines in renowned industry rankings and in addition our Economy Class was named the World's Best. These fantastic achievements are a vote of confidence from our customers and speak to the huge strides we have made, but we will not stop there; they will motivate us to continue to go above and beyond for our customers as we strive to become the world's best premium airline.

As we enter the final stretch of our rebuilding journey, we are on track to reach 100% of our pre-pandemic flights within the first quarter of 2025. We are increasing our Group headcount by 5,000 to a total of 29,000 people by the end of this year to support this pace of growth.

Our passenger airlines are flying to more than 80 destinations worldwide, expected to rise to 100 within 2025. We have already announced 10 new destinations as a Group so far this year, eight of which have commenced services with Riyadh and Cairns launching later this year.

In terms of cargo, we were delighted to see that Hong Kong International Airport was named the busiest cargo airport in the world for the 13th time in 14 years in the Airports Council International rankings. As the largest cargo operator at the airport, we are immensely proud to be part of this incredible success story. Our ongoing investments in our fleet, our extensive cargo network, our cargo facilities, and our digital and sustainability capabilities reflect our continued confidence in and commitment to the Hong Kong international aviation and logistics hub.

Appreciation

On behalf of Cathay, I would like to extend my sincere gratitude to all of our customers for their immense support. Putting our customers at the centre of everything we do has always been a key part of our culture at Cathay, and we remain firmly committed to further enhancing the experience we provide for them at every touchpoint.

I would also like to give my heartfelt thanks to everyone at Cathay. Their ceaseless determination to go above and beyond for our customers is truly inspiring, and it is through their efforts that Cathay has achieved so much and will continue to go from strength to strength.

Patrick Healy

Chair

Hong Kong, 7th August 2024

REVIEW OF OPERATIONS

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.

Passenger revenue increased by 20.0% to HK\$30,017 million in the first half of 2024 compared with the same period in 2023, while revenue passenger kilometre (RPK) traffic increased by 34.9%. Cathay Pacific carried 10.7 million passengers in the first half of 2024, an average of about 59,000 passengers per day and 36.4% more than the same period in 2023. Available seat kilometres (ASK), increased by 42.7%. Load factor decreased by 4.8 percentage points to 82.4%, while yield decreased by 11.0% to HK68.9 cents.

Available seat kilometres (ASK), load factor and yield change by region for Cathay Pacific passenger services for the first half of 2024 were as follows:

| | ASK (million) | | | Load factor (%) | | | Yield |
|------------------------------------|---------------|--------|--------|-----------------|------|---------|--------|
| | 2024 | 2023 | Change | 2024 | 2023 | Change | Change |
| Americas | 14,671 | 8,983 | +63.3% | 89.3 | 94.8 | -5.5%pt | -10.1% |
| North Asia | 10,609 | 7,179 | +47.8% | 75.3 | 78.3 | -3.0%pt | -15.9% |
| Europe | 9,682 | 8,807 | +9.9% | 88.5 | 92.4 | -3.9%pt | -5.3% |
| Southwest Pacific | 7,526 | 5,097 | +47.7% | 77.6 | 83.8 | -6.2%pt | -15.5% |
| Southeast Asia | 6,940 | 5,203 | +33.4% | 76.8 | 82.1 | -5.3%pt | -14.8% |
| South Asia, Middle East and Africa | 3,453 | 1,784 | +93.6% | 80.0 | 83.2 | -3.2%pt | -12.1% |
| Overall | 52,881 | 37,053 | +42.7% | 82.4 | 87.2 | -4.8%pt | -11.0% |

Markets

Home market – Hong Kong and Greater Bay Area (GBA)

- We saw a surge in demand for leisure travel from Hong Kong and the rest of the Greater Bay Area over the Chinese New Year holiday period, in particular on short-haul routes. Traffic between the Chinese Mainland and Hong Kong was also good over the holidays.
- Demand in the premium cabins was strong during March and April, driven by business travel to various exhibitions and trade shows that took place in Hong Kong and elsewhere in the Greater Bay Area.

- Our intermodal codeshare ferry services linking Hong Kong International Airport and Pazhou Ferry Terminal in Guangzhou proved to be popular with overseas customers who transited via Hong Kong to attend the Canton Fair in Guangzhou in April.

Americas

- Business travel from the United States was strong in May and June, coinciding with various trade fairs that took place in Hong Kong and the Chinese Mainland.
- As at 30th June 2024, our scheduled services covered seven destinations in the Americas.

REVIEW OF OPERATIONS

North Asia

- We continued to increase our Chinese Mainland services in 2024 to provide our customers with more choices and greater connectivity.
- The Individual Visit Scheme, which enables residents of certain Chinese Mainland cities to visit Hong Kong in their individual capacity, was expanded to include Xi'an and Qingdao in March 2024, and we increased our capacity on these routes to support the expansion and provide more options for our customers. The Individual Visit Scheme was further expanded in May 2024 to include an additional eight cities in the Chinese Mainland. We welcome these developments, which will attract more visitors to Hong Kong.
- In June, we announced the resumption of direct flights to Ningbo, which launched on 1st August 2024.
- Our Japan routes continued to perform well during the first half of 2024, especially during the seasonal travel peaks with sustained leisure travel demand from Hong Kong and other regions.
- As at 30th June 2024, our scheduled services covered 25 destinations in North Asia.

Europe

- Student traffic from the United Kingdom surged during the Easter holiday period.
- We resumed our popular seasonal service to Barcelona in June and received a positive response from customers.
- As at 30th June 2024, our scheduled services covered 10 destinations in Europe.

Southwest Pacific

- Our seasonal Christchurch service was resumed from 16th December 2023 through to 29th February 2024 and proved popular with customers in Hong Kong. The seasonal service will return again in December 2024.
- In June, we announced the resumption of our seasonal winter service to Cairns, which will launch in December 2024.
- As at 30th June 2024, our scheduled services covered six destinations in Southwest Pacific.

Southeast Asia

- North Asia remains a popular destination for Southeast Asian markets, with Japan being the standout option for customers from Indonesia, Thailand and the Philippines in particular.
- Following the introduction of visa-free travel between the Chinese Mainland and countries in Southeast Asia such as Thailand and Singapore, travel sentiment remained consistently positive on these routes with increased passenger traffic to the Chinese Mainland during the first half of the year.
- Leisure travel demand from Indonesia and Thailand saw a notable increase during the Lebaran and Songkran festive periods compared with other periods during the first half of the year.
- As at 30th June 2024, our scheduled services covered 13 destinations in Southeast Asia.

South Asia, the Middle East and Africa

- Our Chennai and Colombo services resumed in February and have been well received by our customers.
- We announced that Cathay Pacific will be launching passenger flights to Riyadh, the capital and financial hub of Saudi Arabia, starting from 28th October 2024.
- As at 30th June 2024, our scheduled services covered nine destinations in South Asia, the Middle East and Africa.

Customer experience enhancements

- Our first-ever lounge outside an airport officially opened in January at the Shekou Cruise Home Port in Shenzhen. This new ferry lounge further elevates the intermodal travel experience for our customers travelling to and from the Greater Bay Area via Hong Kong International Airport.
- As part of our new dining collaboration with Rosewood Hong Kong, we introduced a range of specially designed dishes at our flagship The Pier, First lounge developed together with Legacy House, Rosewood's Michelin-starred Chinese restaurant.
- As part of our extended collaboration with Michelin-starred Hong Kong restaurant Duddell's, we introduced a new iteration of menus showcasing authentic and regional Chinese specialties, available in First and Business class on selected long-haul flights departing from Hong Kong.
- We also joined hands with Michelin-starred French restaurant Louise to create a bespoke menu of reimagined French classics for our First and Business class customers travelling on selected long-haul flights departing from Hong Kong.
- We showcased an exclusive selection of fine wines from leading wineries in China as Discovery wines in our First and Business class cabins from February to June. In First class, we featured Domaine de Long Dai 2020 from Domaine Barons de Rothchild Lafite. In Business class, Silver Heights, Grace Vineyard and Xige were specially selected to celebrate the premier quality of Ningxia wines.
- In June, we began trialling complimentary inflight Wi-Fi for our Business class customers and Cathay Diamond members, which we aim to fully launch upon the successful completion of the trials. This is an important enhancement to provide our premium customers and high-value members with a seamless connectivity experience when they fly with us.

Passenger fleet

- On 6th June 2024, the last of our aircraft that had been in long-term parking outside of Hong Kong returned from Alice Springs, Australia.

Awards

- Cathay Pacific was named fifth World's Best Airline in the 2024 Skytrax World Airline Awards, up three places from 2023. We were also awarded World's Best Economy Class Airline and World's Cleanest Airline.
- Cathay Pacific was named the third best premium airline in the world by AirlineRatings, up six places from 2023.
- Cathay won the Grand Award for the second consecutive year at the HKACE Customer Service Excellence Awards along with one Gold, four Silver, one Bronze, two Merits and three Top 10 Young Star awards. These accolades recognise the excellent service standards set by our cabin crew, customer care, airport and Cathay Academy teams.
- Cathay Pacific received the 2023 Top Airline by Absolute Passenger Growth (Northeast Asia) award at the Changi Airline Awards 2024. Organised by Changi Airport Group, the awards honour airlines that have played a significant role in helping to strengthen and grow Singapore as an air hub.
- Cathay Pacific was named "Flyers' Preferred Airline of the Year" and Cathay was named "Flyers' Preferred Airline International Loyalty Programme of the Year" at the 12th Flyer's Preferred Award Ceremony 2024, organised by CAAC Inflight Magazine and FlyerT, the Chinese Mainland's biggest frequent-flyer member social platform.

Cargo

Cathay Cargo services

Cathay Cargo is the largest cargo operator at Hong Kong International Airport. Our strategic vision is to become 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.

Cargo revenue in the first half of 2024 was HK\$10,902 million, an increase of 1.5% compared with the first half of 2023. Capacity, measured in available cargo tonne kilometres (AFTK), increased by 11.4% in the first half of 2024 compared with the same period in 2023. Cargo revenue tonne kilometres (RFTK) traffic increased by 4.6%. Total tonnage increased by 10.4% to 719 thousand tonnes. Cargo yield decreased 2.9% to HK\$2.68, while load factor averaged 59.9% (2023 first half: 63.8%).

Available cargo tonne kilometres (AFTK), load factor and yield change for the first half of 2024 were as follows:

| | AFTK (million) | | | Load factor (%) | | | Yield |
|----------------|----------------|-------|---------------|-----------------|------|----------------|--------------|
| | 2024 | 2023 | Change | 2024 | 2023 | Change | Change |
| Cathay Pacific | 6,788 | 6,095 | +11.4% | 59.9 | 63.8 | -3.9%pt | -2.9% |

Home market – Hong Kong and Greater Bay Area (GBA)

- Demand was robust in the first half of 2024 with solid support from e-commerce and some traditional commodities, especially electronics. The overall tonnage growth in Hong Kong and the rest of the Greater Bay Area exceeded our capacity growth compared with the same period last year.
- Connectivity between the Hong Kong International Airport (HKIA) Logistics Park in Dongguan and HKIA was enhanced with ferry frequencies increasing to 19 sailings per week, up from 12 sailings per week last year.

Other markets

- Primarily driven by the recovery of our passenger flights, cargo tonnage grew in the Americas, Europe, Northeast Asia, Southeast Asia, Southwest Pacific, South Asia, the Middle East and Africa.
- We saw growth in our market share into the GBA as the inbound market for perishables and other consumer items continued to grow.
- Cathay Cargo increased freighter frequency on transpacific routes in March to cater for the quarter-end air cargo peak season.

- Perishables and pharmaceuticals exports from Europe to Hong Kong and other regional destinations was strong.
- E-commerce business was robust, especially from the Chinese Mainland on long-haul routes to the Americas. There was also an encouraging growth on machinery movements from Japan, the Taiwan region and South Korea. Mail tonnage also grew significantly on North Asia routes with the increase of passenger flights in the region.
- We resumed our freighter operations in Ho Chi Minh City with one freighter per week from the summer schedule. Apart from general cargo, perishables and seafood continued to drive the growth from Southeast Asia.
- Perishables such as fresh products and chilled meats comprised a large proportion of the cargo carried from the Southwest Pacific.
- General cargo, dangerous goods, perishables, and valuable goods continued to drive the growth from South Asia, the Middle East and Africa.
- With freighter operations resumed in Ho Chi Minh City and suspended in Colombo, we were operating freighters serving 41 destinations outside Hong Kong as of 30th June 2024.

Areas of Focus

Cargo commercial

- As the largest cargo operator at HKIA, Cathay Cargo was proud to be a key contributor to the airport retaining its status as the world's busiest cargo airport in 2024.
- In March, Cathay Cargo and HKIA co-hosted the International Air Transport Association (IATA) World Cargo Symposium, the first of its kind in Hong Kong, showcasing our special-solutions capabilities and demonstrating Hong Kong's leading credentials as a global air cargo hub.
- In June, we refreshed our Cathay Expert solution, which offers bespoke attention and service for out-of-gauge shipments or those requiring extra care. Cathay Cargo achieved robust tonnage growth via the HKIA Logistics Park in Dongguan with the air-to-sea intermodal service, which was launched in December 2023, strengthening our positioning in the GBA. Apart from air-to-sea service, Cathay Cargo has been enhancing the air-to-road intermodal service to connect HKIA with Shenzhen and Guangzhou via trucking.

Service and operational excellence

- We have developed a tool to automate the generation of restraint diagrams for special carriage, providing guided input and evaluation to enhance the efficiency in delivering our Cathay Expert solution. On the backend, our COIMS (Cargo Operations Integrated Management System) platform continues to develop and integrates various workflows into one centralised system, fostering productivity and collaboration. For the frontline staff, Cargo Connect application is integrated with COIMS, and it is equipped with e-filing capabilities, freeing us from the constraints of printing and contributing to our sustainability commitment.
- We renewed our Dangerous Goods Permit in Hong Kong and the Chinese Mainland. We are also in active collaboration with industry stakeholders and customers in developing enhanced lithium battery screening procedures in Hong Kong.
- We successfully implemented the advanced cargo information requirement for the United Arab Emirates (UAE) in the first quarter of 2024. We are actively

preparing for the implementation of Pre-Loading Advance Cargo Information (PLACI) for Canada and UAE by the end of 2024 and early 2025, respectively, aligning ourselves with evolving global aviation security standards.

- We have revamped our claim process despite limited incidents, with the goal of delivering a seamless customer experience and enhancing our future offerings. By prioritising digitalisation, we have modernised our procedures from claims to investigations and payouts, ensuring a more efficient and customer-centric approach.

Cargo digital

- We optimised the functionality of our online booking platform Click & Ship, improving booking efficiency and experience by enabling customers to book by batch with spreadsheets.
- We offered more diverse product options on partners' platforms through direct application programming interfaces (API).
- In March, Cathay Cargo became the world's first airline to share data with forwarders using ONE Record, an IATA-backed standard for data sharing that creates a single view of shipments. We also established live integration with ground handling agents leveraging our cargo management system solution vendor.

Customer experience

- Our Customer Net Promoter Score (NPS) continued to trend at high positive levels. As a result of our regular customer surveys, pain points such as response speeds of sales teams have been addressed and corrected, helping to drive up the satisfaction scores of our customers worldwide.

Awards

- Cathay Cargo was named Air Cargo Sustainability Leader of the Year at the STAT Trade Times Award for Excellence in Air Cargo in February 2024.
- We were named Sustainable Cargo Airline of the Year 2024 – Asia Region at the Freightweek 2024 Sustainability Awards in May 2024, for the second consecutive year.

REVIEW OF OPERATIONS

- We were named Best Green Air Cargo Carrier for 2024 at the Asian Freight, Logistics and Supply Chain (AFLAS) Awards in June 2024.
- At the Changi Airline Awards 2024, organised by Changi Airport Group, we were named in the Top 5 Airlines by Absolute Cargo Growth (Global) in May 2024.

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.

Cathay membership programme

Membership

- During the first half of 2024, we recruited over 931,000 new members globally, bringing the total to 11 million.
- We are launching two major campaigns, "Value of Cathay Members" and "Cathay Members' Choice Awards" to enhance brand awareness and encourage use of the Cathay membership programme. To support these campaigns, we will introduce a tactical initiative called "Member Festival" that aims to increase member engagement and cross-pillar sales through exclusive member-only offers across both travel and lifestyle, and trial a tactical, targeted offer for earning Status Points via lifestyle products.

Programme

- We have enhanced our account management functions, empowering our members to conveniently self-service their accounts online.
- In commemoration of Asia Miles' 25th anniversary, a range of initiatives and campaigns has been planned to engage and ignite our members' enthusiasm for earning and redeeming miles. These include the Mega Miles promotion in June, partner appreciation dinners and other member-exclusive experiences throughout the year.

Flight awards

- We continue to invest in flight awards, with the number of passengers carried on award seats during the first half of 2024 surpassing pre-pandemic levels and exceeding the same period in 2023.
- HK Express has become a major air redemption partner, offering Miles Plus Cash and Miles-only options. Two successful mega sales campaigns were launched in 2024, allowing Cathay members to redeem flights to all of HK Express's popular destinations from as little as 2,000 miles.
- We enhanced our Miles Plus Cash capability this year, giving members the flexibility to use a combination of miles and cash for seat selections and extra baggage payment.

Mileage sales

Payment

- Our partnership with Standard Chartered continues to perform strongly. High card acquisition levels have been maintained through investment in both online and offline channels, with significant success derived from Standard Chartered Bank branch exposure, the use of influencer marketing and concert offerings.
- Points conversion partnerships are contributing significantly to performance, with tactical bonus campaigns driving customer awareness and incremental revenue growth.

- Partnerships within the FinTech space continue to pay dividends. In Hong Kong, our partnership with Mox has facilitated more options for customers in 2024 to earn miles through credit card, time deposits, loans and investment products.

Mileage partnerships

- There was strong momentum in the growth of everyday earning partners across the dining, retail and transport sectors.
 - Promotions with A.S. Watson in May and June raised awareness about our miles conversion proposition.
 - Partnership with Uber Taxi in a Miles campaign increased customer engagement, resulting in more active riders and trips.
 - As of June 2024, members can earn and redeem miles at more than 350 restaurant partner outlets in Hong Kong.
- We grew our earning partnerships outside of Hong Kong, including launching a partnership with Shinsegae Duty Free in Korea as well as deepening the partnership with Mitsui Outlet Park partnership to Japan and further expanding to the Taiwan region.

Product sales

Cathay Holidays

- We partnered with Expedia Group to launch a new Cathay Holidays booking site, providing customers with access to a wide selection of nearly a million hotels, over 200,000 travel activities worldwide, and the option to bundle with Cathay Pacific flights.
- Cathay Holidays' brand campaign was launched in May, introducing it as the new elevated travel hub that enables customers to earn Asia Miles for every hotel stay, package, travel experience, and car rental.
- The Cathay's Pick collection is being expanded, offering curated concert packages, a twin-city getaway to Kaohsiung and Tainan, and an immersive experience in traditional Korean *hanok* homes with exclusive benefits, all while earning miles.

Cathay Shop

- We proudly introduced our first Cathay-branded suitcase set in collaboration with Samsonite, featuring Cathay's signature green along with high-quality jacquard lining.
- In the second quarter, we launched the Cathay classic collection, paying homage to Cathay Pacific's heritage. A variety of limited-edition items including a passport holder, luggage tag and bowling bag adorned with our signature Tung Hoi '70s pattern were introduced.
- In conjunction with the launch of fine Chinese wines for our First and Business class customers in March, we also introduced the wine collection for customers to purchase.

Insurance

- The travel and medical insurance segment has demonstrated robust performance this year, with notable growth in annual multi-trip plans, which has been well-received by our frequent-flying members.
- Automated email and SMS reminders for travel insurance before departure have been implemented.
- We will continue to develop new and bespoke insurance products in Hong Kong and selected markets abroad.

The Chinese Mainland

- We have expanded our footprint to product sales, which includes launching a localised Cathay-branded Pet Care Merchandise Collection, Cathay Shop Mini Programme and Douyin Channel for live streaming, and the sourcing of products locally.
- On mileage sales, a robust partnership network has been developed within the Swire group, resulting in two Swire Properties projects, and two hospitals in the Chinese Mainland adopting Asia Miles as their reward currency through points conversion. To create earning opportunities from everyday spending, we launched a partnership with DiningCity where members can earn miles from bookings and dining at a nationwide network of more than 700 restaurants.
- On membership, the performance of key segments such as corporate and student have exhibited strong performance both in terms of quantity and active ratio.

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 30th June 2024, HK Express operated scheduled flights to 25 destinations.

In the first half of 2024, HK Express carried 2.8 million passengers, an increase compared with the same period in 2023. The average flown load factor was 85%, a decrease of 0.5 percentage points. Available seat kilometres amounted to 6,370 million.

Markets

Home Market – Hong Kong and Greater Bay Area (GBA)

- HK Express further expanded its intermodal “Air+Ferry” Pass Network to cover all six major ports in the Greater Bay Area, enabling customers to reach Hong Kong International Airport via connecting ports at Guangzhou Nansha, Guangzhou Pazhou, Shenzhen, Zhongshan and Dongguan.

North Asia

- HK Express launched new flights to Beijing Daxing International Airport in March and Sanya Phoenix International Airport in May, its second and third destinations in the Chinese Mainland, respectively.
- As at 30th June 2024, HK Express operated approximately 248 return flights per week, serving 17 airports in 16 destinations in North Asia.

Southeast Asia

- HK Express launched flights to Bangkok’s Don Mueang International Airport in April, complementing its existing flights to the city’s Suvarnabhumi International Airport. It also launched new flights to Clark International Airport in the Philippines in June.

- As at 30th June 2024, HK Express operated approximately 81 return flights per week serving eight destinations in Southeast Asia.

Customer experience enhancements

- HK Express expanded its fare categories from two to four tiers, enabling customers to make more flexible choices and select the fares that best suit their travel needs.
- HK Express now offers more choices for its customers with an expanded inflight menu offering a diverse selection of signature Hong Kong snacks.

Passenger fleet

- At 30th June 2024, HK Express had an all-Airbus narrowbody fleet of 36 aircraft, including seven Airbus A320-200 aircraft, 13 Airbus A321-200 aircraft, 10 Airbus A320-200neo aircraft and six Airbus A321-200neo aircraft. The fleet had an average age of 7.8 years.
- In the first half of 2024, HK Express took delivery of two 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.

Awards

- HK Express received four awards from the Hong Kong Institute of Human Resource Management: the Grand Award for Employee Experience, the Excellent Award for Employer Branding and for Gen Z Attraction, and the Elite Award for Employee Happiness.
- Additionally, HK Express was honoured with the Bronze Award for Best Use of Customer Data Analytics at the Loyalty and Engagement Awards 2024 by Marketing Interactive.

| | Six months ended 30th June | | |
|--|----------------------------|----------------|----------------|
| | 2024 HK\$M | 2023 HK\$M | Change |
| Revenue | | | |
| Passenger services* | 2,985 | 2,550 | +17.1% |
| Cargo services | 17 | 9 | +88.9% |
| Other services and recoveries* | 173 | 42 | +311.9% |
| Total revenue | 3,175 | 2,601 | +22.1% |
| Expenses | | | |
| Staff | (498) | (326) | +52.8% |
| Inflight service and passenger expenses | (24) | (20) | +20.0% |
| Landing, parking and route expenses | (546) | (365) | +49.6% |
| Fuel | (800) | (460) | +73.9% |
| Aircraft maintenance | (342) | (254) | +34.6% |
| Aircraft depreciation and rentals | (492) | (391) | +25.8% |
| Other depreciation, amortisation and rentals | (73) | (18) | +305.6% |
| Others | (334) | (219) | +52.5% |
| Operating expenses | (3,109) | (2,053) | +51.4% |
| Net finance charges | (132) | (178) | -25.8% |
| Total operating expenses | (3,241) | (2,231) | +45.3% |
| (Loss)/profit before taxation | (66) | 370 | -117.8% |
| Taxation | (7) | (37) | -81.1% |
| (Loss)/profit after taxation | (73) | 333 | -121.9% |

* 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.

| | | Six months ended 30th June | | |
|--|---------------|----------------------------|--------|------------|
| | | 2024 | 2023 | Change |
| Operating Statistics – HK Express | | | | |
| Available seat kilometres (ASK) | Million | 6,370 | 4,054 | +57.1% |
| Passenger revenue per ASK | HK cents | 49.9 | 62.9 | -20.7% |
| Revenue passenger kilometres (RPK) | Million | 5,415 | 3,465 | +56.3% |
| Revenue passengers carried | '000 | 2,839 | 1,743 | +62.9% |
| Passenger load factor | % | 85.0 | 85.5 | -0.5%pt |
| Passenger yield | HK cents | 58.6 | 73.6 | -20.4% |
| Cost per ASK (with fuel) | HK cents | 51.0 | 55.9 | -8.8% |
| Fuel consumption per million ASK | Barrels | 147 | 142 | +3.5% |
| Fuel consumption per million RPK | Barrels | 173 | 167 | +3.6% |
| Cost per ASK (without fuel) | HK cents | 38.4 | 44.6 | -13.9% |
| ASK per HK\$'000 staff cost | Unit | 12,782 | 12,451 | +2.7% |
| ASK per employee | '000 | 4,244 | 4,095 | +3.6% |
| Aircraft utilisation | Hours per day | 7.9 | 6.8 | +16.2% |
| On-time performance | % | 78.5 | 91.1 | -12.6%pt |
| Average age of fleet | Years | 7.8 | 6.0 | +1.8 years |

Review of Key Subsidiaries and Associates

Set out below is a review of the performance and operations of material subsidiaries and associates.

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

- Air Hong Kong principally operates express cargo services for DHL Express.
- At 30th June 2024, Air Hong Kong had five dry-leased Airbus A300-600F freighters, two dry-leased A330-243F freighters, nine dry-leased A330-300P2F converted freighters and one wet-leased A300-600F freighter.
- Air Hong Kong has been undergoing a re-fleeting plan to replace the remaining A300-600F freighters with A330 freighters which is expected to be completed by 2025.
- Air Hong Kong operated scheduled and charter flights to 16 major cities in Asia, the Middle East, and Europe including Bahrain, Leipzig, Bangkok, Beijing, Cebu (via Manila), Chengdu, Ho Chi Minh City, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo in the first half of 2024.
- In the first half of 2024, available cargo tonne kilometres were 437 million, a similar level to the same period in 2023.
- Air Hong Kong recorded a profit in the first half of 2024 at a similar level compared with the same period in 2023.

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 47 international airlines in Hong Kong. It produced 11.2 million airline meals and handled 27,436 flights in the first half of 2024, representing a daily average of 61,385 meals and 151 flights, an increase of 30% and 48%, respectively, from the first half of 2023.

- Cathay Dining was awarded the "Gold Seal for Contribution to Sustainable Property – Promote Environmental Protection" in the Hong Kong Green and Sustainability Contribution Awards 2024, organised by the Hong Kong Quality Assurance Agency.
- The financial results of Cathay Dining as well as flight kitchens outside Hong Kong in the first half of 2024 improved compared with the same period in 2023.

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 HKIA. As at 30th June 2024, CCT provided cargo-handling services for the Cathay Group and 14 other scheduled airlines, excluding chartered customers.
- CCT handled 733 thousand tonnes of cargo in the first half of 2024, an 11% increase from the same period in 2023.
- The financial results in the first half of 2024 improved compared with the same period in 2023.
- CCT was the first cargo-handling company in Asia to achieve the new IATA Environmental Assessment (IEnvA) certification in March 2024, demonstrating its commitment to environmental sustainability.
- CCT was the first cargo terminal in Hong Kong to introduce an end-to-end digitalised import collection process with the introduction of electronic Shipment Release Forms (eSRF) and ePayments from the first quarter of 2024. These enhancements reflect CCT's commitment to enhancing its digital offerings to provide greater speed, efficiency and more choices for customers.

Hong Kong Airport Services Limited ("HAS")

- HAS, a wholly owned subsidiary, provides ramp- and passenger-handling services at Hong Kong International Airport. At 30th June 2024, it provided ground-handling services to 24 airlines, including Cathay Pacific and HK Express.

- In the first half of 2024, the number of flights handled under both ramp- and passenger-handling businesses increased by 46% and 72%, respectively, against the same period in 2023.
- The financial results for the first half of 2024 improved compared with the same period in 2023.
- In the first half of 2024, HAS continued to meet and exceed the Critical Key Performance Indicators set by the Airport Authority Hong Kong.
- HAS was awarded the Best Safety Performance Award – Ramp Handling Operator at the Airport Authority Hong Kong Safety Awards 2023, the Safety Culture Merit Award at the 22nd Hong Kong Occupational Safety and Health Award (2023), and the Advocate of Sustainable Property at the Hong Kong Green and Sustainability Contribution Awards 2024 organised by the Hong Kong Quality Assurance Agency.

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 37 million items of laundry in the first half of 2024 compared with 28 million items in the same period in 2023. The financial results for the first half of 2024 improved compared with the same period in 2023.

Material Associates

Air China Limited (“Air China”)

- Air China, in which the Cathay Group had a 15.87% interest at 30th June 2024, 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 2024 interim results include Air China’s results for the six months ended 31st March 2024.
- 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 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\$90 million was recorded.
- For the six months ended 31st March 2024, Air China’s financial results improved compared to those for the six months ended 31st March 2023 but still experienced operating losses.
- At 30th June 2024, the net book value and market value of the 2,634 million shares of Air China held by the Cathay Group was HK\$9,503 million (constituting 5.41% of the Cathay Group’s total assets) and HK\$9,561 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 2023 Annual 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 2024 interim results include Air China Cargo’s results for the six months ended 31st March 2024.

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 continue to 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 identification and active management of risks, 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 International Civil Aviation Organisation (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. Our operations underwent a successful IOSA audit, undertaken by an external and independent agency, in November 2022, which renewed our IATA registration for 24 months until November this year. 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 has been made to further improve our ability to reliably deliver the flying schedule. In early 2024, we were delivering the final planned phase of the transformation of our Integrated Operations Centre (IOC). The IOC is where teams from multiple operational and service departments are co-located and work together to deliver the schedule from seven days before a flight through to the day of operations. IOC is harnessing the power of data and new enhanced digital capabilities to better manage issues for our customers and business with operational excellence. In mid-2024, we established an Operations Planning function, which brings together responsibility for planning pilot, cabin crew and airport resources, as well as aircraft availability to meet the schedule. Digital Twins are being

developed across the operation, with the most recent example being a model to ensure we deliver the full potential from our pilot and cabin crew 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 the first half of 2024, 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 brand, customer experience and network, we have accelerated our efforts in using artificial intelligence (AI) to deliver customer value. To date, we have developed and deployed more than 70 AI machine learning models, which support the team to make better decisions, optimise our resource planning and enhance customer service design. We have also developed internal policy and guidelines for our people to use AI technology in an effective and responsible manner.
- **Technological innovation** – Having captured insights and learning from our experimentation with AI and emerging technologies in 2023, we have directed our efforts to start implementing AI in different parts of our business in 2024. From AI-generated public announcements at the airport, and an AI chatbot to support our customer care agents, to using virtual-reality technology to improve learning experience and efficiency, we continue to take a customer-centric approach in driving innovation with technology.
- **Digital transformation** – We are deeply committed to supporting youth development in Hong Kong, particularly in the areas of innovation and technology. In 2024, we celebrated the tenth anniversary of our Digital and IT Graduate Trainee Programme. This year we are also extending our signature Cathay Hackathon experience for our people, engaging our frontline and back-office teams around the world to innovate together. We are organising the first Cathay Hackathon in Shenzhen to co-innovate with university students from Hong Kong and the rest of the Greater Bay Area.

- **Cyber security** – We are committed to protecting the information of our people, customers and partners across Cathay. Our ISO journey continues and we are in the process of achieving ISO 27001 certification in other areas of cyber security function. 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.

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 the following key sustainability commitments:

- 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.
- To improve our carbon intensity by 12% from the 2019 level by 2030, reducing it from 761 gCO₂/RTK to 670 gCO₂/RTK.
- To reduce the use of passenger-facing single-use plastics (SUP) items from an average of 7.7 pieces per passenger in 2019 to 1.5 pieces by 2025.
- Committed to not having more than 65% of the same gender in senior positions 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 our website, www.cathaypacific.com.

Environment

On the environmental front, climate change, materials and 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 from the first half of 2024:

- Cathay co-initiated the launch of the Hong Kong Sustainable Aviation Fuel Coalition, a multi-stakeholder platform which brings together the aviation industry, SAF producers, fuel suppliers, infrastructure developers, users and policymakers to collaborate on advancing the development, supply and use of SAF.
- Cathay completed our first voluntary SAF uplift on commercial flights in Europe at Amsterdam Airport Schiphol. The significance of this overseas uplift is for our learning and paving the way for regular SAF uplift from multiple points in our network.
- We pledged to use SAF to offset 10% of the carbon emissions from employee duty travel on Cathay Pacific flights from 2024 onwards. This is in line with our position to scale up SAF usage on all fronts to contribute to the 10% SAF usage by 2030 target.
- Cathay Cargo Terminal was the first cargo-handling company in Asia to achieve IATA Environmental Assessment (IEnvA) certification, reflecting our commitment to aligning environmental goals with operational excellence.
- Cathay Cargo Terminal was the first cargo terminal in Hong Kong to adopt 50% recycled plastic cargo cover sheets for all export cargo shipments built up within the terminal. We utilise recycled post-consumer plastic to reduce the reliance on virgin plastic while meeting the operational demands of customers.
- Cathay Cargo has renewed or established partnerships on Sustainable Aviation Fuel with four key customers so far this year, showcasing the commitment our partners and Cathay Cargo have to a more sustainable future.
- Cathay conducted a series of comprehensive inflight equipment reviews and extensive procedure trials on over 200 flights with the aim of significantly reducing the use of passenger-facing SUP items and increasing the rate of recycling. A transition roadmap towards our 2025 target was developed and enhancements were made to the existing inflight recycling programmes, resulting in a significant increase in recycling efficiency.

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 30th June 2024, the Group employed more than 27,200 people worldwide, with around 22,700 employed in Hong Kong.

- Cathay continued to drive talent acquisition in the Chinese Mainland targeting different job roles including cabin crew, pilots, cadet pilots, IT professionals, ground employees, customer service officers and so on.
- In addition to the Chinese Mainland, our cabin crew recruitment efforts also include other Asian countries such as India, Indonesia, South Korea, Thailand, and Vietnam, among others.
- We also started running global Pilot Recruitment Roadshows, covering Australia, South Africa, Europe, Dubai, and North and South America. There are virtual events for pilot candidates in India and cadet candidates in Australia and the United Kingdom.

- We launched Wellbeing@Cathay to cast a spotlight on the importance of wellbeing for our people. The programme encompasses ongoing activities and resources around physical, mental, occupational, environmental and financial health available to our people.
- We launched our Culture journey through culture value videos, stories, supporting tools and a speaker series to help our people understand our three Culture values – Thoughtful, Progressive and Can-do – and how they can embed this in their everyday behaviours.
- We regularly review our human capital 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

- Cathay has supported the Hong Kong SAR Government's Strive and Rise Programme for the past two years, reinforcing our long-standing commitment to youth development in the community. In February 2024, we invited more than 600 students and mentors to take part in the Cathay Aviation Exploration Open Day, providing an immersive and memorable aviation-themed experience for participants. Cathay's Director People, being the Strive and Rise Programme's Star Mentor, along with other colleagues from Cathay and our subsidiaries, provided a career talk to introduce the multi-faceted nature of the aviation industry.
- Cathay's flagship I Can Fly programme entered its 20th anniversary. This is our key initiative to promote aviation and encourage young people to contribute to society. In March 2024, the I Can Fly programme welcomed around 300 students with a passion for aviation to participate in a nine-month intensive programme. Led by Cathay pilots and employee volunteers, students had the chance to visit various aviation facilities, go through aviation-related training, participate in team-building activities, and design and implement their own social service projects. Outstanding students will have the opportunity to join an aviation experiential trip to explore different aspects of aviation. Over the past 20 years, more than 4,000 students have joined the programme to explore the world of aviation.
- 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.
- We returned to the CNS conference in Dallas, USA in April as a sponsor of the "Women In Cargo" forum, leading the discussion on making the air freight world more inclusive.
- The "Greener Together, Miles Further" campaign was launched on 29th April 2024 to promote sustainability awareness across our various lifestyle pillars. Cathay members can register online to participate and earn bonus miles for every completed challenge. The first 40 members to complete all challenges will receive 25,000 Asia Miles, and more than 27,000 members have registered.
- Cathay teamed up with Hong Kong charity Po Leung Kuk to host a Rugby Fun Day in April 2024 to introduce children to the game of rugby. Two legendary former players from the New Zealand National Rugby Team and Hong Kong Rugby Team offered hands-on advice to Po Leung Kuk children.
- Cathay supported both the Green Power Hike and the Standard Chartered Marathon on 13th and 21st January, respectively, by fielding teams to run for a greener future.
- Cathay has jointly launched the Greater Bay Area (GBA) Aviation Youth Exchange Programme with the Civil Aviation Administration of China (CAAC) Central, Southern Regional Administration and the Hong Kong Civil Aviation Department. The initiative aims to connect and empower young aviation enthusiasts from the GBA, and enhance Cathay's position in the region.

Governance

Cathay is committed to maintaining and developing robust corporate governance practices and this is further described in the section of Corporate Governance Report in 2023 Annual Report.

Selected awards and recognitions

- Cathay has been selected as a constituent of the FTSE4GOOD Index Series for the 14th consecutive year. In 2024, we were recognised among the top 8% of companies in the airline subsector. This inclusion serves to benchmark our strong sustainability performance relative to other companies around the world.
- Cathay received the GoldenBee Honour Roll Listed Company Award at the 2024 GoldenBee CSR China Honour Roll. This is a leading platform in the Chinese Mainland that recognises enterprises practicing environmental and social sustainability.
- We have received the Caring Company recognition from the Hong Kong Council of Social Service every year since 2003 for our good corporate citizenship.
- Cathay has been recognised as one of HR Asia's Best Companies to Work for in Asia 2024.
- Cathay Academy was awarded the Learning & Development: Excellent Award and the Learning Technology: Excellent Award by the Hong Kong Institute of Human Resource Management (HKIHRM).

FINANCIAL REVIEW

The Cathay Group's attributable profit was HK\$3,613 million in the first half of 2024 (2023 first half: HK\$4,268 million). Cathay Pacific reported a profit after tax of HK\$3,981 million in the first half of 2024 (2023 first half: HK\$6,717 million). Loss from subsidiaries was HK\$26 million (2023 first half: profit of HK\$183 million), and the share of losses from associates was HK\$342 million (2023 first half: loss of HK\$2,632 million).

Revenue

| | Group | | | Cathay Pacific | | |
|-------------------------------|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| | Six months ended 30th June | | | Six months ended 30th June | | |
| | 2024 HK\$M | 2023 HK\$M | Change | 2024 HK\$M | 2023 HK\$M | Change |
| Passenger services | 33,004 | 27,563 | +19.7% | 30,017 | 25,013 | +20.0% |
| Cargo services | 12,610 | 12,432 | +1.4% | 10,902 | 10,741 | +1.5% |
| Other services and recoveries | 3,990 | 3,598 | +10.9% | 3,865 | 3,519 | +9.8% |
| Total revenue | 49,604 | 43,593 | +13.8% | 44,784 | 39,273 | +14.0% |

Cathay Pacific passenger revenue increased by 20.0% compared with a 42.7% increase in capacity. Cargo revenue increased by 1.5%, compared with a 11.4% increase in available freight tonne kilometres. Revenue from other services and recoveries increased by 9.8%.

Operating Expenses

| | Group | | | Cathay Pacific | | |
|--|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| | Six months ended 30th June | | | Six months ended 30th June | | |
| | 2024 HK\$M | 2023 HK\$M | Change | 2024 HK\$M | 2023 HK\$M | Change |
| Staff | 7,770 | 6,612 | +17.5% | 6,212 | 5,400 | +15.0% |
| Inflight service and passenger expenses | 1,957 | 1,244 | +57.3% | 1,934 | 1,225 | +57.9% |
| Landing, parking and route expenses | 6,572 | 5,066 | +29.7% | 5,947 | 4,536 | +31.1% |
| Fuel, including hedging gains | 14,160 | 10,635 | +33.1% | 12,938 | 9,744 | +32.8% |
| Aircraft maintenance | 4,047 | 3,253 | +24.4% | 3,510 | 2,751 | +27.6% |
| Aircraft depreciation and rentals | 4,929 | 5,043 | -2.3% | 4,538 | 4,673 | -2.9% |
| Other depreciation, amortisation and rentals | 1,256 | 1,305 | -3.8% | 912 | 943 | -3.3% |
| Others | 3,006 | 3,799 | -20.9% | 3,527 | 4,231 | -16.6% |
| Operating expenses | 43,697 | 36,957 | +18.2% | 39,518 | 33,503 | +18.0% |
| Net finance charges | 1,455 | 1,446 | +0.6% | 875 | 880 | -0.6% |
| Total operating expenses | 45,152 | 38,403 | +17.6% | 40,393 | 34,383 | +17.5% |

- The Group's and Cathay Pacific's total operating expenses increased by 17.6% and 17.5% respectively.
- The cost per ATK (with fuel) of Cathay Pacific increased from HK\$3.35 to HK\$3.41, an increase of 1.8%.
- The cost per ATK (without fuel) of Cathay Pacific decreased from HK\$2.34 to HK\$2.31, a decrease of 1.3%.
- The underlying cost per ATK (without fuel) of Cathay Pacific, which excludes non-recurring items, decreased from HK\$2.56 to HK\$2.32, a decrease of 9.4%.

Operating Results Analysis

| | Six months ended 30th June | | |
|--|----------------------------|---------------|----------------|
| | 2024 HK\$M | 2023 HK\$M | Change |
| Cathay Pacific's profit before exceptional items and taxation | 4,391 | 4,890 | -10.2% |
| Taxation | (519) | (310) | +67.4% |
| Cathay Pacific's profit after taxation and before exceptional items | 3,872 | 4,580 | -15.5% |
| Subsidiaries' results | (26) | 183 | -114.2% |
| Cathay Pacific and subsidiaries' profit after taxation and before exceptional items | 3,846 | 4,763 | -19.3% |
| Share of losses from associates | (342) | (2,632) | -87.0% |
| Underlying profit attributable to the shareholders of the Cathay Group (note a) | 3,504 | 2,131 | +64.4% |
| Gain on deemed partial disposal of an associate (note b) | 90 | 1,929 | -95.3% |
| Net reversal of impairment (note c) | 19 | 208 | -90.9% |
| Profit attributable to the shareholders of the Cathay Group | 3,613 | 4,268 | -15.3% |

Notes:

- (a) The underlying profit attributable to the shareholders of the Cathay Group was calculated excluding non-recurring items.
 (b) Please refer note 4 to the Condensed Financial Statements for details.
 (c) The net reversal of impairment includes: a HK\$46 million impairment reversal for a previously impaired aircraft returning to service in the first half of 2024; offset by a HK\$27 million impairment of the investments in two associates.

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

| | HK\$M | |
|---|----------------|--|
| 2023 interim Cathay Pacific's profit before exceptional items and taxation | 4,890 | |
| Increase of revenue: | | |
| – Passenger and cargo revenue | 5,165 | – Passenger revenue increased as a result of increase in capacity and traffic, partially offset by a 11.0% reduction in yield. – Cargo revenue increased due to a 4.6% increase in cargo traffic. This was slightly offset by a 2.9% decrease in yield. |
| – Other services and recoveries | 346 | – Increase due to higher passenger volumes and more mileage sales. |
| (Increase)/decrease of costs: | | |
| – Staff | (812) | – Increased due to higher capacity operated and more headcount. |
| – Inflight service and passenger expenses | (709) | – Increased on higher passenger volumes. |
| – Landing, parking and route expenses | (1,411) | – Increased on operating additional capacity. |
| – Fuel, including hedging gains | (3,194) | – Increased fuel costs were mainly due to higher fuel consumption, partially offset by lower fuel hedging gains. |
| – Aircraft maintenance | (759) | – Higher due to increased aircraft flying hours. |
| – Owning the assets (includes aircraft and other depreciation, rentals and net finance charges) | 171 | – Impact of asset useful life and interest rate changes. |
| – Other items (including commissions) | 704 | – Favourable foreign currency movements and reduction of aircraft under long-term storage outside of Hong Kong. |
| 2024 interim Cathay Pacific's profit before exceptional items and taxation | 4,391 | |

Fuel Expenditure and Hedging

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

| | Six months ended 30th June | |
|--------------------|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Gross fuel cost | 14,221 | 11,118 |
| Fuel hedging gains | (61) | (483) |
| Net fuel cost | 14,160 | 10,635 |

Fuel costs increased due to a 29.3% increase in consumption, slightly offset by 0.9% decrease in the average into-plane fuel price.

Financial Position

Financial position as at 30th June 2024. The comparative period references 31st December 2023.

- Additions to property, plant and equipment during the six months period to 30th June 2024 were HK\$2,782 million, comprising HK\$2,518 million in respect of aircraft and related equipment, HK\$150 million in respect of land and buildings and HK\$114 million in respect of other equipment.
- Borrowings (being loans and other borrowings, and lease liabilities) decreased by 2.2% to HK\$66,810 million. Excluding leases without asset transfer components, borrowings decreased by 0.7% to HK\$56,594 million, which are fully repayable by 2035, with 44% 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 2023 Annual Report.
- Available unrestricted liquidity at 30th June 2024 totalled HK\$25,416 million, comprising liquid funds of HK\$18,839 million and committed undrawn facilities of HK\$6,580 million, less pledged funds of HK\$3 million. Liquid funds are predominately denominated in United States dollars and Hong Kong dollars.
- Net borrowings (after deducting liquid funds) decreased by 9.1% to HK\$47,971 million. Excluding leases without asset transfer components, net borrowings decreased by 8.9% to HK\$37,755 million.
- Funds attributable to the shareholders of the Cathay Group increased by 2.3% to HK\$61,406 million. This was due to the Group's attributable profit for the period of HK\$3,613 million, convertible bonds of HK\$2 million converted into ordinary shares, increase in other comprehensive income of HK\$777 million, offset by dividends distributed to ordinary shareholders of HK\$2,768 million and the preference shareholder of HK\$244 million.
- Excluding leases without asset transfer components, the net debt/equity ratio decreased from 0.69 times to 0.61 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 0.78 at 30th June 2024 (31st December 2023: 0.88).
- The Group's policies in relation to financial risk management including the management of currency, interest rate and fuel price exposures and the uses of financial instruments to hedge these exposures are set out in the 2023 Annual Report.

REVIEW REPORT

To the Board of Directors of Cathay Pacific Airways Limited

(Incorporated in Hong Kong with limited liability)



Introduction

We have reviewed the interim financial report set out on pages 27 to 48 which comprises the consolidated statement of financial position of Cathay Pacific Airways Limited (the "Company") and its subsidiaries (together the "Group") as of 30th June 2024 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
7th August 2024

CONDENSED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2024 – Unaudited

| | Note | 2024 HK\$M | 2023 HK\$M | 2024 US\$M | 2023 US\$M |
|---|-------|-----------------|-----------------|----------------|----------------|
| Revenue | | | | | |
| Passenger services | | 33,004 | 27,563 | 4,231 | 3,534 |
| Cargo services | | 12,610 | 12,432 | 1,617 | 1,594 |
| Other services and recoveries | | 3,990 | 3,598 | 512 | 461 |
| Total revenue | | 49,604 | 43,593 | 6,360 | 5,589 |
| Expenses | | | | | |
| Staff | | (7,770) | (6,612) | (996) | (848) |
| Inflight service and passenger expenses | | (1,957) | (1,244) | (251) | (159) |
| Landing, parking and route expenses | | (6,572) | (5,066) | (843) | (649) |
| Fuel, including hedging gains | | (14,160) | (10,635) | (1,815) | (1,363) |
| Aircraft maintenance | | (4,047) | (3,253) | (519) | (417) |
| Aircraft depreciation and rentals | | (4,929) | (5,043) | (632) | (647) |
| Other depreciation, amortisation and rentals | | (1,256) | (1,305) | (161) | (167) |
| Others | | (3,006) | (3,799) | (385) | (488) |
| Operating expenses | | (43,697) | (36,957) | (5,602) | (4,738) |
| Operating profit before non-recurring items | | 5,907 | 6,636 | 758 | 851 |
| Gain on deemed partial disposal of an associate | 4 | 90 | 1,929 | 12 | 247 |
| Net reversal of impairment | 10,12 | 19 | 208 | 2 | 27 |
| Operating profit | 5 | 6,016 | 8,773 | 772 | 1,125 |
| Finance charges | | (1,939) | (1,997) | (249) | (256) |
| Finance income | | 484 | 551 | 62 | 71 |
| Net finance charges | 6 | (1,455) | (1,446) | (187) | (185) |
| Share of losses of associates | | (320) | (2,620) | (41) | (337) |
| Profit before taxation | | 4,241 | 4,707 | 544 | 603 |
| Taxation | 7 | (628) | (439) | (81) | (56) |
| Profit for the period | | 3,613 | 4,268 | 463 | 547 |
| Profit for the period attributable to | | | | | |
| Ordinary shareholders of the Cathay Group | | 3,372 | 3,959 | 432 | 507 |
| Preference shareholder of the Cathay Group | | 241 | 309 | 31 | 40 |
| Non-controlling interests | | – | – | – | – |
| Profit for the period | | 3,613 | 4,268 | 463 | 547 |
| Underlying profit attributable to shareholders of the Cathay Group | | 3,504 | 2,131 | 449 | 273 |
| Earnings per ordinary share | | | | | |
| Basic | 8 | 52.4¢ | 61.5¢ | 6.7¢ | 7.9¢ |
| Diluted | 8 | 47.0¢ | 55.2¢ | 6.0¢ | 7.1¢ |

The Condensed 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 32 to 48 form part of these Condensed Financial Statements.

Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2024 – Unaudited

| | Note | 2024 HK\$M | 2023 HK\$M | 2024 US\$M | 2023 US\$M |
|---|------|---------------|---------------|---------------|---------------|
| Profit for the period | | 3,613 | 4,268 | 463 | 547 |
| Other comprehensive income | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Cash flow hedges | | 1,233 | (948) | 158 | (121) |
| Share of other comprehensive income of associates | | (68) | (387) | (9) | (50) |
| Exchange differences on translation of foreign operations | | (387) | (797) | (50) | (102) |
| Item that is or may be not reclassified subsequently to profit or loss: | | | | | |
| Defined benefit plans | | (1) | – | – | – |
| Other comprehensive income for the period, net of taxation | 9 | 777 | (2,132) | 99 | (273) |
| Total comprehensive income for the period | | 4,390 | 2,136 | 562 | 274 |
| Total comprehensive income attributable to | | | | | |
| Ordinary shareholders of the Cathay Group | | 4,149 | 1,827 | 531 | 234 |
| Preference shareholder of the Cathay Group | | 241 | 309 | 31 | 40 |
| Non-controlling interests | | – | – | – | – |
| | | 4,390 | 2,136 | 562 | 274 |

The Condensed 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 32 to 48 form part of these Condensed Financial Statements.

Consolidated Statement of Financial Position

at 30th June 2024 – Unaudited

| | Note | 30th June 2024 HK\$M | 31st December 2023 HK\$M | 30th June 2024 US\$M | 31st December 2023 US\$M |
|--|------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets and liabilities | | | | | |
| Property, plant and equipment | 10 | 113,377 | 116,088 | 14,536 | 14,883 |
| Intangible assets | 11 | 14,449 | 14,539 | 1,852 | 1,864 |
| Investments in associates | 12 | 15,359 | 16,046 | 1,969 | 2,057 |
| Other long-term receivables and investments | | 3,784 | 3,608 | 485 | 463 |
| Deferred tax assets | | 1,081 | 1,085 | 139 | 139 |
| | | 148,050 | 151,366 | 18,981 | 19,406 |
| Interest-bearing liabilities | 13 | (54,920) | (57,771) | (7,041) | (7,407) |
| Other long-term payables | 14 | (2,909) | (2,810) | (373) | (360) |
| Other long-term contract liabilities | | (225) | (252) | (29) | (33) |
| Deferred tax liabilities | | (8,349) | (7,756) | (1,070) | (994) |
| | | (66,403) | (68,589) | (8,513) | (8,794) |
| Net non-current assets | | 81,647 | 82,777 | 10,468 | 10,612 |
| Current assets and liabilities | | | | | |
| Stock | | 1,072 | 967 | 137 | 124 |
| Trade and other receivables | 15 | 7,669 | 6,252 | 983 | 801 |
| Liquid funds | 16 | 18,839 | 15,530 | 2,415 | 1,991 |
| | | 27,580 | 22,749 | 3,535 | 2,916 |
| Interest-bearing liabilities | 13 | (11,890) | (10,523) | (1,524) | (1,349) |
| Trade and other payables | 17 | (15,621) | (17,238) | (2,003) | (2,210) |
| Contract liabilities | | (18,018) | (15,223) | (2,310) | (1,951) |
| Taxation | | (2,285) | (2,509) | (293) | (322) |
| | | (47,814) | (45,493) | (6,130) | (5,832) |
| Net current liabilities | | (20,234) | (22,744) | (2,595) | (2,916) |
| Total assets less current liabilities | | 127,816 | 128,622 | 16,386 | 16,490 |
| Net assets | | 61,413 | 60,033 | 7,873 | 7,696 |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 18 | 28,830 | 28,828 | 3,696 | 3,696 |
| Reserves | | 32,576 | 31,198 | 4,176 | 3,999 |
| Funds attributable to the shareholders of the Cathay Group | | 61,406 | 60,026 | 7,872 | 7,695 |
| Non-controlling interests | | 7 | 7 | 1 | 1 |
| Total equity | | 61,413 | 60,033 | 7,873 | 7,696 |

The Condensed 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 32 to 48 form part of these Condensed Financial Statements.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2024 – Unaudited

| | 2024 HK\$M | 2023 HK\$M | 2024 US\$M | 2023 US\$M |
|--|----------------|---------------|---------------|---------------|
| Operating activities | | | | |
| Cash generated from operations | 12,140 | 20,752 | 1,556 | 2,661 |
| Interest received | 271 | 207 | 35 | 27 |
| Interest paid | (1,383) | (1,570) | (177) | (202) |
| Tax paid | (415) | (368) | (53) | (47) |
| Net cash inflow from operating activities | 10,613 | 19,021 | 1,361 | 2,439 |
| Investing activities | | | | |
| Net increase in liquid funds other than cash and cash equivalents | (1,394) | (2,358) | (179) | (302) |
| Proceeds from sales of property, plant and equipment | 151 | 40 | 19 | 5 |
| Net decrease/(increase) in other long-term receivables and investments | 24 | (39) | 3 | (5) |
| Payments for property, plant and equipment and intangible assets | (2,907) | (1,994) | (373) | (256) |
| Dividends received | 81 | 58 | 10 | 7 |
| Loan to associates | (37) | (13) | (5) | (2) |
| Net cash outflow from investing activities | (4,082) | (4,306) | (525) | (553) |
| Financing activities | | | | |
| New financing | 4,312 | 1,293 | 553 | 166 |
| Loan and lease repayments | (6,079) | (11,305) | (779) | (1,449) |
| Preference shares redemption | – | (1,524) | – | (195) |
| Dividends paid – ordinary shares | (2,768) | – | (355) | – |
| Dividends paid – preference shares | (244) | – | (31) | – |
| Net cash outflow from financing activities | (4,779) | (11,536) | (612) | (1,478) |
| Net increase in cash and cash equivalents | 1,752 | 3,179 | 224 | 408 |
| Cash and cash equivalents at 1st January | 7,894 | 7,340 | 1,012 | 941 |
| Effect of exchange differences | (25) | (2) | (3) | – |
| Cash and cash equivalents at 30th June | 9,621 | 10,517 | 1,233 | 1,349 |

The Condensed 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 32 to 48 form part of these Condensed Financial Statements.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2024 – Unaudited

| | 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 2024 | 28,828 | 9,750 | 526 | 21,186 | (159) | 266 | (371) | 60,026 | 7 | 60,033 |
| Changes in equity for the six months ended 30th June 2024: | | | | | | | | | | |
| Profit for the period | - | - | - | 3,613 | - | - | - | 3,613 | - | 3,613 |
| Other comprehensive income | - | - | - | (1) | - | 1,233 | (455) | 777 | - | 777 |
| Total comprehensive income for the period | - | - | - | 3,612 | - | 1,233 | (455) | 4,390 | - | 4,390 |
| Convertible bond conversion | 2 | - | - | - | - | - | - | 2 | - | 2 |
| 2023 interim dividend | - | - | - | (2,768) | - | - | - | (2,768) | - | (2,768) |
| Dividend – preference shares | - | - | - | (244) | - | - | - | (244) | - | (244) |
| At 30th June 2024 | 28,830 | 9,750 | 526 | 21,786 | (159) | 1,499 | (826) | 61,406 | 7 | 61,413 |
| At 1st January 2023 (restated)* | 48,322 | - | 526 | 13,209 | (157) | 1,467 | 436 | 63,803 | 6 | 63,809 |
| Changes in equity for the six months ended 30th June 2023: | | | | | | | | | | |
| Profit for the period | - | - | - | 4,268 | - | - | - | 4,268 | - | 4,268 |
| Other comprehensive income | - | - | - | - | - | (948) | (1,184) | (2,132) | - | (2,132) |
| Total comprehensive income for the period | - | - | - | 4,268 | - | (948) | (1,184) | 2,136 | - | 2,136 |
| Dividend – preference shares | - | - | - | (1,524) | - | - | - | (1,524) | - | (1,524) |
| At 30th June 2023 | 48,322 | - | 526 | 15,953 | (157) | 519 | (748) | 64,415 | 6 | 64,421 |

* Background and details of restatement can be found in 2023 Annual Report material accounting policy 1(b).

The notes on pages 32 to 48 form part of these Condensed Financial Statements.

Notes to the Condensed Financial Statements

1. Basis of preparation and accounting policies

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 7th August 2024.

The financial information relating to the year ended 31st December 2023 that is included in this document as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2023 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies, methods of computation and presentation used in the preparation of the interim Condensed Financial Statements are consistent with those described in the 2023 annual financial statements except for changes in accounting policies in note 2 below.

2. Changes in accounting policies

The Group has applied the following amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 16 "Leases: Lease Liability in a Sale and Leaseback"
- Amendments to HKAS 1 "Presentation of financial statements: Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1 "Presentation of financial statements: Non-current Liabilities with Covenants"
- Amendments to HKAS 7 "Statement of cash flows" and HKFRS 7 "Financial instruments: Disclosures Supplier Finance Arrangements"

The amended HKFRSs do not have a material impact on these Condensed Financial Statements and accounting policies.

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

3. Segment information

(a) Segment results

| | Six months ended 30th June 2024 | | | | | |
|---|---------------------------------|---------------------|------------------------|------------------------------|---------------------|----------------|
| | 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 | 44,224 | 3,175 | 1,699 | 506 | | 49,604 |
| Inter-segment sales | 560 | – | 4 | 1,838 | | 2,402 |
| Segment revenue | 44,784 | 3,175 | 1,703 | 2,344 | | 52,006 |
| Segment profit, before non-recurring items | 5,266 | 66 | 488 | 87 | | 5,907 |
| Gain on deemed partial disposal of an associate | 90 | – | – | – | | 90 |
| Net reversal of impairment | 19 | – | – | – | | 19 |
| Segment profit | 5,375 | 66 | 488 | 87 | | 6,016 |
| Net finance (charges)/income | (875) | (132) | 3 | (451) | | (1,455) |
| | 4,500 | (66) | 491 | (364) | | 4,561 |
| Share of losses of associates | – | – | – | – | (320) | (320) |
| Profit/(loss) before taxation | 4,500 | (66) | 491 | (364) | (320) | 4,241 |
| Taxation | (519) | (7) | (80) | – | (22) | (628) |
| Profit/(loss) for the period | 3,981 | (73) | 411 | (364) | (342) | 3,613 |
| Non-controlling interests | – | – | – | – | – | – |
| Profit/(loss) attributable to the shareholders of the Cathay Group | 3,981 | (73) | 411 | (364) | (342) | 3,613 |

CONDENSED FINANCIAL STATEMENTS
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. Segment information (continued)

| | Six months ended 30th June 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 | 38,995 | 2,601 | 1,676 | 321 | | 43,593 |
| Inter-segment sales | 278 | – | 4 | 1,386 | | 1,668 |
| Segment revenue | 39,273 | 2,601 | 1,680 | 1,707 | | 45,261 |
| Segment profit/(loss), before non-recurring items | 5,770 | 548 | 477 | (159) | | 6,636 |
| Gain on deemed partial disposal of an associate | 1,929 | – | – | – | | 1,929 |
| Net reversal of impairment | 208 | – | – | – | | 208 |
| Segment profit/(loss) | 7,907 | 548 | 477 | (159) | | 8,773 |
| Net finance (charges)/income | (880) | (178) | 4 | (392) | | (1,446) |
| | 7,027 | 370 | 481 | (551) | | 7,327 |
| Share of losses of associates | – | – | – | – | (2,620) | (2,620) |
| Profit/(loss) before taxation | 7,027 | 370 | 481 | (551) | (2,620) | 4,707 |
| Taxation | (310) | (37) | (79) | (1) | (12) | (439) |
| Profit/(loss) for the period | 6,717 | 333 | 402 | (552) | (2,632) | 4,268 |
| Non-controlling interests | – | – | – | – | – | – |
| Profit/(loss) attributable to the shareholders of the Cathay Group | 6,717 | 333 | 402 | (552) | (2,632) | 4,268 |

- (i) Cathay Pacific provides full-service international passenger and cargo air transportation. Management considers that there is no reasonable and complete basis for allocating operating results fully 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 represents our supporting airline operations including catering, cargo terminal operations, ground handling services and commercial laundry operations.
- (v) Associates represents the share of results from associates held by the Group under the equity method.

The composition of reportable segments of the Group is determined based on the nature of the business. Segment information is reported in a manner consistent with the internal financial reports provided to the Executive Directors for making strategic decisions.

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

3. Segment information (continued)

(b) Geographical information

| | Six months ended 30th June | |
|--|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Revenue by origin of sale: | | |
| North Asia | | |
| – Chinese Mainland, Hong Kong and Taiwan | 29,235 | 26,473 |
| – Japan and Korea | 2,019 | 1,766 |
| Americas | 7,186 | 5,695 |
| Europe | 3,892 | 3,946 |
| Southeast Asia | 3,086 | 2,615 |
| Southwest Pacific | 2,454 | 2,032 |
| South Asia, Middle East and Africa | 1,732 | 1,066 |
| | 49,604 | 43,593 |

A geographic analysis of segment assets is not disclosed for the reasons set out in the 2023 Annual Report.

4. Gain on deemed partial disposal of an associate

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 has continued to equity account for its interest in Air China as an associate.

A gain on this deemed partial disposal of HK\$90 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.

5. Operating profit

| | Six months ended 30th June | |
|---|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Operating profit has been arrived at after charging/(crediting): | | |
| Depreciation of property, plant and equipment | | |
| – right-of-use assets | 1,910 | 2,270 |
| – owned | 3,762 | 3,558 |
| Amortisation of intangible assets | 286 | 302 |
| (Reversal of) impairment on non-financial assets | | |
| – property, plant and equipment | (46) | (208) |
| – investments in associates | 27 | – |
| Expenses relating to short-term leases and leases of low-value assets | 8 | 5 |
| Gain on disposal of property, plant and equipment, net | (51) | (9) |
| Cost of stock expensed | 803 | 575 |
| Exchange differences, net | (13) | 178 |
| Auditors' remuneration | 8 | 8 |
| Government grants | (147) | (325) |
| Dividend income from unlisted equity investments | (66) | (57) |

6. Net finance charges

| | Six months ended 30th June | |
|--|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Net interest charges comprise: | | |
| – lease liabilities stated at amortised cost | 733 | 758 |
| – bank loans and overdrafts | | |
| – wholly repayable within five years | 453 | 444 |
| – not wholly repayable within five years | 260 | 339 |
| – other borrowings | | |
| – wholly repayable within five years | 325 | 298 |
| – not wholly repayable within five years | 168 | 158 |
| | 1,939 | 1,997 |
| Income from liquid funds: | | |
| – funds with investment managers and other liquid investments at fair value through profit or loss | (189) | (247) |
| – bank deposits and others | (257) | (232) |
| | (446) | (479) |
| Fair value change: | | |
| – gains on financial derivatives | (38) | (72) |
| | 1,455 | 1,446 |

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 gain from derivatives that are classified as fair value through profit or loss of nil (2023: HK\$4 million).

7. Taxation

| | Six months ended 30th June | |
|---|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Current tax expenses | | |
| – Hong Kong profits tax | 77 | 74 |
| – overseas tax | 109 | 173 |
| – over provisions for prior years | (29) | (112) |
| Deferred tax expense | | |
| – origination and reversal of temporary differences | 471 | 304 |
| | 628 | 439 |

Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and the status of negotiations (see note 21(c) to the Condensed Financial Statements).

The Group is subject to the Organisation for Economic Co-operation and Development (“OECD”) Pillar Two model rules. Australia has implemented the Pillar Two model rules with effect from 1st January 2024, and it has been assessed that there is no top-up tax exposure for the interim period ended 30th June 2024. For those jurisdictions where no double tax agreement has been entered with Hong Kong but the Group operates, other than Australia, none of them has enacted or substantively enacted Pillar Two legislation.

7. Taxation (continued)

As the basis of Global Anti-Base Erosion ("GloBE") Income calculation for the aviation industry is subject to further guidance from the OECD, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably able to be 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.

8. Earnings per ordinary share

| | 2024 | | | 2023 | | |
|--|--------------------------------|--|---------------------------------|--------------------------------|--|---------------------------------|
| | Profit ^(a) HK\$M | Weighted average number of ordinary shares | Per share amount HK cents | Profit ^(a) HK\$M | Weighted average number of ordinary shares | Per share amount HK cents |
| Basic earnings per ordinary share | 3,372 | 6,437,965,279 | 52.4 | 3,959 | 6,437,200,203 | 61.5 |
| Effect of dilutive potential ordinary shares ^(b) | | | | | | |
| – Deemed issue of ordinary shares from the exercise of warrants | – | 193,817,786 | | – | 163,945,049 | |
| – Convertible bonds and its after tax effect of effective interest | 117 | 785,699,334 | | 116 | 786,464,410 | |
| Diluted earnings per ordinary share | 3,489 | 7,417,482,399 | 47.0 | 4,075 | 7,387,609,662 | 55.2 |

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

(b) The Company's warrants and convertible bonds as at 30th June 2024 have a dilutive effect to the earnings per ordinary share. The dilutive impact for the period ended 30th June 2024 is presented above. Please refer to notes 18(b) and 18(c) for the background and details of warrants and convertible bonds.

9. Other comprehensive income

| | Six months ended 30th June | |
|---|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Cash flow hedges | | |
| – gains/(losses) recognised during the period | 1,789 | (257) |
| – gains transferred to profit or loss | (426) | (787) |
| – deferred taxation | (130) | 96 |
| Share of other comprehensive income of associates | (68) | (387) |
| Exchange differences on translation of foreign operations | | |
| – losses recognised during the period | (383) | (745) |
| – reclassified to profit or loss upon deemed partial disposal | (4) | (52) |
| Defined benefit plans | | |
| – remeasurement losses recognised during the period | (1) | – |
| Other comprehensive income for the period | 777 | (2,132) |

10. Property, plant and equipment

| | Aircraft and related equipment | | Other equipment | | Land and buildings | | Total HK\$M |
|--|--------------------------------|---------------------------|-----------------|---------------------------|--------------------|---------------------------|-------------|
| | 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 | |
| Cost | | | | | | | |
| At 1st January 2024 | 158,388 | 45,519 | 5,383 | 245 | 15,295 | 7,738 | 232,568 |
| Additions | 2,510 | 8 | 114 | – | 85 | 65 | 2,782 |
| Disposals | (450) | (759) | (44) | (44) | – | (85) | (1,382) |
| Transfers | 2,768 | (2,768) | – | – | 4 | – | 4 |
| Other right-of-use asset adjustments | – | 158 | – | – | – | 92 | 250 |
| At 30th June 2024 | 163,216 | 42,158 | 5,453 | 201 | 15,384 | 7,810 | 234,222 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1st January 2024 | 81,331 | 16,457 | 4,313 | 173 | 9,608 | 4,598 | 116,480 |
| Charge for the period | 3,362 | 1,554 | 98 | 15 | 302 | 341 | 5,672 |
| Disposals | (337) | (759) | (42) | (44) | – | (83) | (1,265) |
| Reversal of impairment | (46) | – | – | – | – | – | (46) |
| Transfers | 1,398 | (1,398) | – | – | 4 | – | 4 |
| At 30th June 2024 | 85,708 | 15,854 | 4,369 | 144 | 9,914 | 4,856 | 120,845 |
| Net book value | | | | | | | |
| At 30th June 2024 | 77,508 | 26,304 | 1,084 | 57 | 5,470 | 2,954 | 113,377 |
| At 31st December 2023 | 77,057 | 29,062 | 1,070 | 72 | 5,687 | 3,140 | 116,088 |

Reversal of impairment of HK\$46 million under Cathay Pacific was relating to one previously impaired aircraft returning to service.

11. 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 2024 | 11,654 | 9,082 | 39 | 20,775 | 30 | 20,805 |
| Additions | – | 196 | – | 196 | – | 196 |
| At 30th June 2024 | 11,654 | 9,278 | 39 | 20,971 | 30 | 21,001 |
| Accumulated amortisation and impairment | | | | | | |
| At 1st January 2024 | 39 | 6,183 | 36 | 6,258 | 8 | 6,266 |
| Charge for the period | – | 281 | 2 | 283 | 3 | 286 |
| At 30th June 2024 | 39 | 6,464 | 38 | 6,541 | 11 | 6,552 |
| Net book value | | | | | | |
| At 30th June 2024 | 11,615 | 2,814 | 1 | 14,430 | 19 | 14,449 |
| At 31st December 2023 | 11,615 | 2,899 | 3 | 14,517 | 22 | 14,539 |

12. Investments in associates

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|---------------------------|-------------------------|-----------------------------|
| Share of net assets | | |
| – listed in Hong Kong | 6,750 | 7,472 |
| – unlisted | 5,853 | 5,694 |
| Goodwill | 2,753 | 2,887 |
| | 15,356 | 16,053 |
| Less: impairment loss | (83) | (56) |
| | 15,273 | 15,997 |
| Loans due from associates | 86 | 49 |
| | 15,359 | 16,046 |

13. 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:

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|--|-------------------------|-----------------------------|
| Non-current liabilities: | | |
| Loans and other borrowings | 32,716 | 33,576 |
| Lease liabilities | 22,204 | 24,195 |
| | 54,920 | 57,771 |
| Current liabilities: | | |
| Loans and other borrowings | 7,795 | 5,719 |
| Lease liabilities | 4,095 | 4,804 |
| | 11,890 | 10,523 |
| Total borrowings | 66,810 | 68,294 |
| Liquid funds | (18,839) | (15,530) |
| Net borrowings | 47,971 | 52,764 |
| Funds attributable to the shareholders of the Cathay Group | 61,406 | 60,026 |
| Net debt/equity ratio | 0.78 | 0.88 |

13. Interest-bearing liabilities (continued)

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.

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|---|-------------------------|-----------------------------|
| Net borrowings | 47,971 | 52,764 |
| Less: lease liabilities without asset transfer components | (10,216) | (11,321) |
| Adjusted net borrowings, excluding leases without asset transfer components | 37,755 | 41,443 |
| Adjusted net debt/equity ratio, excluding leases without asset transfer components | 0.61 | 0.69 |

- (a) 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 accounted for as compound financial instruments, with both a liability component and an equity component. Please refer to note 18(c) for details.
- (b) During the six months ended 30th June 2024, the following transactions have taken place under the Group's US\$2.5 billion Medium Term Note Programme:
- the Group issued unlisted notes HK\$1,825 million (six months ended 30th June 2023: nil)
 - the Group redeemed HK\$288 million of unlisted notes (six months ended 30th June 2023: redeemed SG\$175 million (HK\$1.0 billion) of listed notes on the Singapore Exchange and HK\$400 million of unlisted notes)

At 30th June 2024, aircraft and related equipment of HK\$39,445 million and land and building of HK\$2,000 million (31st December 2023: aircraft and related equipment of HK\$47,562 million and land and building of HK\$2,044 million) are pledged as security for the secured loans and other borrowings.

14. Other long-term payables

Other long-term payables include a maintenance provision for returning the aircraft to lessors in line with contractual maintenance conditions, the long-term portion of derivative financial liabilities and other deferred liabilities.

15. Trade and other receivables

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|---|-------------------------|-----------------------------|
| Trade debtors, net of loss allowances | 4,741 | 4,323 |
| Derivative financial assets – current portion | 998 | 253 |
| Other receivables and prepayments | 1,906 | 1,512 |
| Due from associates and other related companies | 24 | 164 |
| | 7,669 | 6,252 |
| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
| Analysis of trade debtors (net of loss allowances) by invoice date: | | |
| Within one month | 4,461 | 3,850 |
| One to three months | 162 | 467 |
| More than three months | 118 | 6 |
| | 4,741 | 4,323 |

16. Liquid funds

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|--|-------------------------|-----------------------------|
| Cash and cash equivalents | | |
| Short-term deposits and bank balances | 9,621 | 7,894 |
| Other liquid funds | | |
| Short-term deposits maturing beyond three months when placed | 1,785 | 385 |
| Funds with investment managers | | |
| – debt securities listed outside Hong Kong | 7,306 | 7,208 |
| – bank deposits | 124 | 38 |
| Other liquid investments | | |
| – debt securities listed outside Hong Kong | 3 | 5 |
| Liquid funds | 18,839 | 15,530 |

Included in other liquid investments are debt securities of HK\$3 million (31st December 2023: 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:

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|--|-------------------------|-----------------------------|
| Liquid funds | 18,839 | 15,530 |
| Less: amounts pledged as part of long-term financing | | |
| – debt securities listed outside Hong Kong | (3) | (5) |
| Committed undrawn facilities | 6,580 | 4,460 |
| Available unrestricted liquidity to the Group | 25,416 | 19,985 |

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

CONDENSED FINANCIAL STATEMENTS
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

17. Trade and other payables

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|--|-------------------------|-----------------------------|
| Trade creditors | 7,276 | 7,397 |
| Derivative financial liabilities – current portion | 40 | 422 |
| Other payables | 7,683 | 8,879 |
| Due to associates | 271 | 139 |
| Due to other related companies | 351 | 401 |
| | 15,621 | 17,238 |

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|--|-------------------------|-----------------------------|
| Analysis of trade creditors by invoice date: | | |
| Within one month | 6,986 | 7,047 |
| One to three months | 254 | 291 |
| More than three months | 36 | 59 |
| | 7,276 | 7,397 |

18. Share capital

| | 30th June 2024 | | 31st December 2023 | |
|----------------------------------|----------------------|---------------|--------------------|---------|
| | Number of shares | HK\$M | Number of shares | HK\$M |
| Issued and fully paid | | | | |
| Ordinary shares | | | | |
| At 1st January | 6,437,900,319 | 28,828 | 6,437,200,203 | 28,822 |
| Conversion of bonds (note 18(c)) | 246,305 | 2 | 700,116 | 6 |
| | 6,438,146,624 | 28,830 | 6,437,900,319 | 28,828 |
| Preference shares | | | | |
| At 1st January (note 18(a)) | – | – | 195,000,000 | 19,500 |
| Reduction | – | – | (97,500,000) | (9,750) |
| Redemption (note 18(a)) | – | – | (97,500,000) | (9,750) |
| | – | – | – | – |
| | | 28,830 | | 28,828 |

- (a) The preference shares are not redeemable at the option of the holder. The Company may redeem all or some of the preference shares, in an aggregate amount equal to the issue price of the preference share HK\$100 each plus any unpaid dividends.

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.

18. Share capital (continued)

Following the approval by shareholders of the Company regarding the Capital Reduction at the Extraordinary General Meeting held on 11th October 2023, the Capital Reduction was completed on 16th November 2023 and the First Redemption was completed on 4th December 2023. As at 30th June 2024, 97,500,000 Preference Shares remain outstanding, and the Company's preference shares reserve amounted to HK\$9,750 million.

On 5th July 2024, the Company issued a notice to Aviation 2020 Limited for the redemption and cancellation of the remaining 97,500,000 Preference Shares (the "Final Redemption") at a redemption price of HK\$100 per Preference Share plus any unpaid Preference Share dividends up to (but excluding) 31st July 2024, in the total amount of approximately HK\$9,977 million. The Final Redemption was completed on 31st July 2024, and all Preference Shares have been redeemed and cancelled.

- (b) The Company issued warrants on 12th August 2020 which entitle the holder to subscribe for up to 416,666,666 fully paid ordinary shares at the initial warrant exercise price of HK\$4.68 per share (subject to adjustments upon the occurrence of certain prescribed events including distributions). As a result of the declaration of the interim dividend for the year ended 31st December 2023 ("2023 Dividend"), the warrant exercise price, pursuant to the terms and conditions of the warrants, has been adjusted from HK\$4.68 per ordinary share to HK\$4.43 per ordinary share with effect from 6th April 2024. Following this adjustment, the maximum number of ordinary shares to be issued by the Company upon exercise of the subscription rights attaching to the warrants has been increased from 416,666,666 ordinary shares to 440,180,586 ordinary shares. For further details of the warrants issue and the adjustment to the warrants exercise price, please refer to the Company's announcement dated 9th June 2020, the circular to shareholders dated 19th June 2020, and the announcements dated 12th August 2020 and 13th March 2024.

As a result of the declaration of an interim dividend for the year ending 31st December 2024 ("2024 Interim Dividend"), the warrant exercise price, pursuant to the terms and conditions of the warrants, will be further adjusted to HK\$4.32 per ordinary share with effect from 7th September 2024. For details on such further adjustment to the warrants exercise price, please refer to the Company's announcement dated 7th August 2024.

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

- (c) On 27th January 2021, 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. The Bonds were issued on 5th February 2021.

Assuming full conversion of the Bonds at the initial conversion price of HK\$8.57 per share, the Bonds would be convertible into 786,464,410 conversion shares. The Bonds are accounted for as compound financial instruments, with both a liability component and an equity component.

As a result of the declaration of 2023 Dividend, the conversion price of the Bonds, pursuant to the terms and conditions of the Bonds, has been adjusted from HK\$8.57 per ordinary share to HK\$8.12 per ordinary share with effect from 6th April 2024. Upon such adjustment, the maximum number of ordinary shares to be issued by the Company upon full conversion of the outstanding Bonds has been increased from 785,764,294 ordinary shares to 829,310,344 ordinary shares. For further details of the Bonds and the adjustment to the conversion price, please refer to the Company's announcements dated 28th January 2021, 8th February 2021 and 13th March 2024.

18. Share capital (continued)

On 13th May 2024, 246,305 ordinary shares were allotted and issued to Citi (Nominees) Ltd on exercise of the conversion rights at the conversion price of HK\$8.12 per ordinary share in the principal amount of HK\$2,000,000 (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.

As a result of the declaration of 2024 Interim Dividend, the conversion price, pursuant to the terms and conditions of the Bonds, will be further adjusted to HK\$7.92 per ordinary share with effect from 7th September 2024. For details on such further adjustment to the conversion price, please refer to the Company's announcement dated 7th August 2024.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's ordinary shares and no exercise of warrants during the period. The Group has not adopted any share option scheme or share award scheme. At 30th June 2024, 6,438,146,624 ordinary shares, 97,500,000 Preference Shares and 416,666,666 warrants were in issue (31st December 2023: 6,437,900,319 ordinary shares, 97,500,000 Preference Shares and 416,666,666 warrants).

19. 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. Dividends on cumulative preference shares are not accrued until declared and are classified as distributions from equity.

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend".

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\$244 million on the remaining 97,500,000 Preference Shares to the preference shareholder.

On 5th July 2024, the Directors approved the payment of the HK\$227 million dividend to preference shareholder on 31st July 2024 (i.e., the completion date of the Final Redemption). This dividend has not been recognised as a liability at the end of the reporting period.

19. Dividends (continued)

(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 and the dividends scheduled to be paid on the subsequent dividend payment date are paid in full to the preference shareholders.

There were no Arrears of Dividend as at 30th June 2024.

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

| | Six months ended 30th June | |
|---|----------------------------|---------------|
| | 2024 HK\$M | 2023 HK\$M |
| Interim dividend in respect of the previous financial year, approved and paid during the six months ended 30th June 2024, of HK\$0.43 per ordinary share (paid during the six months ended 30th June 2023: nil) | 2,768 | – |

The Directors have declared an interim dividend of HK\$0.20 per ordinary share for the year ending 31st December 2024. The interim dividend which totals HK\$1,288 million will be paid on 9th October 2024 to ordinary shareholders registered at the close of business on the record date, being Friday, 6th September 2024. Ordinary shares of the Company will be traded ex-dividend as from Wednesday, 4th September 2024. The interim dividend proposed has not been recognised as a liability at the end of the reporting period.

The register of members will be closed on Friday, 6th September 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 Thursday, 5th September 2024.

20. Related party transactions

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

| | Six months ended 30th June 2024 | | Six months ended 30th June 2023 | |
|--------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | Associates HK\$M | Other related parties HK\$M | Associates HK\$M | Other related parties HK\$M |
| Revenue | 171 | 9 | 28 | 3 |
| Aircraft maintenance | (581) | (1,039) | (522) | (822) |
| Other operating expenses | (189) | (249) | (104) | (300) |
| Dividend income | 14 | 66 | – | 57 |
| Finance income | 2 | – | 3 | – |
| Lease payments | – | (25) | – | (24) |

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

21. Capital commitments and contingencies

- (a) Outstanding capital commitments authorised at the end of the period but not provided for in the Condensed Financial Statements:

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|-----------------------------------|-------------------------|-----------------------------|
| Authorised and contracted for | | |
| – aircraft and related equipment | 67,908 | 65,358 |
| – others | 373 | 30 |
| Authorised but not contracted for | | |
| – aircraft and related equipment | 10,077 | 6,725 |
| – others | 605 | 366 |
| | 78,963 | 72,479 |

- (b) Performance and financial guarantees outstanding at the end of the period:

| | 30th June 2024 HK\$M | 31st December 2023 HK\$M |
|------------|-------------------------|-----------------------------|
| Associates | 206 | 206 |

- (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 material accounting policy 22 in the 2023 Annual Report.

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 within the first half of 2025.

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.

22. Financial risk management

(a) 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 30th June 2024 and 31st December 2023 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

| | 30th June 2024 | | 31st December 2023 | |
|----------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount HK\$M | Fair value HK\$M | Carrying amount HK\$M | Fair value HK\$M |
| Loans and other borrowings | (40,511) | (41,997) | (39,295) | (41,138) |

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.

(b) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 30th June 2024 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.

| | 30th June 2024 | | | | 31st December 2023 | | | |
|---|------------------|------------------|------------------|----------------|--------------------|------------------|------------------|----------------|
| | 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 | - | - | 827 | 827 |
| Liquid funds | | | | | | | | |
| – funds with investment managers | - | 7,306 | - | 7,306 | - | 7,208 | - | 7,208 |
| – other liquid investments | - | 3 | - | 3 | - | 5 | - | 5 |
| Derivative financial assets | - | 1,153 | - | 1,153 | - | 298 | - | 298 |
| | - | 8,462 | 827 | 9,289 | - | 7,511 | 827 | 8,338 |
| Liabilities | | | | | | | | |
| Derivative financial liabilities | - | (91) | - | (91) | - | (626) | - | (626) |
| | - | (91) | - | (91) | - | (626) | - | (626) |

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

22. Financial risk management (continued)

The fair value of the unlisted equity investments in Level 3 is determined using a discounted cash flow valuation technique. The significant unobservable input used in the fair value measurement is the discount rate. At 30th June 2024 and 31st December 2023, 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 | 2024: 8.3-11.0% (2023: 8.3-11.0%) | The higher the discount rate, the lower the fair value | 2024: +/- 0.5% (2023: +/- 0.5%) | 2024: (23)/25 (2023: (23)/25) |

There was no movement during the six months ended 30th June 2024 and 2023 in the balance of Level 3 fair value measurements.

23. Events after the reporting period

Final redemption of Preference Shares

On 5th July 2024, the Company issued a notice to Aviation 2020 Limited for the redemption and cancellation of the remaining 97,500,000 Preference Shares at a redemption price of HK\$100 per Preference Share plus any unpaid Preference Share dividends up to (but excluding) 31st July 2024, in the total amount of approximately HK\$9,977 million.

Purchase of 30 Airbus A330-900 aircraft

On 7th August 2024, a wholly-owned subsidiary of the Company and Airbus S.A.S. ("Airbus") entered into a purchase agreement pursuant to which (i) the wholly-owned subsidiary agreed to purchase and Airbus agreed to sell 30 Airbus A330-900 aircraft; and (ii) the wholly-owned subsidiary secured the right to acquire 30 additional Airbus A330-900 aircraft.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Corporate Governance

The Company complied with all the code provisions set out in the Corporate Governance 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 accounting period covered by the interim report.

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.

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

The 2024 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Directors' Particulars

A change in the particulars of the Directors is set out as follows:

1. Xiao Feng was appointed as the Board secretary and the joint company secretary of Air China Limited with effect from 28th March 2024.
2. Christoph Mueller resigned as a Director of Oman Air with effect from 23rd April 2024.
3. Guy Bradley was elected Deputy Chairman of the Hong Kong General Chamber of Commerce with effect from 10th May 2024.
4. John Harrison resigned as Independent Non-Executive Director of the Company with effect from 20th May 2024.
5. Andrew Tung resigned as Independent Non-Executive Director of the Company with effect from 20th May 2024.
6. Lily Cheng was appointed as Independent Non-Executive Director of the Company with effect from 20th May 2024.
7. Wang Xiao Bin was appointed as Independent Non-Executive Director of the Company with effect from 20th May 2024.
8. Wang Xiao Bin resigned as an Independent Non-Executive Director of Worley Limited with effect from 30th June 2024.

Directors' Interests

At 30th June 2024, 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).

Substantial Shareholders

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2024 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

| | No. of ordinary 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 | 440,180,586 | 6.84 | Interest in controlled corporation (e) |
| 7. HSBC Holdings plc | 388,585,678 | 6.04 | Interest in controlled corporation (f) |
| Short position | | | |
| 1. HSBC Holdings plc | 268,070,823 | 4.16 | Interest in controlled corporation (f) |

Note: At 30th June 2024:

- (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 ordinary shares of the Company, comprising:
- (i) 2,896,753,089 ordinary shares directly held by Swire Pacific;
- (ii) 1,930,516,334 ordinary shares indirectly held by Air China and its subsidiaries CNAC, Super Supreme Company Limited and Total Transform Group Limited, comprising the following ordinary shares held by their wholly owned subsidiaries: 472,248,545 ordinary shares held by Angel Paradise Ltd., 351,574,615 ordinary shares held by Custain Limited, 314,054,626 ordinary shares held by Easerich Investments Inc., 310,870,873 ordinary shares held by Grand Link Investments Holdings Ltd., 339,343,616 ordinary shares held by Motive Link Holdings Inc. and 142,424,059 ordinary 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 ordinary shares of the Company, in which its subsidiary Air China was deemed interested.
- (c) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,827,269,423 ordinary shares of the Company by virtue of the Swire group being interested in 61.73% of the equity of Swire Pacific and controlling 69.19% of the voting rights attached to ordinary shares in Swire Pacific.
- (d) Qatar Airways Group Q.C.S.C. held a total of 643,076,181 ordinary 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.
- As a result of the declaration of 2023 Dividend, the warrant exercise price, pursuant to the terms and conditions of the warrants, has been adjusted with effect from 6th April 2024. Upon such adjustment, the maximum number of ordinary shares to be issued by the Company upon exercise of the subscription rights attaching to the warrants has been increased from 416,666,666 ordinary shares to 440,180,586 ordinary shares.
- If Aviation 2020 Limited chooses to exercise all warrants, it would hold approximately 6.39% of the ordinary shares of the Company as enlarged by the issue of such ordinary shares.
- As a result of the declaration of 2024 Interim Dividend, the warrant exercise price, pursuant to the terms and conditions of the warrants, will be further adjusted to HK\$4.32 per ordinary share with effect from 7th September 2024. For details on such further adjustment to the warrants exercise price, please refer to the Company's announcement dated 7th August 2024.
- (f) These ordinary 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 14th May 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.

Printed in Hong Kong



© Cathay Pacific Airways Limited
國泰航空有限公司

