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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2023 Interim Results

Financial and Operational Highlights

Group Financial Statistics

		2023	2022	
		Six months ended 30th June		Change
Results				
Revenue	<i>HK\$ million</i>	43,593	18,551	+135.0%
Profit/(loss) attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	4,268	(4,999)	+9,267
Earnings/(loss) per ordinary share				
- basic	<i>HK cents</i>	61.5	(82.3)	+143.8
- diluted	<i>HK cents</i>	55.2	(82.3)	+137.5
Dividend per ordinary share	<i>HK\$</i>	-	-	-
Profit/(loss) margin	<i>%</i>	9.8	(26.9)	+36.7%pt
		30th June	31st December	
Financial position				
Funds attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	64,490	63,878	+1.0%
Net borrowings ^(a)	<i>HK\$ million</i>	44,565	58,829	-24.2%
Available unrestricted liquidity	<i>HK\$ million</i>	28,896	27,188	+6.3%
Ordinary shareholders' funds per ordinary share ^(b)	<i>HK\$</i>	7.0	6.7	+4.5%
Net debt/equity ratio ^(a)	<i>Times</i>	0.69	0.92	-0.23 times

Operating Statistics – Cathay Pacific

		2023	2022	
		Six months ended 30th June		Change
Available tonne kilometres (ATK)	<i>Million</i>	9,628	3,094	+211.2%
Available seat kilometres (ASK)	<i>Million</i>	37,053	3,059	+1,111.3%
Available cargo tonne kilometres (AFTK)	<i>Million</i>	6,095	2,801	+117.6%
Revenue tonne kilometres (RTK)	<i>Million</i>	6,969	2,297	+203.4%
Passenger revenue per ASK	<i>HK cents</i>	67.5	67.6	-0.1%
Revenue passenger kilometres (RPK)	<i>Million</i>	32,308	1,810	+1,685.0%
Revenue passengers carried	<i>'000</i>	7,816	335	+2,233.1%
Passenger load factor	<i>%</i>	87.2	59.2	+28.0%pt
Passenger yield	<i>HK cents</i>	77.4	114.3	-32.3%
Cargo revenue per AFTK	<i>HK\$</i>	1.76	4.34	-59.4%
Cargo revenue tonne kilometres (RFTK)	<i>Million</i>	3,886	2,123	+83.0%
Cargo carried	<i>'000 tonnes</i>	651	526	+23.8%
Cargo load factor	<i>%</i>	63.8	75.8	-12.0%pt
Cargo yield	<i>HK\$</i>	2.76	5.72	-51.7%
Cost per ATK (with fuel) ^(c)	<i>HK\$</i>	3.35	5.88	-43.0%
Fuel consumption per million RTK	<i>Barrels</i>	1,689	1,772	-4.7%
Fuel consumption per million ATK	<i>Barrels</i>	1,222	1,316	-7.1%
Cost per ATK (without fuel) ^(c)	<i>HK\$</i>	2.34	5.19	-54.9%
Underlying ^(d) cost per ATK (without fuel)	<i>HK\$</i>	2.56	5.19	-50.7%
ATK per HK\$'000 staff cost	<i>Unit</i>	1,783	735	+142.6%
ATK per employee	<i>'000</i>	569	191	+197.9%
Aircraft utilisation (including parked aircraft)	<i>Hours per day</i>	6.7	2.2	+204.5%
On-time performance	<i>%</i>	79.7	82.9	-3.2%pt
Average age of fleet	<i>Years</i>	11.0	11.3	-0.3 years

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK\$32,143 million and 0.50 respectively (31st December 2022: HK\$45,064 million and 0.71). Further details can be found in note 9 to the Condensed Financial Statements.

(b) Ordinary shareholders' funds are arrived at after deducting preference share capital of HK\$19,500 million and unpaid cumulative dividends attributable to the preference shareholder of HK\$223 million as at 30th June 2023 (31st December 2022: HK\$1,438 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 2023			Total	Average age	Orders ^(c)			Total	Expiry of operating leases ^(b)					
	Leased ^(b)					'23	'24	'25 and beyond		'23	'24	'25	'26	'27	'28 and beyond
	Owned	Finance	Operating												
Cathay Pacific:															
A320-200	4 ^(d)			4	19.8										
A321-200	2			2	19.7										
A321-200neo	4	3	5	12	1.2	4			4						5
A330-300	35	4	4	43	14.8						2	2			
A350-900	19	7	2	28	5.6	2 ^(e)			2						2
A350-1000	11	7		18	3.6										
747-400ERF	6			6	14.5										
747-8F	8	6		14	10.4										
777-300	17			17	21.7										
777-300ER	30		9	39	10.6						3	2	4		
777-9								21	21						
Total	136	27	20	183	11.0	2	4	21	27	3	4	6	7	7	7
HK Express:															
A320-200			5	5	11.0					1	4				
A320-200neo			10	10	4.3										10
A321-200			11	11	5.7						1	2			8
A321-200neo			1 ^(f)	1	0.3	3	8	4	15						
Total			1	26	6.0	3	8	4	15	1	4	1	2	18	18
Air Hong Kong^{(g)(h)}:															
A300-600F			8	8	18.2					2	6				
A330-243F			2	2	11.5								2		
A330-300P2F			5	5	13.3							3			2
Total			15	15	15.7					2	6	5	13	2	27
Grand total	136	28	61	225	10.7	5	12	25	42	3	13	5	13	27	27

(a) The table does not reflect aircraft movements after 30th June 2023.

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

(c) Cathay Pacific took delivery of five new aircraft and HK Express took delivery of one new aircraft in the first six months of 2023. The Group anticipates it will take delivery of a further five new aircraft in the second half of 2023. The Group believes that based on its available unrestricted liquidity as at 30th June 2023, as well as its ready access to both loan and debt capital markets, it will have sufficient financing capacity to fund this material investment in our fleet.

(d) One Airbus A320-200 aircraft was transferred to HK Express in August 2023.

(e) One Airbus A350-900 aircraft was delivered in July 2023.

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

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

(h) We plan to return the eight A300-600F between 2023 and 2024 and to have them replaced with eight second-hand A330F. This allows the Air Hong Kong fleet to remain the same (at 15) at least until 2024.

Chair's Statement

The first half of 2023 has been a positive period for the Cathay Group, as we worked to rebuild connectivity at the Hong Kong international aviation hub following the full reopening of borders in Hong Kong and in the Chinese Mainland. As Hong Kong's home carrier, our focus has been on adding more flights and more destinations to cater to the growing demand for travel, and we have been making good progress in these efforts.

We reached 50% of pre-pandemic Group passenger flight capacity levels covering 70 destinations in March, and we have continued to increase our passenger capacity since. Furthermore, as the belly capacity from our passenger operations has grown, we also have been able to offer more choices for our cargo customers. Consequently, we have seen a trend of continued improvement in the performance of our airlines.

The Cathay Group, including airlines, subsidiaries and associates, reported an attributable profit of HK\$4,268 million in the first half of 2023 (2022 first half: loss of HK\$4,999 million). The profit included a one-off non-cash gain of HK\$1.9 billion. The earnings per ordinary share in the first half of 2023 were HK61.5 cents (2022 first half: loss per ordinary share of HK82.3 cents).

Our airlines and subsidiaries, excluding exceptional items, reported an attributable profit of HK\$4,763 million in the first half of 2023 (2022 first half: loss of HK\$2,516 million). Meanwhile, the results from associates, the majority of which are recognised three months in arrears, reflected an attributable loss of HK\$2,632 million (2022 first half: loss of HK\$2,483 million).

Business performance of Cathay Pacific

In the first half of 2023, Cathay Pacific's passenger revenue increased by 1,109.5% to HK\$25,013 million compared with the same period in 2022. Passenger flight capacity, measured in available seat kilometres (ASKs), increased by 1,111.3%, while traffic, measured in revenue passenger kilometres (RPKs), increased by 1,685.0%. The airline carried a total of 7.8 million passengers in the first half of 2023, an average of 43,184 per day, which was 2,233.1% more than in the first half of 2022. Load factor was 87.2% compared with 59.2% in the first half of 2022.

Cargo revenue in the first half of 2023 decreased by 11.6% to HK\$10,741 million compared with the same period in 2022, reflecting a weaker global market for air cargo. Capacity, measured in available cargo tonne kilometres (AFTKs), increased by 117.6%. Traffic, measured in cargo revenue tonne kilometres (RFTKs), increased by 83.0%. Total tonnage increased by 23.8% to 651 thousand tonnes. Load factor was 63.8% compared with 75.8% in the first half of 2022, and yield decreased by 51.7% to HK\$2.76.

The Group recognised a one-off non-cash gain of HK\$1.9 billion, in the first half of 2023 as a result of a dilution of our interest in Air China following the completion of their A-shares offering in January.

Our costs increased from operating more flights. Non-fuel costs for the first half of 2023 increased by 53.5% to HK\$24,639 million compared with the same period in 2022. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK\$6,085 million (or 147.8%) compared with the first half of 2022.

As we added more flights, we also enriched our customer experience offering, including reopening many of our lounges, resuming First class on selected flights and introducing a new premium dining offering. These are enhancements we know our customers greatly value.

Business performance of subsidiaries and associates

HK Express reported a profit of HK\$333 million for the first half of 2023 (2022 first half: loss of HK\$824 million). The airline benefitted from robust travel demand, especially for short-haul destinations in Asia, and in April it returned to pre-pandemic flight frequencies levels with more than 420 flights per week.

Air Hong Kong reported a profit of HK\$402 million for the first half of 2023 (2022 first half: profit of HK\$383 million). Its results have been consistently solid and stable.

While the businesses of our airline services subsidiaries improved in the first half of 2023 compared with the same period in 2022, the financial performance of some subsidiaries declined despite higher volumes due to high interest expenses.

Losses from associates increased compared with the first half of 2022. The losses were mainly caused by the impact of COVID-19 in the fourth quarter of 2022, which are reflected in our first-half results, being reported three months in arrears.

Financial position

The Group has been operating cash generative so far in 2023 and our available unrestricted liquidity balance was HK\$28.9 billion as at 30th June 2023.

On 6th June, we announced that we would not need to utilise the HK\$7.8 billion bridge loan facility extended to us by the Hong Kong SAR (HKSAR) Government before it expired on 8th June 2023.

The Group paid the deferred dividend of HK\$1,524 million on the preference shares held by the Hong Kong SAR (HKSAR) Government on 30th June 2023, bringing our dividend payments up to date. The Group intends to pay all future preference shares dividends as they fall due.

We are extremely grateful to the Government and to our shareholders for their continued support during and after the pandemic.

Prospects

While we are still only part way along our rebuilding journey, our results for the first six months of 2023 demonstrate that we are on the right track. Further demonstrating this, the Group plans to buy back 50% of the preference shares before the end of 2023 at a redemption price of over HK\$9.75 billion, and the remainder by the end of July 2024, subject to completion of the proposed capital reduction and its business conditions at the relevant time.

Building back connectivity at the Hong Kong international aviation hub remains our primary focus. We are on track to achieve our target of 70% pre-pandemic passenger flight capacity levels covering 80 destinations by the end of 2023, and we are confident of reaching 100% by the end of 2024.

While we are pleased to be back in the top 10 of the world's best airlines in renowned industry rankings, we recognise there have been challenges across the aviation industry that have hindered our ability to deliver the highest service levels that our customers expect. We remain committed to investing in Cathay to provide a better experience for our customers, and we look forward to introducing more new cabin products in the near future.

In terms of our cargo business, we expect it will continue to moderate compared with the exceptional levels of the past three years. Nevertheless, we anticipate a continued solid performance throughout the second half of 2023 with some tonnage improvements towards the end of the third quarter as we enter the traditional peak period.

Our confidence in the long-term future of the Hong Kong international aviation hub with Cathay at its centre remains resolute. The Hong Kong hub has an important role to play in the overall development of the country under the National 14th Five-Year Plan. The Three-Runway System becoming fully operational at Hong Kong International Airport by the end of 2024 and the huge potential of the GBA as our extended home market give us great optimism for the future. We will also continue to support promotional campaigns and mega events that put Hong Kong on the world stage and attract visitors to discover our home city.

Appreciation

On behalf of Cathay, I would like to thank all of our customers for their ongoing support as we work to increase and enhance the services we provide to them. It has been fantastic to welcome so many customers back onto our flights over the past half-year, and we look forward to continuing to see even more of them in the months and years ahead.

I would also like to extend my most sincere gratitude to all of our people. They have endured incredible challenges over the past few years, but their enthusiasm, drive and can-do spirit have been instrumental to the considerable progress we have already made in our journey of rebuilding Cathay. We have already announced a special appreciation reward of up to six weeks of eligible pay, which was well received, and a new profit-sharing scheme for our people will also be introduced for the years 2023-2025.

While we still have more to do as we rebuild a better Cathay, we are on the right track. Our commitment to contributing to Hong Kong's continued development remains resolute as we strive to achieve our vision of becoming one of the world's greatest service brands.

Patrick Healy

Chair

Hong Kong, 9th August 2023

Review of Operations

Capacity, Load Factor and Yield – Cathay Pacific

	Capacity			Load factor (%)			Yield
	ASK/AFTK (million)*			2023	2022	Change	Change
	2023	2022	Change	2023	2022	Change	Change
Passenger services							
Americas	8,983	936	+859.7%	94.8	72.7	+22.1%pt	-21.3%
Europe	8,807	774	+1,037.9%	92.4	76.6	+15.8%pt	-37.4%
North Asia	7,179	594	+1,108.6%	78.3	27.7	+50.6%pt	-52.9%
Southeast Asia	5,203	207	+2,413.5%	82.1	49.4	+32.7%pt	-40.2%
Southwest Pacific	5,097	480	+961.9%	83.8	50.9	+32.9%pt	-39.2%
South Asia, Middle East and Africa	1,784	68	+2,523.5%	83.2	38.8	+44.4%pt	-31.4%
Overall	37,053	3,059	+1,111.3%	87.2	59.2	+28.0%pt	-32.3%
Cargo services	6,095	2,801	+117.6%	63.8	75.8	-12.0%pt	-51.7%

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

Passenger Services

Markets

Home market – Hong Kong and Greater Bay Area

- We reopened our popular Hong Kong International Airport lounges – The Deck in February and The Wing, Business in March.
- We introduced new additions to our “Hong Kong Flavours” inflight dining concept with new First and Business class menus that celebrate Hong Kong’s culinary heritage together with Michelin-starred local restaurant Duddell’s. The menus are available on selected flights departing from Hong Kong.

Americas

- We resumed First class services on selected Los Angeles flights from March onwards.
- We announced the resumption of our Chicago service from 3rd October with three return flights per week, further expanding our connectivity with North America.
- We reopened our Vancouver airport lounge in June.
- At 30th June 2023, we were operating flights serving six destinations in the Americas.

Europe

- We progressively increased flight frequencies on a number of our Europe routes. Notably, as of April, our popular London Heathrow service has returned to up to five return flights a day.
- At 30th June 2023, we were operating flights serving nine destinations in Europe.

North Asia

- Quarantine-free travel between Hong Kong and the Chinese Mainland resumed on 8th January. Demand for flights to and from the Chinese Mainland remained strong throughout the first half of the year. This included traffic to and from Hong Kong, and transit traffic via the Hong Kong hub. We continued to progressively add more flights and destinations serving the Chinese Mainland.
- Our passenger flights serving Japan, South Korea and the Taiwan region were impacted by travel restrictions in those places in the first few months of 2023. In particular, the Japanese government mandated a limit on the maximum number of flights each carrier could operate from Hong Kong to Japan. The lifting of travel restrictions in these places were welcome developments, and we saw positive demand from customers afterwards.
- We resumed operating flights to Xi’an in January; Wenzhou in February; Shanghai (Hongqiao), Haikou and Nagoya in March.
- We reopened our Tokyo (Narita) airport lounge in a new location in February, and our Beijing airport lounge in March.

- We resumed First class services on selected Beijing flights from March onwards.
- Leading up to the peak summer months, we progressively added more flights to and from Japan, a very popular market. We operated more than 100 return flights per week to six airports in five cities in Japan in June.
- We resumed our popular non-stop flights between Taipei and Tokyo (Narita) in May, and between Taipei and Osaka in June.
- At 30th June 2023, we were operating flights serving 25 destinations in North Asia.

Southeast Asia

- We resumed operating flights to Phuket in January.
- We reopened our Singapore airport lounge in February, and our Bangkok and Manila airport lounges in March.
- We saw a surge in demand from Indonesia in mid-April, coinciding with the end of Ramadan, and we added more flights for our customers accordingly.
- At 30th June 2023, we were operating flights serving 13 destinations in Southeast Asia.

Southwest Pacific

- We announced the resumption of our seasonal Christchurch service from 16th December – our first seasonal route to be reinstated since the pandemic.
- At 30th June 2023, we were operating flights serving five destinations in the Southwest Pacific.

South Asia, Middle East and Africa

- We announced the resumption of our Johannesburg service from 1st August with three return flights per week, once again connecting Hong Kong with Africa.
- At 30th June 2023, we were operating flights serving six destinations in South Asia, the Middle East and Africa.

Cargo Services

- The reopening of borders in the Chinese Mainland early in the year was a positive development, which led to more cross-border trucking services.
- Cathay Cargo and the Cathay Cargo Terminal were the first carrier and cargo terminal operator, respectively, to utilise the Hong Kong International Airport (HKIA) Logistics Park in Dongguan. This enables us to offer our customers seamless sea-air shipments from the GBA directly into HKIA for outbound airfreight.
- We announced the launch of Cathay Cargo, a rebrand of our cargo business, in February. The change aligns Cathay Cargo with the same purpose, vision and values of our master brand, Cathay, and all of our subsidiary brands. Cathay Cargo launched its new brand campaign, “We Know How”, in June showcasing the expertise of our people and the technology we use to provide our industry-leading service. We also unveiled our first freighter bearing the new Cathay Cargo livery.
- Cathay Cargo enhanced its integrated mail platform with Cathay Mail, a refined digital solution that re-envisages the mail-shipment process. Cathay Mail provides a superior customer experience that better caters to the requirements of post offices for shipment visibility, reliability and speed.
- In March 2023, Hong Kong International Airport was once again named the busiest cargo airport in the world in 2022. We are very proud to have contributed to this achievement as the city’s home carrier and we remain committed to rebuilding the Hong Kong international aviation hub.
- Cathay Cargo was announced as the host of the 2024 edition of the World Cargo Symposium (WCS), organised by the International Air Transport Association (IATA), which will take place from 12th-14th March in Hong Kong.
- We upgraded our online cargo booking platform, Click & Ship, to provide an enhanced customer experience. The platform now enables customers to make a series of bookings – up to 16 – in one go, rather than making individual bookings.
- Reflecting our continued investment in our special solutions, both Cathay Cargo and the Cathay Cargo Terminal obtained IATA Center of Excellence for Independent Validators (CEIV) Lithium Batteries certification in June. This further enhances our competence in the safe handling and carriage of lithium battery shipments by adhering to the highest industry standards.

Cathay – a premium travel lifestyle brand

Cathay is our new master brand, which represents much more than airline travel. It represents our evolution into a premium travel lifestyle brand, consisting of a host of complementary categories – flights, holidays, shopping, dining, wellness and payment. Cathay Pacific remains the brand of our airline and proudly so.

Our purpose is to move people forward in life. This means that we are aiming to enrich the lives of our customers, and to add value to society in Hong Kong and the Chinese Mainland through our products and services. We have a renewed focus on the customer. To help us make progress in fulfilling our purpose, we have set ourselves the vision to become one of the world's greatest service brands.

- We transitioned our online Cathay Shop from a purely miles-redemption platform to an e-commerce site. Customers can now pay in cash and enjoy more benefits, including earning up to one mile for every HK\$3 spent.
- We introduced our fully re-envisioned travel lifestyle publication, Cathay, bringing our customers inspirational content whether they are in the air or on the ground. The magazine exemplifies Cathay's evolution into a premium travel lifestyle brand, with sections dedicated to our home hub of Hong Kong and the Greater Bay Area, as well as travel and holidays, wellness, dining and shopping.
- We launched our Cathay x Start From Zero Range, which includes an exquisite mah-jong set and a special-edition upcycled galley container, both made from recycled wood. The range was one of our Cathay Exclusive Collections and was done in partnership with Hong Kong-based woodwork atelier Start From Zero.
- We have put continuous effort into building awareness of our dining pillar, and encouraging our members to earn and burn miles at our partner restaurants. We implemented an enhanced earn rate of HK\$2=1 mile for members and HK\$4=3 miles for members who are Standard Chartered Cathay Credit Card holders, enabling them to earn more miles per dollar spent at our partner restaurants. Following the change, we saw a steady rise in the number of sales.
- We introduced two new health insurance products, the Cigna VHIS Series and Cigna Plus Medical Plan, as part of our strategic wellness and insurance collaboration with Cigna Hong Kong. With these new products, we offer customers a full range of health insurance products to suit the various needs of our members that enable them to earn miles while also enjoying comprehensive protection.
- We saw continuous growth in the active member base of our Cathay app and wellness journey following a series of wellness challenges and campaigns.

Financial Review

Revenue

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2023 HK\$M	2022 HK\$M	Change	2023 HK\$M	2022 HK\$M	Change
Passenger services	27,563	2,086	+1,221.3%	25,013	2,068	+1,109.5%
Cargo services	12,432	13,830	-10.1%	10,741	12,148	-11.6%
Other services and recoveries	3,598	2,635	+36.5%	3,519	2,425	+45.1%
Total revenue	43,593	18,551	+135.0%	39,273	16,641	+136.0%

Cathay Pacific passenger revenue increased by 1,109.5% compared with a 1,111.3% increase in capacity. Cargo revenue decreased by 11.6%, compared with a 117.6% increase in available freight tonne kilometres. Revenue from other services and recoveries increased by 45.1%.

Operating Expenses

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2023 HK\$M	2022 HK\$M	Change	2023 HK\$M	2022 HK\$M	Change
Staff	6,612	5,057	+30.7%	5,400	4,210	+28.3%
Inflight service and passenger expenses	1,244	166	+649.4%	1,225	166	+638.0%
Landing, parking and route expenses	5,066	2,305	+119.8%	4,536	2,091	+116.9%
Fuel, including hedging gains	10,635	2,630	+304.4%	9,744	2,129	+357.7%
Aircraft maintenance	3,253	1,414	+130.1%	2,751	1,093	+151.7%
Aircraft depreciation and rentals	5,043	4,966	+1.6%	4,673	4,613	+1.3%
Other depreciation, amortisation and rentals	1,305	1,221	+6.9%	943	877	+7.5%
Others	3,799	2,045	+85.8%	4,231	2,040	+107.4%
Operating expenses	36,957	19,804	+86.6%	33,503	17,219	+94.6%
Net finance charges	1,446	1,369	+5.6%	880	966	-8.9%
Total operating expenses	38,403	21,173	+81.4%	34,383	18,185	+89.1%

- The Group's and Cathay Pacific's total operating expenses increased by 81.4% and 89.1% respectively.
- The cost per ATK (with fuel) of Cathay Pacific decreased from HK\$5.88 to HK\$3.35, a decrease of 43.0%.
- The cost per ATK (without fuel) of Cathay Pacific decreased from HK\$5.19 to HK\$2.34, a decrease of 54.9%.
- The underlying cost per ATK (without fuel), which excludes non-recurring items, decreased from HK\$5.19 to HK\$2.56, a decrease of 50.7%.

Operating Results Analysis

	Six months ended 30th June		
	2023 HK\$M	2022 HK\$M	Change HK\$M
Cathay Pacific's profit/(loss) before exceptional items and taxation	4,890	(1,544)	+6,434
Taxation	(310)	43	-353
Cathay Pacific's profit/(loss) after taxation and before exceptional items	4,580	(1,501)	+6,081
Subsidiaries' results	183	(1,015)	+1,198
Cathay Pacific and subsidiaries' profit/(loss) after taxation and before exceptional items	4,763	(2,516)	+7,279
Share of losses from associates	(2,632)	(2,483)	-149
Adjusted profit/(loss) attributable to the shareholders of the Cathay Group (note 1)	2,131	(4,999)	+7,130
Gain on deemed partial disposal of an associate (note 2)	1,929	-	+1,929
Reversal of impairment (note 3)	208	-	+208
Profit/(loss) attributable to the shareholders of the Cathay Group	4,268	(4,999)	+9,267

Notes:

- 1) The adjusted profit/(loss) attributable to the shareholders of Cathay Pacific was arrived at after excluding non-recurring items.
- 2) Please refer note 4 to the Condensed Financial Statements for details.
- 3) Reversal of impairment of HK\$208 million under Cathay Pacific in connection with three previously impaired aircraft returning to service.

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

	HK\$M	
2022 interim Cathay Pacific's loss before taxation	(1,544)	
Increase of revenue:		
- Passenger and cargo revenue	21,538	- Passenger revenue increased significantly following the full reopening of borders in Hong Kong and the Chinese Mainland. The increase in capacity and traffic was partially offset by a 32.3% reduction in yield.
		- Cargo revenue decreased due to a 51.7% decrease in yield. This was slightly offset by a 83.0% increase in cargo traffic.
- Other services and recoveries	1,094	- Increase due to higher passenger volumes and more air ticket redemptions, partially offset by a reduction in COVID-19 related government grants.
Increase of costs:		
- Staff	(1,190)	- Increased due to higher capacity operated and more headcount.
- Inflight service and passenger expenses	(1,059)	- Increased on higher passenger volumes.
- Landing, parking and route expenses	(2,445)	- Increased on operating additional capacity.
- Fuel, including hedging gains	(7,615)	- Increased fuel costs were mainly due to higher fuel consumption, partially offset by lower fuel hedging gains.
- Aircraft maintenance	(1,658)	- Higher due to increased aircraft flying hours.
- Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	(40)	- New aircraft deliveries and impact of interest rate increases
- Other items	(2,191)	- Higher on increased operations
2023 interim Cathay Pacific's profit before taxation	4,890	

Fuel Expenditure and Hedging

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

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Gross fuel cost	11,118	4,618
Fuel hedging gains	(483)	(1,988)
Net fuel cost	10,635	2,630

Fuel costs increased due to a 180.2% increase in consumption, slightly offset by 13.9% decrease in the average into-plane fuel price.

Financial Position

Financial position as at 30th June 2023. The comparative period references 31st December 2022.

- Additions to property, plant and equipment during the six months period to 30th June 2023 were HK\$3,201 million, comprising HK\$3,087 million in respect of aircraft and related equipment, HK\$54 million in respect of land and buildings and HK\$60 million in respect of other equipment.
- Borrowings (being loans and other borrowings, and lease liabilities) decreased by 10.9% to HK\$68,664 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 11.2% to HK\$56,242 million, which are fully repayable by 2035, with 43.6% at fixed rates of interest after taking into account derivative transactions. Borrowings are predominately denominated in United States dollars and Hong Kong dollars and the maturity profile of these borrowings has not changed materially from the information set out in the 2022 Annual Report.
- Available unrestricted liquidity at 30th June 2023 totalled HK\$28,896 million, comprising liquid funds of HK\$24,099 million and committed undrawn facilities of HK\$4,913 million, less pledged funds of HK\$121 million. Liquid funds are predominately denominated in United States dollars and Hong Kong dollars.
- Net borrowings (after deducting liquid funds) decreased by 24.2% to HK\$44,565 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 28.7% to HK\$32,143 million.
- Funds attributable to the shareholders of Cathay Pacific (being ordinary shares, preference shares and reserves) increased by 1.0% to HK\$64,490 million. This was due to the Group's profit for the period of HK\$4,268 million, partially offset by a decrease in other comprehensive income of HK\$2,132 million and dividends distributed to the preference shareholder of HK\$1,524 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.71 times to 0.50 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 0.69 and 0.92 times at 30th June 2023 and 31st December 2022 respectively.
- Use of proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
 - *HK\$31.1 billion rights issue and preference shares and warrants issue in 2020.* HK\$9.6 billion unused proceeds were brought forward on 1st January 2023 and have been used for general corporate purposes in the first-half of 2023.
- 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 2022 Annual Report.

Review of Other Subsidiaries and Associates

- Hong Kong Express Airways Limited recorded an after-tax profit of HK\$333 million in the first half of 2023, compared with a HK\$824 million loss in the first half of 2022. In the first half of 2023, flight capacity amounted to 4,054 million available seat kilometres, reflecting the airline's substantially increased capacity following the reopening of borders in Hong Kong, the Chinese Mainland and the Asia region. The average flown load factor in the first half of 2023 was 85.5%, an increase of 67.0 percentage points compared with the first half of 2022.
- AHK Air Hong Kong Limited recorded an increase in profit in the first half of 2023 compared with the same period in 2022.
- The financial results of Cathay Pacific Catering Services (H.K.) Limited in the first half of 2023 improved compared to the same period in 2022. The financial results of flight kitchens outside Hong Kong in the first half of 2023 improved compared with the same period in 2022, with the exception of Canada, which reported a period-on-period decline.
- The financial results of Cathay Pacific Services Limited in the first half of 2023 declined compared with the same period in 2022.
- The financial results of Hong Kong Airport Services Limited in the first half of 2023 improved compared with the same period in 2022.
- The financial results of Vogue Laundry Service Limited in the first half of 2023 declined compared with the same period in 2022.
- The Group's share of Air China Limited's ("Air China") results is based on its financial statements drawn up three months in arrears. Consequently the 2023 interim results include Air China's results for the six months ended 31st March 2023. For the six months ended 31st March 2023, Air China's financial results improved compared to those for the six months ended 31st March 2022. On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate. This was accounted for as a deemed partial disposal of our interest in Air China and a gain of HK\$1,929 million was recorded, principally reflecting the change in the Group's share of net assets in Air China immediately before and after the share issuance.
- Air China Cargo Co., Ltd. ("Air China Cargo"), in which the Cathay Group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. Our share of Air China Cargo's results is based on its financial statements drawn up three months in arrears. Our 2023 interim results include Air China Cargo's results for the six months ended 31st March 2023.

Sustainability Leadership

- Cathay Pacific has signed a Memorandum of Understanding (MoU) with the State Power Investment Corporation (SPIC) to drive further development of the Sustainable Aviation Fuel (SAF) supply chain in the Chinese Mainland. Through this strategic partnership, Cathay Pacific will share international experience and provide feedback on the SAF certification process, value chain and overall market know-how in support of SPIC's establishment of four SAF plants in the Chinese Mainland.
- In June 2023, Cathay Pacific successfully uplifted blended SAF onto four of its cargo flights departing from Singapore Changi Airport to Hong Kong and Penang. This marks the first time that our commercial flights were refueled with SAF at an overseas airport.
- Cathay has launched "Greener Together" – a new theme for our sustainability communication platform – which reflects our determination to foster stronger partnerships to help drive the sustainable development agenda and build a more sustainable future with our customers, people and business partners.
- First launched in 2007, our long-standing voluntary carbon-offset programme, Fly Greener, has been integrated into the internet booking engine of our official website since June 2023. This allows passengers to offset their carbon footprint from air travel directly when making bookings for our flights. The programme has also been extended to our air cargo services last year. To date, we have purchased over 300,000 tonnes of CO₂ offsets.
- Cathay has supported the Hong Kong SAR Government's Strive and Rise Programme as part of our long-standing commitment to youth development in the community. Between December 2022 and March 2023, we invited about 1,600 participating students and mentors to our Aviation Exploration Days that included multiple visits to our airline facilities and those of the wider airport community.
- In May 2023, the Cathay Community Flight returned as the grand finale of the Strive and Rise Programme. The 90-minute flight on an Airbus A350-1000 aircraft was a special arrangement for students from low-income backgrounds to experience the joy of flying for the first time with their volunteer mentors.
- In the first half of 2023, we continued to work with different non-profit organisations, including Feeding Hong Kong, Food Angel and Foodlink Foundation, by making in-kind donations such as surplus food, eye masks and refurbished tablet computers to people in need.
- At 30th June 2023, the Cathay Group employed more than 21,900 people worldwide. Around 18,100 of these people are based in Hong Kong. Cathay Pacific itself employed around 16,900 permanent employees worldwide, with around 13,000 of these people based in Hong Kong.
- As we continue to rebuild, our focus remains on bringing in talent to support the business. With the Greater Bay Area (GBA) being our extended home market, we have access to an expanded talent pool and have begun recruiting for positions across various lines of business including Flight Attendants, Cadet Pilots and Graduate Trainees from the GBA.
- We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2023 – Unaudited

	Note	2023 HK\$M	2022 HK\$M
Revenue			
Passenger services		27,563	2,086
Cargo services		12,432	13,830
Other services and recoveries		3,598	2,635
Total revenue		43,593	18,551
Expenses			
Staff		(6,612)	(5,057)
Inflight service and passenger expenses		(1,244)	(166)
Landing, parking and route expenses		(5,066)	(2,305)
Fuel, including hedging gains		(10,635)	(2,630)
Aircraft maintenance		(3,253)	(1,414)
Aircraft depreciation and rentals		(5,043)	(4,966)
Other depreciation, amortisation and rentals		(1,305)	(1,221)
Others		(3,799)	(2,045)
Operating expenses		(36,957)	(19,804)
Operating profit/(loss) before non-recurring items		6,636	(1,253)
Gain on deemed partial disposal of an associate	4	1,929	-
Reversal of impairment		208	-
Operating profit/(loss)	5	8,773	(1,253)
Finance charges		(1,997)	(1,386)
Finance income		551	17
Net finance charges		(1,446)	(1,369)
Share of losses of associates		(2,620)	(2,726)
Profit/(loss) before taxation		4,707	(5,348)
Taxation	6	(439)	349
Profit/(loss) for the period		4,268	(4,999)
Attributable to			
Ordinary shareholders of Cathay Pacific		3,959	(5,299)
Preference shareholder of Cathay Pacific		309	300
Non-controlling interests		-	-
Profit/(loss) for the period		4,268	(4,999)
Earnings/(loss) per ordinary share			
Basic	7	61.5¢	(82.3)¢
Diluted	7	55.2¢	(82.3)¢
Profit/(loss) for the period		4,268	(4,999)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		(948)	1,981
Share of other comprehensive income of associates		(387)	149
Exchange differences on translation of foreign operations		(797)	(938)
Other comprehensive income for the period, net of taxation	8	(2,132)	1,192
Total comprehensive income for the period		2,136	(3,807)
Total comprehensive income attributable to			
Ordinary shareholders of Cathay Pacific		1,827	(4,107)
Preference shareholder of Cathay Pacific		309	300
Non-controlling interests		-	-
		2,136	(3,807)

Consolidated Statement of Financial Position

at 30th June 2023 – Unaudited

		30th June 2023	31st December 2022
	<i>Note</i>	HK\$M	HK\$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment		116,413	118,855
Intangible assets		14,671	14,800
Investments in associates		14,634	16,492
Other long-term receivables and investments		3,317	3,297
Deferred tax assets		1,101	1,134
		150,136	154,578
Interest-bearing liabilities	9	(58,831)	(62,463)
Other long-term payables		(2,842)	(2,766)
Other long-term contract liabilities		(266)	(282)
Deferred tax liabilities		(8,286)	(8,117)
		(70,225)	(73,628)
Net non-current assets		79,911	80,950
Current assets and liabilities			
Stock		941	1,137
Trade and other receivables	10	6,002	6,921
Assets held for sale		-	1
Liquid funds	11	24,099	18,277
		31,042	26,336
Interest-bearing liabilities	9	(9,833)	(14,643)
Trade and other payables	12	(14,583)	(11,199)
Contract liabilities		(18,210)	(13,537)
Taxation		(3,831)	(4,023)
		(46,457)	(43,402)
Net current liabilities		(15,415)	(17,066)
Total assets less current liabilities		134,721	137,512
Net assets		64,496	63,884
CAPITAL AND RESERVES			
Share capital	13	48,322	48,322
Reserves		16,168	15,556
Funds attributable to the shareholders of Cathay Pacific		64,490	63,878
Non-controlling interests		6	6
Total equity		64,496	63,884

Consolidated Statement of Cash Flows

for the six months ended 30th June 2023 - Unaudited

	2023 HK\$M	2022 HK\$M
Operating activities		
Cash generated from operations	20,752	6,993
Interest received	207	16
Interest paid	(1,570)	(1,071)
Tax paid	(368)	(302)
Net cash inflow from operating activities	19,021	5,636
Investing activities		
Net increase in liquid funds other than cash and cash equivalents	(2,358)	(278)
Proceeds from sales of property, plant and equipment	40	27
Net increase in other long-term receivables and investments	(39)	(26)
Payments for property, plant and equipment and intangible assets	(1,994)	(1,379)
Dividends received	58	1,006
Loan to associates	(13)	(16)
Net cash outflow from investing activities	(4,306)	(666)
Financing activities		
New financing	1,293	4,173
Loan and lease repayments	(11,305)	(11,381)
Dividends paid – preference shares	(1,524)	-
Net cash outflow from financing activities	(11,536)	(7,208)
Net increase/(decrease) in cash and cash equivalents	3,179	(2,238)
Cash and cash equivalents at 1st January	7,340	8,573
Effect of exchange differences	(2)	(35)
Cash and cash equivalents at 30th June	10,517	6,300

Notes:**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 9th August 2023.

The financial information relating to the year ended 31st December 2022 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 2022 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 2022 annual financial statements except for changes in accounting policies in note 2 below.

2. Changes in accounting policies**(a) New and amended HKFRSs**

Except as described below, the accounting policies applied in these interim Condensed Financial Statements are the same as those applied in the Group’s consolidated financial statement for the year ended 31st December 2022.

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

- HKFRS 17 “Insurance contracts”
- Amendments to HKAS 8 “Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates”
- Amendments to HKAS 12 “Income taxes: Deferred tax related to assets and liabilities arising from a single transaction”
- Amendments to HKAS 12 “Income taxes: International tax reform – Pillar Two model rules”

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

The standard and the amendments do not have a material impact on these Condensed Financial Statements except as described below.

2. Changes in accounting policies (continued)

Amendments to HKAS 12 “Income taxes: Deferred tax related to assets and liabilities arising from a single transaction”

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1st May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

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

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19 to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability in the annual financial statements for the year ended 31st December 2022.

2. Changes in accounting policies (continued)

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31st December 2023.

3. Segment information

(a) Segment results

	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
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 Cathay Pacific	6,717	333	402	(552)	(2,632)	4,268

	Six months ended 30th June 2022					
	Cathay Pacific HK\$M	HK Express HK\$M	Air Hong Kong HK\$M	Airline services HK\$M	Associates HK\$M	Total HK\$M
Profit or loss						
Sales to external customers	16,435	34	1,664	418		18,551
Inter-segment sales	206	-	3	637		846
Segment revenue	16,641	34	1,667	1,055		19,397
Segment (loss)/profit	(578)	(770)	458	(363)		(1,253)
Net finance charges	(966)	(195)	-	(208)		(1,369)
	(1,544)	(965)	458	(571)		(2,622)
Share of losses of associates	-	-	-	-	(2,726)	(2,726)
(Loss)/profit before taxation	(1,544)	(965)	458	(571)	(2,726)	(5,348)
Taxation	43	141	(75)	(3)	243	349
(Loss)/profit for the period	(1,501)	(824)	383	(574)	(2,483)	(4,999)
Non-controlling interests	-	-	-	-	-	-
(Loss)/profit attributable to the shareholders of Cathay Pacific	(1,501)	(824)	383	(574)	(2,483)	(4,999)

3. Segment information (continued)

- (i) Cathay Pacific provides full service international passenger and cargo air transportation. Management considers that there is no suitable basis for allocating operating results between passenger and cargo operations. Accordingly these 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.

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

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

(b) Geographical information

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Revenue by origin of sale:		
North Asia		
- Chinese Mainland, Hong Kong and Taiwan	26,473	12,599
- Japan and Korea	1,766	1,283
Americas	5,695	1,203
Europe	3,946	654
Southeast Asia	2,615	1,923
Southwest Pacific	2,032	261
South Asia, Middle East and Africa	1,066	628
	43,593	18,551

A geographic analysis of segment results is not disclosed for the reasons set out in the 2022 Annual Report.

4. Gain on deemed partial disposal of an associate

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

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

5. Operating profit/(loss)

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- right-of-use assets	2,270	2,428
- owned	3,558	3,387
Amortisation of intangible assets	302	298
Reversal of impairment		
- property, plant and equipment	(208)	-
Expenses relating to short-term leases and leases of low-value assets	5	24
COVID-19-related rent concessions recognised	-	(113)
Gain on disposal of property, plant and equipment, net	(9)	(10)
Cost of stock expensed	575	268
Exchange differences, net	178	295
Auditors' remuneration	8	8
Government grants	(325)	(750)
Dividend income from unlisted investments	(57)	(26)

6. Taxation

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Current tax expenses		
- Hong Kong profits tax	74	71
- overseas tax	173	41
- (over)/under provisions for prior years	(112)	16
Deferred tax		
- origination and reversal of temporary differences	304	(477)
	439	(349)

Hong Kong profits tax is calculated at 16.5% (2022: 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.

7. Earnings/(loss) per ordinary share

	2023			2022		
	Profit ^(a) HK\$M	Weighted average number of ordinary shares	Per share amount HK cents	Loss ^(a) HK\$M	Weighted average number of ordinary shares	Per share amount HK cents
Basic earnings/(loss) per ordinary share	3,959	6,437,200,203	61.5	(5,299)	6,437,200,203	(82.3)
Effect of dilutive potential ordinary shares ^(b)						
- Deemed issue of ordinary shares from the exercise of warrants	-	163,945,049		-	-	
- Convertible notes and its after tax effect of effective interest	116	786,464,410		-	-	
Diluted earnings/(loss) per ordinary share	4,075	7,387,609,662	55.2	(5,299)	6,437,200,203	(82.3)

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

(b) On 12th August 2020, the Company issued warrants which entitle the holder to subscribe for up to 416,666,666 ordinary shares. On 5th February 2021, the Company issued convertible bonds which entitle the holder to convert up to 786,464,410 ordinary shares. The Company's warrants and convertible bonds as at 30th June 2023 has a dilutive effect to the earnings per ordinary share. The dilutive impact for the period ended 30th June 2023 is presented above.

8. Other comprehensive income

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Cash flow hedges		
- (loss)/gain recognised during the period	(257)	4,082
- gain transferred to profit or loss	(787)	(1,897)
- deferred taxation	96	(204)
Share of other comprehensive income of associates	(387)	149
Exchange differences on translation of foreign operations		
- loss recognised during the period	(745)	(938)
- reclassified to profit or loss upon deemed partial disposal	(52)	-
Other comprehensive income for the period	(2,132)	1,192

9. Interest-bearing liabilities

	30th June 2023		31st December 2022	
	Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Loans and other borrowings ^{(a)(b)}	4,587	35,362	8,490	36,676
Lease liabilities	5,246	23,469	6,153	25,787
	9,833	58,831	14,643	62,463

(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 convertible at a conversion price of HK\$8.57 per share and entitle the holder to convert up to 786,464,410 ordinary shares of Cathay Pacific Airways Limited. The bonds are accounted for as compound financial instruments, with both a liability component and an equity component.

(b) During the six months ended 30th June 2023, the following transactions have taken place under the Group's US\$2.5 billion Medium Term Note Programme:

- the Group did not issue any listed or unlisted notes (six months ended 30th June 2022: issued HK\$288 million of unlisted notes)
- the Group redeemed SG\$175 million (HK\$1.0 billion) of listed notes listed on the Singapore Exchange and HK\$400 million of unlisted notes (six months ended 30th June 2022: redeemed HK\$500 million of unlisted notes)

At 30th June 2023, aircraft and related equipment of HK\$47,915 million and land and building of HK\$2,086 million (31st December 2022: aircraft and related equipment of HK\$48,137 million and land and building of HK\$2,130 million) are pledged as security for the secured loans and other borrowings.

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 2023 HK\$M	31st December 2022 HK\$M
Non-current liabilities:		
Loans and other borrowings	35,362	36,676
Lease liabilities	23,469	25,787
	58,831	62,463
Current liabilities:		
Loans and other borrowings	4,587	8,490
Lease liabilities	5,246	6,153
	9,833	14,643
Total borrowings	68,664	77,106
Liquid funds	(24,099)	(18,277)
Net borrowings	44,565	58,829
Funds attributable to the shareholders of Cathay Pacific	64,490	63,878
Net debt/equity ratio	0.69	0.92

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

	30th June 2023 HK\$M	31st December 2022 HK\$M
Net borrowings	44,565	58,829
Less: lease liabilities without asset transfer components	(12,422)	(13,765)
Adjusted net borrowings, excluding leases without asset transfer components	32,143	45,064
Adjusted net debt/equity ratio, excluding leases without asset transfer components	0.50	0.71

10. Trade and other receivables

	30th June 2023 HK\$M	31st December 2022 HK\$M
Trade debtors, net of loss allowances	3,988	4,010
Derivative financial assets - current portion	364	1,085
Other receivables and prepayments	1,640	1,819
Due from associates and other related companies	10	7
	6,002	6,921

	30th June 2023 HK\$M	31st December 2022 HK\$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	3,893	3,502
One to three months	85	485
More than three months	10	23
	3,988	4,010

11. Liquid funds

	30th June 2023 HK\$M	31st December 2022 HK\$M
Cash and cash equivalents		
Short-term deposits and bank balances	10,517	7,340
Other liquid funds		
Short-term deposits maturing beyond three months when placed	2,579	215
Funds with investment managers		
- debt securities listed outside Hong Kong	10,749	10,572
- bank deposits	133	31
Other liquid investments		
- debt securities listed outside Hong Kong	5	5
- bank deposits	116	114
Liquid funds	24,099	18,277

Included in other liquid investments are bank deposits of HK\$116 million (31st December 2022: HK\$114 million) and debt securities of HK\$5 million (31st December 2022: HK\$5 million) which are pledged as part of long-term financing arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

Available unrestricted funds to the Group are as follows:

	30th June 2023 HK\$M	31st December 2022 HK\$M
Liquid funds	24,099	18,277
Less amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	(5)	(5)
- bank deposits	(116)	(114)
Committed undrawn facilities	4,918	9,030
Available unrestricted liquidity to the Group	28,896	27,188

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

12. Trade and other payables

	30th June 2023	31st December 2022
	HK\$M	HK\$M
Trade creditors	6,001	5,380
Derivative financial liabilities – current portion	537	217
Other payables	7,524	5,272
Due to associates	205	135
Due to other related companies	316	195
	14,583	11,199

	30th June 2023	31st December 2022
	HK\$M	HK\$M
Analysis of trade creditors by invoice date:		
Within one month	5,537	4,895
One to three months	305	332
More than three months	159	153
	6,001	5,380

13. Share capital

	30th June 2023		31st December 2022	
	Number of shares	HK\$M	Number of shares	HK\$M
Issued and fully paid				
Ordinary shares				
At 30th June / 31st December	6,437,200,203	28,822	6,437,200,203	28,822
Preference shares				
At 30th June / 31st December	195,000,000	19,500	195,000,000	19,500
	48,322		48,322	

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.

The Company also issued warrants on 12th August 2020 which entitle the holder to subscribe for up to 416,666,666 fully paid ordinary shares at the warrant exercise price of HK\$4.68 per share (subject to adjustment). The expiry date of the warrant is five years from 12th August 2020.

The Group has convertible bonds in issue which entitle the holder to convert up to 786,464,410 ordinary shares at a conversion price of HK\$8.57 per share. The bonds are accounted for as compound financial instruments, with both a liability component and an equity component.

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 (2022: nil). The Group has not adopted any share option scheme. At 30th June 2023, 6,437,200,203 ordinary shares and 195,000,000 preference shares were in issue (31st December 2022: 6,437,200,203 ordinary shares and 195,000,000 preference shares).

14. 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 (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 3% 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.

The dividend attributable to the preference shareholder for the period ended 30th June 2023 was HK\$309 million (2022: HK\$300 million).

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute “Arrears of Dividend”. On 30th June 2023, the Company paid its accumulated Arrears of Dividend of HK\$1,524 million to the preference shareholder, representing HK\$7.8 per preference share, bringing its dividend payments on the preference shares up to date.

On 9th August 2023, the Directors approved the payment of the HK\$292.5 million dividend due to the preference shareholder on 14th August 2023. The dividend represents HK\$1.5 per preference share. This dividend has not been recognised as a liability at the reporting date.

(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.

Note 14(a) details the cumulative Arrears of Dividend as at 30th June 2023. Although the Company had nil Arrears of Dividend on 30th June 2023, the dividend scheduled to be paid on 14th August 2023 had not yet been paid in full to the preference shareholders and therefore no dividends to ordinary equity shareholders were proposed for the period.

There were Arrears of Dividend as at 31st December 2022 and accordingly no dividends to ordinary equity shareholders were proposed.

15. Corporate governance

Cathay Pacific is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the interim report.

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

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

The 2023 interim results have been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2022 Annual Report and in the 2023 Interim Report.

16. Interim report

The 2023 Interim Report containing all the information required by the Listing Rules will be published on the Stock Exchange’s website and the Company’s website (www.cathaypacific.com) on or before 24th August 2023. Printed copies will be dispatched to shareholders who have elected to receive printed copies on 25th August 2023.

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.

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Patrick Healy (Chair), Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe;

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng, Zhang Zhuo Ping;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung

By Order of the Board

Cathay Pacific Airways Limited

Patrick Healy

Chair

Hong Kong, 9th August 2023

Website: www.cathaypacific.com

References in this document to Hong Kong are to Hong Kong SAR, to Macau are to Macao SAR and to Taiwan are to the Taiwan region.