



CATHAY PACIFIC

INTERIM
REPORT 2021

Cathay Pacific Airways Limited

Stock Code: 00293



Contents

- 2 Financial and Operational Highlights
- 3 Chairman's Statement
- 6 Review of Operations
- 17 Financial Review
- 20 Review Report
- 21 Condensed Financial Statements
- 42 Information Provided in Accordance with the Listing Rules
- 44 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's main internet address is www.cathaypacific.com

CATHAY PACIFIC AIRWAYS LIMITED

("Cathay Pacific"), with its subsidiaries Hong Kong Express Airways Limited ("HK Express") and AHK Air Hong Kong Limited ("Air Hong Kong"), had 238 aircraft at 30th June 2021 of which 89 were held at parking locations outside of Hong Kong. Immediately prior to the onset of COVID-19, our airlines directly connected Hong Kong to 119 destinations in 35 countries worldwide (255 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese Mainland. According to IATA's 2020 World Air Transport Statistics, the Cathay Group was the world's eighth-largest carrier of international passengers, and the third-largest carrier of international air cargo.

Cathay Pacific was founded in Hong Kong in 1946. The Group has been deeply committed to its home base over the past seven decades and remains so, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres. There are 55 new aircraft scheduled to join the fleet in the coming years.

Cathay Pacific itself had 196 passenger and cargo aircraft at 30th June 2021. The Group's other investments include its catering, laundry, ground-handling and cargo terminal companies, and its corporate headquarters at Hong Kong International Airport.

HK Express, a low-cost airline based in Hong Kong offering scheduled services within Asia, is a wholly owned subsidiary of Cathay Pacific and had 28 aircraft at 30th June 2021. Air Hong Kong, an express all-cargo carrier offering scheduled services in Asia, is a wholly owned subsidiary of Cathay Pacific operating 14 aircraft at 30th June 2021.

Cathay Pacific owns 18.13% 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.

At 30th June 2021, Cathay Pacific and its subsidiaries employed more than 23,100 people worldwide, of whom around 18,700 are employed in Hong Kong. Shares of Cathay Pacific 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.

Cathay Pacific is a founding member of the **oneworld** global alliance, whose combined network serves more than 1,000 destinations worldwide.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Group Financial Statistics

		2021	2020	Change
		Six months ended 30th June		
Results				
Revenue	HK\$ million	15,854	27,669	-42.7%
Loss attributable to the shareholders of Cathay Pacific	HK\$ million	(7,565)	(9,865)	-23.3%
Loss per ordinary share	HK cents	(122.1)	(228.1)	-46.5%
Dividend per ordinary share	HK\$	–	–	–
Loss margin	%	(47.7)	(35.7)	-12.0%pt
Financial position				
Funds attributable to the shareholders of Cathay Pacific	HK\$ million	69,882	73,257	-4.6%
Net borrowings ^(a)	HK\$ million	75,139	73,788	+1.8%
Available unrestricted liquidity	HK\$ million	32,819	28,593	+14.8%
Ordinary shareholders' funds per ordinary share ^(b)	HK\$	7.8	8.3	-6.0%
Net debt/equity ratio ^(a)	Times	1.08	1.01	+0.07 times

Operating Statistics – Cathay Pacific

		2021	2020*	Change
		Six months ended 30th June		
Available tonne kilometres ("ATK")	Million	4,454	8,595	-48.2%
Available seat kilometres ("ASK")	Million	4,167	27,732	-85.0%
Available cargo tonne kilometres ("AFTK")	Million	4,058	5,958	-31.9%
Revenue tonne kilometres ("RTK")	Million	3,377	5,920	-43.0%
Passenger revenue per ASK	HK cents	17.9	37.5	-52.3%
Revenue passenger kilometres ("RPK")	Million	788	18,668	-95.8%
Revenue passengers carried	'000	157	4,389	-96.4%
Passenger load factor	%	18.9	67.3	-48.4%pt
Passenger yield	HK cents	94.5	55.5	+70.3%
Cargo revenue per AFTK	HK\$	2.74	1.88	+45.7%
Cargo revenue tonne kilometres ("RFTK") ^(c)	Million	3,301	4,129	-20.1%
Cargo carried	'000 tonnes	549	667	-17.7%
Cargo load factor ^(c)	%	81.4	69.3	+12.1%pt
Cargo yield	HK\$	3.37	2.71	+24.4%
Cost per ATK ^(d) (with fuel)	HK\$	4.44	3.90	+13.8%
Fuel consumption per million RTK	Barrels	1,463	1,819	-19.6%
Fuel consumption per million ATK	Barrels	1,109	1,253	-11.5%
Cost per ATK ^(d) (without fuel)	HK\$	3.98	3.10	+28.4%
Underlying ^(e) cost per ATK (without fuel)	HK\$	3.79	2.95	+28.5%
ATK per HK\$'000 staff cost	Unit	919	1,158	-20.6%
ATK per staff	'000	249	325	-23.4%
Aircraft utilisation (including parked aircraft)	Hours per day	2.3	5.4	-57.4%
On-time performance	%	89.7	86.5	+3.2%pt
Average age of fleet	Years	10.6	10.3	+0.3 year

* Included Cathay Dragon

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK\$57,309 million and 0.82 respectively. Further details can be found in note 12 to the 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\$521 million and HK\$228 million as at 30th June and 31st December respectively.

(c) Change in RFTK and Cargo load factor was reported in the Company's June 2021 traffic figures as -20.3% and +11.8%pts respectively. The difference reflects certain adjustments to the calculation for multi-sector cargo routes in 2020.

(d) Cost per ATK represents total operating costs, including impairment and restructuring costs, over ATK for the period.

(e) Underlying costs exclude impairment and related charges and restructuring costs.

CHAIRMAN'S STATEMENT

COVID-19 continued to pose significant challenges for the Cathay Group in the first half of 2021 and this continues to be the toughest period in our history. The emergence of new virus variants led to the tightening of travel restrictions and quarantine requirements in Hong Kong and several of our key markets.

Most significantly, in February, Hong Kong introduced strict quarantine requirements for Hong Kong-based aircrew. The new measures affected our ability to service our passenger and cargo markets. We made significant reductions to our passenger and cargo schedules and our monthly cash burn increased.

To operate the remaining schedules, we introduced longer duty cycles for Hong Kong based aircrew. The voluntary "closed loop" operating pattern comprised a 21-day duty cycle, followed by a 14-day quarantine period. Throughout the closed loop period, our aircrew remained in hotel isolation when not flying. These arrangements placed a significant burden on our aircrew and their families. I wish to extend our appreciation to all of our aircrew and operational and services teams around the world who continue to perform with the highest levels of commitment and compliance to the new operational conditions brought about by COVID-19.

Subsequent easing of some quarantine requirements for aircrew enabled us to reactivate cargo capacity and to gradually increase passenger capacity towards the end of the first half.

The Cathay Group's attributable loss was HK\$7,565 million in the first half of 2021 (2020 first half: loss of HK\$9,865 million). Cathay Pacific's loss after tax was HK\$5,031 million in the first half of 2021 (2020 first half: loss of HK\$7,361 million), and the share of losses from subsidiaries and associates was HK\$2,534 million (2020 first half: loss of HK\$2,504 million).

The loss for the first half of 2021 includes impairment and related charges of HK\$500 million mainly relating to 11 aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors and HK\$403 million restructuring costs. This compares to impairment and related charges for 16 aircraft (HK\$1,242 million) and certain airline service subsidiaries' assets (HK\$1,223 million) in the first half of 2020. Adjusting for these exceptional items, the Cathay Group's attributable first half loss was HK\$6,662 million (2020 first half: loss of HK\$7,400 million), and Cathay Pacific's first half loss was HK\$4,168 million (2020 first half: loss of HK\$6,080 million).

Business performance of Cathay Pacific

Passenger revenue was severely affected by COVID-19-related travel restrictions and quarantine requirements. It decreased by 92.8% to HK\$745 million in the first half of 2021 compared with the first half of 2020. Revenue passenger kilometres (RPK) decreased by 95.8%. Passenger capacity decreased by 85.0%. We carried 157 thousand passengers in the first half, an average of 868 passengers per day, 96.4% fewer than in the same period in 2020. The load factor was 18.9%, compared with 67.3% in the first half of 2020.

Our cargo performance was limited by capacity restrictions resulting from crew quarantine requirements and lower

cargo capacity as a result of fewer passenger aircraft being flown. Available cargo tonne kilometres (AFTK) decreased by 31.9%. Total tonnage decreased by 17.7% to 549 thousand tonnes. Revenues were HK\$11,112 million, a decrease of 0.6% compared to the first half of 2020. Revenues were strong considering the circumstances, sustained by cargo yield increases of 24.4% to HK\$3.37 and record load factors of 81.4% (2020 first half: 69.3%).

Cathay Pacific developed a new solution for the fast and effective distribution of COVID-19 vaccines. We flew in Hong Kong's first vaccines in February: one million Sinovac doses from Beijing and over one million Fosun Pharma/BioNTech doses from Frankfurt. We carried vaccines to Mexico, Malaysia and Indonesia. To date we have carried more than 50 million doses of vaccines.

We are focused on prudent cost management and have continued cash preservation measures introduced in 2020. Non-fuel costs decreased by 33.5% to HK\$16,875 million. Executive pay is being cut for the whole 2021 and we introduced a third unpaid leave scheme, with an 80% voluntary uptake. A range of employee furlough, leave without pay, voluntary separation and early retirement schemes were implemented globally for a broad range of employee groups. We are extremely grateful to all of our employees who participated in such schemes.

Total fuel costs for Cathay Pacific (before the effect of fuel hedging) in the first half of 2021 decreased by HK\$2,682 million (or 50.2%) compared with the first half of 2020. This was due to reduced fuel consumption.

Business performance of other subsidiaries and associates

HK Express reported a loss of HK\$976 million for the first half of 2021 (2020 first half: loss of HK\$779 million). The results were adversely affected by low demand for passenger travel and COVID-19-related travel restrictions and quarantine requirements, including those affecting Hong Kong-based aircrew.

Air Hong Kong recorded a profit in the first half 2021, benefiting from the continued imbalance between cargo market demand and available capacity. Extra sectors were flown for Cathay Pacific.

Our airline services subsidiaries' financial performance was worse than in the first half of 2020. This reflected the substantial reduction in passenger numbers and cargo volumes.

Air China (accounted for three months in arrears) was adversely affected by COVID-19. Its results were worse than those included in the first half of 2020.

Financial position

At 30th June 2021, our available unrestricted liquidity balance was HK\$32.8 billion. During the first half of the year we raised HK\$6.74 billion from a convertible bond issue and US\$650 million (equivalent to HK\$5.1 billion) from a straight bond issue under our medium-term note programme. We welcomed the Hong Kong Government's agreement to extend the drawdown period of the HK\$7.8 billion loan facility made available to the Group as part of our 2020 recapitalisation by 12 months to June 2022. This provides us with more flexibility to manage our liquidity position.

Prospects

COVID-19 will continue to have a severe impact on our business until borders progressively open and travel constraints are lifted. As governments (including HKSAR) have stated, this is only going to be possible when sufficiently high vaccination levels are achieved. There are encouraging signs of recovery in some domestic aviation markets. However, travel restrictions and quarantine requirements continue to affect cross-border travel adversely. The progress of vaccination is encouraging, but the pace and timing of recovery remain uncertain.

We are only operating a small fraction of the passenger flights we were operating before the COVID-19 pandemic. We hope to operate up to 30% of our pre-pandemic passenger capacity by the fourth quarter of 2021, but this is dependent on operational and passenger travel restrictions being lifted. We expect our cargo operations to continue to perform strongly in the second half of the year. We will maintain our focus on prudent cash management, targeting cash burn of less than HK\$1.0 billion per month for the remainder of the year.

We remain absolutely confident in the long-term prospects of Cathay Pacific and the future of Hong Kong as a leading international aviation hub. Our dual-brand approach, benefiting from the premium service of Cathay Pacific and the unique strengths and growth potential of HK Express, will position us well to take advantage of the recovery in the market when it happens.

Additionally, we continue to pursue the development of Cathay as a premium travel lifestyle brand, build our digital leadership capabilities, position ourselves to capitalise on the opportunities provided by the Greater Bay Area as our extended home market, and meet our sustainability targets, most notably our commitment to net zero carbon emissions by 2050.

Finally, I would like to thank our employees who have all continued to work with professionalism and dedication under incredibly challenging circumstances. This is especially true of our aircrew, who have performed their duties admirably amid the severe challenges caused by stringent quarantine and other COVID-19-related requirements.

Patrick Healy

Chairman

Hong Kong, 11th August 2021

REVIEW OF OPERATIONS

COVID-19 continued to pose significant challenges for the Cathay Group in the first half of 2021 and this continues to be the toughest period in our history. The emergence of new virus variants led to the tightening of travel restrictions and quarantine requirements in Hong Kong and several of our key markets.

Most significantly, in February, Hong Kong introduced strict quarantine requirements for Hong Kong-based aircrew. The new measures affected our ability to service our passenger and cargo markets. We made significant reductions to our passenger and cargo schedules and our monthly cash burn increased.

To operate the remaining schedules, we introduced longer duty cycles for Hong Kong based aircrew. The voluntary “closed loop” operating pattern comprised a 21-day duty cycle, followed by a 14-day quarantine period. Throughout the closed loop period, our aircrew remained in hotel isolation when not flying. These arrangements placed a significant burden on our aircrew and their families. We wish to extend our appreciation to all of our aircrew and operational and services teams around the world who continue to perform with the highest levels of commitment and compliance to the new operational conditions brought about by COVID-19.

Subsequent easing of some quarantine requirements for aircrew enabled us to reactivate cargo capacity and to gradually increase passenger capacity towards the end of the first half. However, we are only operating a small fraction of the passenger flights we were operating before the COVID-19 pandemic. Subject to travel restrictions being progressively lifted in Hong Kong and globally, we expect to operate up to 30% of our pre-pandemic passenger capacity by the fourth quarter of 2021, while we expect our cargo operations to continue to perform strongly in the second half of the year.

Cathay Pacific passenger services

Our passenger revenue was severely affected by COVID-19-related travel restrictions and quarantine requirements. It decreased by 92.8% to HK\$745 million in the first half of 2021 compared with the first half of 2020. Revenue passenger kilometres (RPK) decreased by 95.8%. Passenger capacity decreased by 85.0%. We carried 157 thousand passengers in the first half, an average of 868 passengers per day, 96.4% fewer than in the same period in 2020. The load factor was 18.9%, compared with 67.3% in the first half of 2020. These comparisons include Cathay Pacific only for the first half of 2021, and Cathay Pacific and Cathay Dragon combined for the same period in 2020.

The introduction of mandatory quarantine requirements for Hong Kong-based aircrew from mid-February to mid-May considerably hampered our ability to operate passenger flights. As a result, our available seat kilometres (“ASK”) capacity remained very low throughout the first half of 2021. Overall, capacity was down 85.0% compared with the same period in 2020, and 94.8% compared with pre-pandemic 2019 levels. In light of the impact of COVID-19 and related travel restrictions internationally, we operated a skeleton schedule for much of the first half of 2021. During this time, the majority of our routes remained temporarily suspended.

Available seat kilometres (“ASK”), load factor and yield change by region for Cathay Pacific passenger services for the first half of 2021 were as follows:

	ASK (million)			Load factor (%)			Yield
	2021	2020*	Change	2021	2020*	Change	Change
Americas	1,712	7,640	-77.6%	21.0	69.1	-48.1%pt	+65.3%
Southwest Pacific	935	4,386	-78.7%	7.3	70.7	-63.4%pt	+171.0%
Europe	563	5,545	-89.8%	31.9	67.9	-36.0%pt	+42.1%
North Asia	488	4,214	-88.4%	17.7	65.6	-47.9%pt	+99.9%
Southeast Asia	449	3,668	-87.8%	20.5	62.9	-42.4%pt	+61.7%
South Asia, Middle East and Africa	20	2,279	-99.1%	15.1	63.6	-48.5%pt	+53.1%
Overall	4,167	27,732	-85.0%	18.9	67.3	-48.4%pt	+70.3%

Innovation

- Cathay Pacific launched a WhatsApp customer care service in Hong Kong in January 2021, and this social messaging approach has since covered most territories worldwide. This allows customers to contact us via social messaging platforms with enquiries related to their bookings.
- We launched a brand new payment option, Miles Plus Cash, in March 2021 that gives customers the flexibility to pay using a mix of Asia Miles and cash when booking seats on our website.
- Cathay Pacific collaborated with the Airport Authority Hong Kong (AAHK), The Commons Project and Prenetics in March 2021 on a trial using digital health platform CommonPass that involved volunteer Cathay Pacific pilots and cabin crew on a flight from Hong Kong to Los Angeles. This is part of Cathay Pacific's efforts to help shape the future deployment of digital health passports, which contain travellers' health credentials, aiding the secure and seamless reopening of travel. Prior to this, Cathay Pacific was a pioneer carrier, conducting the first airline trial of a digital health passport in October 2020.

Home market – Hong Kong and Greater Bay Area

- On 20th February, the Hong Kong SAR Government introduced new mandatory quarantine measures for Hong Kong-based crew, which had a significant impact on our ability to service our passenger markets.
- In April, we launched our "Arm up, let's fly again!" campaign to build awareness about the importance of getting vaccinated as soon as possible. The response has been very positive.
- In May, the Hong Kong SAR Government relaxed the mandatory quarantine requirement for fully vaccinated Hong Kong-based pilots and cabin crew operating passenger flights.
- At 30th June 2021, about 90% of our pilots and about 69% of our cabin crew in Hong Kong had either booked or received their vaccination.

Americas

- Our US routes, in particular New York, benefitted from improved demand from customers in Hong Kong and the Chinese Mainland in May.
- At 30th June 2021, Cathay Pacific was operating flights serving the following destinations in the Americas: Los Angeles, New York, San Francisco, Toronto and Vancouver.

Southwest Pacific

- Due to the Australian government's restrictions on inbound traffic, all our ex-Hong Kong flights to Australia were subject to passenger quotas.
- At 30th June 2021, Cathay Pacific was operating flights serving the following destinations in the Southwest Pacific: Brisbane, Melbourne, Perth and Sydney.

Europe

- We identified opportunities in occasional pockets of demand. For example, we operated an ad-hoc flight to Tel Aviv on 18th March to cater to demand from the Chinese Mainland.
- In April, we saw positive demand for student travel to London from Hong Kong and the Chinese Mainland.
- The Hong Kong SAR Government's ban on flights arriving into Hong Kong from the UK that was introduced in December 2020 remained in place until May 2021. This had a considerable impact on our passenger business.
- Cathay Pacific supported the operation of two special flights to bring Hong Kong residents home from the UK in April 2021. These marked our first flights operated by fully vaccinated pilots and cabin crew, and our first flights from London since the ban was introduced.
- In May, Cathay Pacific resumed operating regular flights from London Heathrow following the relaxation of the ban on flights to Hong Kong from the UK.
- At 30th June 2021, Cathay Pacific was operating flights serving the following destinations in Europe: Amsterdam, Frankfurt and London Heathrow.

REVIEW OF OPERATIONS

- The Hong Kong SAR Government introduced a ban on all flights arriving in Hong Kong from the UK effective 1st July 2021 under its place-specific suspension mechanism in view of the COVID-19 situation in the country.

North Asia

- In April, we resumed operating regular services to Chengdu and Xiamen in the Chinese Mainland, and Kaohsiung in Taiwan.
- In May, we resumed operating regular services to Fuzhou and Hangzhou in response to increased demand for travel from the Chinese Mainland under the Hong Kong SAR Government's Return2HK scheme.
- In June, we resumed passenger services from Guangzhou to Hong Kong.
- Chinese Mainland sales provided good support to our network, particularly for long-haul operations serving the US and the UK.
- At 30th June 2021, Cathay Pacific was operating flights to the following destinations in North Asia: Beijing, Chengdu, Fuzhou, Guangzhou (to Hong Kong only), Hangzhou, Kaohsiung, Osaka, Seoul, Shanghai, Taipei, Tokyo and Xiamen (to Hong Kong only).

Southeast Asia

- Demand to and from Indonesia was strong starting in the second quarter.
- The Hong Kong SAR Government introduced a ban on all flights arriving in Hong Kong from the Philippines in mid-April and from Indonesia in late June, under its place-specific suspension mechanism in view of the COVID-19 situation in those two countries. This affected our flights from Manila, Cebu, Jakarta and Surabaya.
- The planned launch of the Hong Kong-Singapore Air Travel Bubble at the end of May was postponed.
- At 30th June 2021, Cathay Pacific was operating flights serving the following destinations in Southeast Asia: Bangkok, Cebu (from Hong Kong only), Ho Chi Minh City, Jakarta (from Hong Kong only), Kuala Lumpur, Manila (from

Hong Kong only), Singapore and Surabaya (from Hong Kong only).

South Asia, Middle East and Africa

- In May, we resumed operating regular services to Dubai.
- At 30th June 2021, Cathay Pacific was operating flights to Dubai.

Loyalty and reward programmes

Marco Polo Club

- The Marco Polo Club loyalty programme provides benefits and services to the frequent flyers of Cathay Pacific.
- Marco Polo Club members contribute to about a quarter of the revenues of Cathay Pacific.
- Club points are earned by reference to airline, cabin, fare class and distance travelled.
- Silver members (and above) have unlimited access to lounges when flying on Cathay Pacific. All members are entitled to priority boarding and check-in.

Asia Miles

- Asia Miles is a leading travel and lifestyle rewards programme in Asia. It has more than 12 million members and over 800 partners worldwide, including 25 airlines, more than 150 hotel brands and over 400 dining partners and shops.
- There was a 61% decrease in redemptions by Asia Miles members on Cathay Pacific flights in the first half of 2021 compared to the same period of last year (which included Cathay Dragon), but redemptions on non-flight related channels increased by 40%.
- In March 2021, Cathay Pacific launched a brand new payment option, Miles Plus Cash, that gives customers the flexibility to pay using a mix of Asia Miles and cash when booking seats on our website.
- Marco Polo Club members are also members of Asia Miles.

Cathay Pacific cargo services

Our cargo performance was limited by capacity restrictions resulting from crew quarantine requirements and lower cargo capacity as a result of fewer passenger aircraft being flown. Available cargo tonne kilometres (AFTK) decreased by 31.9%. Total tonnage decreased by 17.7% to 549 thousand tonnes. Revenues were HK\$11,112 million, a decrease of 0.6% compared to the first half of 2020. Revenues were strong considering the circumstances, sustained by cargo yield increases of 24.4% to HK\$3.37 and record load factors of 81.4% (2020 first half: 69.3%). These comparisons include Cathay Pacific only for the first half of 2021, and Cathay Pacific and Cathay Dragon combined for the same period in 2020.

The quarantine requirements for Hong Kong-based aircrew were introduced on 20th February and had a notable impact on our cargo capacity and therefore tonnage carried in the first six months of the year. Although the requirements for crew operating cargo flights were relaxed in mid-April, due to crew rostering lead times the positive impact of these relaxations wasn't immediately realised and only recovered gradually over the following months.

We continued to add capacity to the market wherever possible in the first half of 2021. This included operating 2,762 pairs of cargo-only passenger flights as well as chartering freighter flights from our all-cargo subsidiary, Air Hong Kong.

Available cargo tonne kilometres ("AFTK"), load factor and yield change for the first half of 2021 were as follows:

	AFTK (million)			Load factor (%)			Yield
	2021	2020*	Change	2021	2020*	Change	Change
Cathay Pacific	4,058	5,958	-31.9%	81.4	69.3	+12.1%pt	+24.4%

* Included Cathay Dragon

- In January, Cathay Pacific launched a new scheduled freighter service between Hong Kong and Riyadh to meet the strong demand for shipments of e-commerce and other general cargo such as garments.
- We saw healthy cargo demand in the weeks leading up to the Chinese New Year holiday in February driven by the pre-holiday rush, particularly in the Chinese Mainland market. This led to increased use of our Priority LIFT product across our network as customers sought space for time-sensitive shipments.
- Cargo demand was strong in March, particularly from Northeast Asia and the Americas, while demand from Hong Kong and the Chinese Mainland also ramped up during the latter half of the month. We recorded an all-time-high load factor of 86.4% for March.
- The impact of crew quarantine restrictions in Hong Kong was felt most severely in April, with the number of freighter and cargo-only passenger flight operations lower than at any point since the COVID-19 pandemic began. The situation improved from May onwards.
- Cathay Pacific Cargo took the lead in its third pilot of IATA's ONE Record initiative at its home hub, Hong Kong, marking a significant step in the end-to-end digitisation of the global supply chain. IATA's ONE Record creates a "Virtual Shipment Record" for all shipments; a single-record view of a shipment that will enable data to be shared by all stakeholders across the air cargo industry.
- In the face of the grave medical crisis in India, in May Cathay Pacific Cargo flew vital relief shipments including specialised oxygen generators, oxygen concentrators and ventilators to Delhi, Mumbai and Hyderabad. Later that month, we also airlifted 300,000 COVID-19 testing kits, which were a gift from the State of Oregon, from Portland to Mumbai via Hong Kong.

REVIEW OF OPERATIONS

- Cathay Pacific Cargo became the first Asian air-cargo carrier to offer the Envirotainer Releye® RLP for carriage on its aircraft fleet, adding to its extensive cool-chain options for customers with temperature-sensitive shipments. This new container provides greater load flexibility and the latest cool-chain technology.
- Cathay Pacific Cargo launched Ultra Track, a next-generation track-and-trace system that monitors shipment information including temperature, GPS location and humidity using Bluetooth technology. The system offers greater visibility to customers who can now monitor shipments in near real-time, and enables us to take proactive steps and corrective actions if and when they are necessary. Cathay Pacific Cargo has introduced Ultra Track to its network with a phased introduction at 29 ports across the globe as of 30th June.

Vaccine shipments

- Building on our many years of experience in transporting pharmaceutical shipments, Cathay Pacific developed a Vaccine Solution specifically for the fast and effective distribution of COVID-19 vaccines across the globe. The solution includes Ultra Track as well as 24/7 monitoring by dedicated cargo professionals at our newly established Operations Control Centre in Hong Kong.
- In February, Cathay Pacific flew the first shipments of COVID-19 vaccines to Hong Kong. This included one million doses of Sinovac COVID-19 vaccines on a flight from Beijing, and more than one million doses of Fosun Pharma/BioNTech vaccines on two flights from Frankfurt.
 - We also flew vaccines for distribution to countries including Mexico, Malaysia and Indonesia. To date, the airline has shipped more than 50 million COVID-19 vaccines around the world.

Fleet development

- At 30th June 2021, Cathay Pacific had 196 aircraft (including 17 that are either pending to be reassigned from Cathay Dragon to Cathay Pacific and HK Express, or to be lease returned or retired on behalf of Cathay Dragon), HK Express had 28 aircraft and Air Hong Kong had 14 aircraft (a total of 238 aircraft).
- Given current conditions, approximately 40% of our passenger aircraft are parked in locations outside of Hong Kong in keeping with prudent operational and asset management considerations. This is subject to change as we continue to reassess our passenger flight capacity.

Fleet profile*

Aircraft type	Number at 30th June 2021				Average age	Orders				Expiry of operating leases**					
	Owned	Leased**		Total		'21	'22	'23 and beyond	Total	'21	'22	'23	'24	'25	'26 and beyond
		Finance	Operating												
Cathay Pacific:															
A320-200	5		3	8	16.5					1 ^(a)	2				
A321-200	2		4	6	17.2					1 ^(b)	2	1			
A321-200neo			4	4	0.4	2 ^(c)	6	4	12					4	
A330-300	37	10	4	51	14.7								2	2	
A350-900	19	6	2	27	3.8	1		2	3					2	
A350-1000	10	5		15	2.1		3		3						
747-400ERF	6			6	12.5										
747-8F	3	11		14	8.4										
777-300	17			17	19.7										
777-300ER	23	7	18	48	9.1					3	4	2	3	2	
777-9														4	
								21	21						
Total	122	39	35	196	10.6	3	9	27	39	5	8	3	3	4	
HK Express:															
A320-200			7	7	11.2					2		1	4		
A320-200neo			10	10	2.3									10	
A321-200			11	11	3.7									1	
A321-200neo							1	15	16					10	
Total			28	28	5.1		1	15	16	2		1	4	1	
Air Hong Kong***:															
A300-600F			9	9	17.2						5	3		1	
A330-243F			2	2	9.5									2	
A330-300P2F			3	3	13.6									3	
Total			14	14	15.3						5	3		6	
Grand total	122	39	77	238	10.3	3	10	42	55	7	13	7	7	5	

* The table does not reflect aircraft movements after 30th June 2021.

** 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.

*** The nine Airbus A300-600F, two Airbus A330-243F and three Airbus A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating lease of one Airbus A320-200 aircraft was terminated early in July 2021.

(b) The operating lease of one Airbus A321-200 aircraft expired in July 2021.

(c) A sale and leaseback agreement is in place for one Airbus A321neo aircraft.

Review of other subsidiaries and associates

Hong Kong Express Airways Limited ("HK Express")

- HK Express is Hong Kong's only low-cost carrier, focusing on serving leisure travel destinations.
- HK Express typically operates flights to 25 destinations including Bangkok, Da Nang, Fukuoka, Nagoya, Ningbo, Osaka, Phuket, Saipan, Seoul, Taichung and Tokyo.
- At 30th June 2021, HK Express had an all-Airbus narrow-body fleet of 28 aircraft, including seven Airbus A320-200 aircraft, 11 Airbus A321-200 aircraft and 10 Airbus A320-200neo aircraft. The young fleet had an average age of 5.1 years.
- HK Express will receive an order previously allocated to Cathay Dragon for the delivery of 16 Airbus A321-200neo aircraft from 2022, which is the most fuel efficient of its type. Such a modern fleet enables HK Express to leverage new opportunities within the region and help strengthen

Hong Kong's position as Asia's leading international aviation hub.

- At 30th June 2021, HK Express was operating flights to Ningbo (to Hong Kong only) and Taichung (from Hong Kong only).
- In the first half of 2021, capacity amounted to 25.5 million available seat kilometres, reflecting the airline's temporary suspension of flight operations. The average flown load factor was 6.9% in the first half of 2021, a decrease of 64.7 percentage points as compared to the comparative period.
- HK Express recorded a significant after-tax loss of HK\$976 million in first half of 2021, compared with a loss of HK\$779 million in the first half of 2020.
- Ancillary revenue penetration as a percentage of total revenue was 19.8% in the first half of 2021. This included non-flight scheduled revenue, which arises from the sale of baggage, priority boarding, allocated seats and administration fees, all directly attributable to the low-fare business of HK Express.

	Six months ended 30th June 2021 HK\$M	Six months ended 30th June 2020 HK\$M	Change
Revenue			
Passenger services*	3	660	-99.5%
Cargo services	1	14	-92.9%
Other services and recoveries*	6	170	-96.5%
Total revenue	10	844	-98.8%
Expenses			
Staff	(201)	(318)	-36.8%
Inflight service and passenger expenses	(1)	(8)	-87.5%
Landing, parking and route expenses	(16)	(182)	-91.2%
Fuel, including hedging losses	(3)	(236)	-98.7%
Aircraft maintenance	(125)	(228)	-45.2%
Aircraft depreciation and rentals	(440)	(440)	-
Other depreciation, amortisation and rentals	(14)	(12)	+16.7%
Commissions	-	-	-
Others	(115)	(98)	+17.3%
Operating expenses	(915)	(1,522)	-39.9%
Net finance charges	(153)	(140)	+9.3%
Total operating expenses	(1,068)	(1,662)	-35.7%
Loss before impairment and related charges and taxation	(1,058)	(818)	+29.3%
Impairment and related charges	(40)	-	n/a
Taxation	122	39	+212.8%
Loss after taxation	(976)	(779)	+25.3%

* 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 2021	Six months ended 30th June 2020	Change
Operating Statistics – Hong Kong Express				
Available seat kilometres (“ASK”)	Million	26	1,726	-98.5%
Passenger revenue per ASK	HK cents	13.2	38.2	-65.4%
Revenue passenger kilometres (“RPK”)*	Million	2	1,236	-99.8%
Revenue passengers carried	'000	2	570	-99.6%
Passenger load factor*	%	6.9	71.6	-64.7%pt
Passenger yield*	HK cents	191.3	53.4	+258.2%
Cost per ASK (with fuel)	HK cents	3,663.6	92.3	+3,869.2%
Fuel consumption per million ASK	Barrels	145	151	-4.0%
Fuel consumption per million RPK*	Barrels	2,100	211	+895.3%
Cost per ASK (without fuel)	HK cents	3,653.8	78.8	+4,536.8%
ASK per HK\$'000 staff cost	Unit	127	5,434	-97.7%
ASK per staff	'000	24	1,555	-98.5%
Aircraft utilisation	Hours per day	0.1	3.1	-96.8%
On-time performance	%	97.9	91.5	+6.4%pt
Average age of fleet	Years	5.1	5.4	-5.6%

* The above statistics have been restated using “flown” statistics, in line with Cathay Pacific definitions (the corresponding items in the 2020 Interim Report presented “booked” statistics).

AHK Air Hong Kong Limited (“Air Hong Kong”)

- Air Hong Kong principally operates express cargo services for DHL Express.
- At 30th June 2021, Air Hong Kong operated nine dry leased Airbus A300-600F freighters, two dry leased Airbus A330-243F freighters and three dry leased Airbus A330-300P2F converted-freighters.
- Air Hong Kong operates scheduled and charter flights to major cities in Asia, including Bangkok, Beijing, Cebu (via Manila), Chengdu, Ho Chi Minh City, Kuala Lumpur, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo.
- There was an imbalance between capacity and demand in the cargo market. Compared with 2020, capacity (in terms of available tonne kilometres) increased by 8.6% to 475 million.
- On-time performance increased by 3.6 percentage points to 91.6% in the first half of 2021.
- Air Hong Kong recorded an increase in profit in the first half of 2021 compared with the first half of 2020.

Principal airline services subsidiaries

Cathay Pacific Catering Services (H.K.) Limited (“CPCS”) and kitchens outside Hong Kong

- CPCS, a wholly owned subsidiary, operates the principal flight kitchen in Hong Kong.
- CPCS provides flight catering services to 49 international airlines in Hong Kong. It produced 2,500 meals for 25 flights per day on average in the first half of 2021 (a decrease of 89% and of 61% respectively compared with the first half of 2020 due to the impact of COVID-19).
- CPCS's loss in the first half of 2021 was materially worse compared with the first half of 2020 due to significantly lower meal volumes.
- The profits of the flight kitchens outside Hong Kong in the first half of 2021 decreased significantly compared with the first half of 2020 except Canada.

Cathay Pacific Services Limited (“CPSL”)

- CPSL, a wholly owned subsidiary, owns and operates the Group's cargo terminal at Hong Kong International Airport. At 30th June 2021, CPSL provided cargo handling services for the Cathay Group and 15 other airlines.

REVIEW OF OPERATIONS

- CPSL handled 0.6 million tonnes of cargo in the first half of 2021 (a decrease of 12% compared with the first half of 2020), 47% of which were trans-shipments. Export and import shipments accounted for 33% and 20% respectively of the total.
- The financial results in the first half of 2021 declined compared with the first half of 2020. This was mainly due to lower tonnage handled as a result of reduced capacity in passenger flights affected by the pandemic.

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 2021, it provided ground handling services to 31 airlines, including Cathay Pacific.
- In the first half of 2021, HAS had 29% and 6% market shares in ramp and passenger handling businesses respectively at Hong Kong International Airport. The number of flights handled under both ramp and passenger handling businesses shrank by 50% and 58% against the same period last year. The adverse impact of the COVID-19 pandemic on aviation business continued during the period. Customer airlines have either maintained minimal passenger flights or suspended operations.
- The financial results for the first half of 2021 were adversely affected. The focus of the business was to reduce operating costs, defer or cancel capital expenditure and to preserve cash. Various financial relief measures or assistance programs have lessened the impact of the pandemic.
- In the first half of 2021, HAS continued to meet and exceed the Critical Key Performance Indicators set by the Airport Authority Hong Kong.

Vogue Laundry Service Limited ("VLS")

- VLS, a wholly owned subsidiary, provides a comprehensive range of 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 nine valet shops in Hong Kong serving retail customers.
- VLS processed 13 million items of laundry in the first half of 2021 compared to 19 million items in the first half of 2020. The financial results of the first half of 2021 declined compared with those of 2020 due to the prolonged impact of the pandemic, which adversely affected the laundry demand from our key customers, mainly in the aviation and hotel industry.

Principal associates

Air China Limited ("Air China")

- Air China, in which Cathay Pacific has an 18.13% interest, 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 arrear. Consequently, our 2021 interim results include Air China's results for the six months ended 31st March 2021, adjusted for any significant events or transactions for the period from 1st April 2021 to 30th June 2021.
- For the six months ended 31st March 2021, Air China's financial results declined compared to those for the six months ended 31st March 2020.

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

- Air China Cargo, in which Cathay Pacific owns an equity and an economic interest totalling 34.78%, 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.
- At 30th June 2021, Air China Cargo operated 15 freighters. It flies to 12 cities in the Chinese Mainland and 15 cities outside the Chinese Mainland. Taking into account its rights to carry cargo in the bellies of Air China's passenger aircraft, Air China Cargo has connections to more than 200 destinations.

- Due to a reduction in yield and higher fuel prices, Air China Cargo's financial results in the first half of 2021 were lower than the same period last year.

Antitrust proceedings

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances in line with accounting policy 22 on page 133 in the 2020 Annual Report.

Environment

- Cathay Pacific announced its commitment to achieving net-zero carbon emissions by 2050, through an international approach working with governments around the world and through the United Nations. All member airlines of the **oneworld** alliance have made the same commitment.
- We also made the commitment to cut our ground emissions by 32% by 2030 from the 2018 baseline.
- Cathay Pacific participates in the International Civil Aviation Organization (ICAO) Working Group 4 task force that leads the aviation industry's work in developing proposals for a fair, equitable and effective global agreement on emissions. We also take part in the ICAO Fuel Task Group, which specialises in the adoption of biofuel for aviation use.
- Cathay Pacific engages with regulators and groups (the IATA Sustainability and Environment Advisory Committee, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping aviation policy with respect to climate change. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.
- In compliance with the European Union's Emissions Trading Scheme, our 2020 emissions data from intra-EU flights were reported on by an external auditor and submitted to the authority in March 2021.

- In response to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), our 2020 Emissions Report was verified by an external auditor and submitted to the Hong Kong Civil Aviation Department in April 2021.
- We continued to run our Fly Greener voluntary carbon-offset programme. Our two carbon-offset projects are certified under the Gold Standard to ensure that they are verifiable, credible and make a difference to local communities and the environment. Since the Fly Greener programme was launched in 2007, over 300,000 tonnes of CO₂ has been offset.
- Cathay Pacific continued to work towards its three-year target to reduce its single-use plastic footprint by half by the end of 2022. So far, over 46 million single-use plastic items have been removed from our operations annually according to the 2018 baseline.
- We continued to partner with the City University of Hong Kong on conducting a product lifecycle analysis and the repurposing of kitchen and organic waste.
- In March 2021, Cathay Pacific participated in WWF's annual Earth Hour activity. We switched off all non-essential lighting in our buildings and on billboards outside Cathay City.

Contribution to the community

- Cathay Pacific delivered the first vaccine shipments to Hong Kong, including one million doses of Sinovac COVID-19 vaccines from Beijing and more than one million doses of Fosun Pharma/BioNTech vaccines from Frankfurt.
- To date, Cathay Pacific carried more than 50 million doses of COVID-19 vaccines around the world. The figure includes vaccines that have been imported for use in Cathay Pacific's home hub of Hong Kong, as well as supplies for distribution to countries including Mexico, Malaysia and Indonesia.
- UNICEF named Cathay Pacific Cargo as one of the select airlines for its Humanitarian Airfreight Initiative to support COVAX, the global effort aimed at equitable access to COVID-19 vaccines.

REVIEW OF OPERATIONS

- Cathay Pacific Cargo operated freighters and cargo-only passenger flights to deliver much-needed humanitarian and medical supplies to some of India's major centres. These include shipments of specialised oxygen generators, oxygen concentrators and ventilators to India.
- With travel restrictions in place in Hong Kong, Cathay Pacific supported the Hong Kong SAR Government with the operation of two special flights to bring Hong Kong residents home from the UK in April 2021.
- Cathay Pacific has been working with local non-profit organisations Feeding Hong Kong and Food Angel, which provide surplus food to Hong Kong charities for distribution to people in need. The company donated over 230,000 pre-prepared meals and wraps to the Hong Kong community that were distributed by Foodlink Foundation, Christian Zheng Sheng College, Fynfund and Dignity Kitchen in the first half of 2021.
- Given rising food insecurity, the Cathay Group also lent a hand to pack and prepare emergency food parcels with Feeding Hong Kong and distribute them to community members in need.
- Cathay Pacific donated various necessities, including down jackets and blankets, to the most in-need groups in the community, such as the elderly and the homeless. We also donated soft toys to underprivileged children. As of 30th June 2021, around 300,000 items had been donated.
- Employee health and wellbeing is a key concern of the Group and this has been even more important during the past 18 months due to the COVID-19 pandemic. During this time, we have continued to offer enhanced initiatives on physical and mental wellbeing. This included providing access to online wellbeing resources, information, knowledge and tips through the Employee Assistance Programme and our intranet, The Hub, in addition to expert guidance and specialist support on any kind of issue from everyday matters to more serious wellbeing problems. Employee workshops with expert speakers from the wellness industry were also held.
- In April, we launched our "Arm up, let's fly again!" campaign to build awareness about the importance of getting vaccinated as soon as possible, which was very positively received. We also offered all Hong Kong-based ground employees who become fully vaccinated before the end of August 2021 two days of paid vaccination leave, in addition to other incentives in the form of travel-inspired giveaways. At 30th June 2021, about 90% of our pilots and about 69% of our cabin crew in Hong Kong had either booked or received their vaccination.
- We began a review of several of our overseas pilot bases and, following extensive consultation periods involving our pilots, we made the very difficult decision to close our overseas flight crew bases in Canada, Germany, Australia and New Zealand. All passenger fleet pilots in overseas bases have been stood down since May 2020.
- We resumed pilot recruitment in Hong Kong in June to meet the long-term crew resource needs of the Group, focusing on qualified talent in the Hong Kong market who have the right to live and work there.
- In June, regrettably, the Hong Kong Immigration Department rejected a number of applications for work permit renewals for our Hong Kong-based cabin crew.
- 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.

Our people

- At 30th June 2021, the Cathay Group employed more than 23,100 people worldwide. Around 18,700 of these people are based in Hong Kong. Cathay Pacific employed more than 17,800 people worldwide. Around 13,500 of these people are based in Hong Kong.
- We invest heavily in the employee experience from onboarding new hires to saying farewell when our people leave or retire, and everything in between including training, performance management and engagement.

FINANCIAL REVIEW

The Cathay Group's attributable loss was HK\$7,565 million in the first half of 2021 (2020 first half: loss of HK\$9,865 million). Cathay Pacific reported a loss after tax of HK\$5,031 million in the first half of 2021 (2020 first half: loss of HK\$7,361 million), and the share of losses from subsidiaries and associates was HK\$2,534 million (2020 first half: losses of HK\$2,504 million).

Revenue

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2021 HK\$M	2020* HK\$M	Change	2021 HK\$M	2020* HK\$M	Change
Passenger services	748	11,056	-93.2%	745	10,396	-92.8%
Cargo services	12,702	12,692	+0.1%	11,112	11,177	-0.6%
Other services and recoveries	2,404	3,921	-38.7%	2,507	3,752	-33.2%
Total revenue	15,854	27,669	-42.7%	14,364	25,325	-43.3%

* Included Cathay Dragon

Cathay Pacific passenger revenue decreased by 92.8% compared with an 85.0% decrease in capacity. Cargo revenue decreased by 0.6%, compared with a 31.9% decrease in available freight tonne kilometres. Revenue from other services and recoveries decreased by 33.2%.

Operating expenses*

	Group			Cathay Pacific		
	Six months ended 30th June			Six months ended 30th June		
	2021 HK\$M	2020 HK\$M	Change	2021 HK\$M	2020 HK\$M	Change
Staff	5,746	8,623	-33.4%	4,853	7,420	-34.6%
Inflight service and passenger expenses	141	949	-85.1%	140	941	-85.1%
Landing, parking and route expenses	2,293	4,242	-45.9%	2,080	3,861	-46.1%
Fuel, including hedging gains/losses	2,312	7,318	-68.4%	2,034	6,884	-70.5%
Aircraft maintenance	1,798	3,673	-51.0%	1,451	3,193	-54.6%
Aircraft depreciation and rentals	5,234	6,163	-15.1%	4,825	5,766	-16.3%
Other depreciation, amortisation and rentals	1,198	1,415	-15.3%	841	985	-14.6%
Commissions	16	125	-87.2%	16	125	-87.2%
Others	1,648	1,431	+15.2%	1,722	1,766	-2.5%
Operating expenses	20,386	33,939	-39.9%	17,962	30,941	-41.9%
Net finance charges	1,249	1,652	-24.4%	947	1,327	-28.6%
Total operating expenses	21,635	35,591	-39.2%	18,909	32,268	-41.4%

* Included Cathay Dragon

- The Group's and Cathay Pacific's total operating expenses decreased by 39.2% and 41.4% respectively.
- The cost per ATK (with fuel) of Cathay Pacific increased from HK\$3.90 to HK\$4.44, an increase of 13.8%.
- The cost per ATK (without fuel) of Cathay Pacific increased from HK\$3.10 to HK\$3.98, an increase of 28.4%.
- The underlying cost per ATK (without fuel), which excludes impairment and related charges and restructuring costs, increased from HK\$2.95 to HK\$3.79, an increase of 28.5%.

Operating results analysis*

	Six months ended 30th June		
	2021 HK\$M	2020 HK\$M	Change HK\$M
Cathay Pacific's loss before impairment and related charges, restructuring and taxation	(4,545)	(6,943)	2,398
Impairment and related charges (note 1)	(460)	(1,281)	821
Restructuring costs (note 2)	(403)	–	(403)
Taxation	377	863	(486)
Cathay Pacific's loss after taxation	(5,031)	(7,361)	2,330
Share of losses from subsidiaries and associates (note 3)	(2,534)	(2,504)	(30)
Loss attributable to the shareholders of the Cathay Group	(7,565)	(9,865)	2,300
Adjusted loss attributable to the shareholders of Cathay Pacific (note 4)	(6,662)	(7,400)	738

* Included Cathay Dragon

Notes:

- 1) Impairment and related charges of HK\$460 million under Cathay Pacific mainly in connection with eight aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors (2020: Impairment and related charges of HK\$1,242 million in connection with 16 aircraft, and HK\$39 million of goodwill associated with the write down of our laundry and catering plants).
- 2) Redundancy and related costs of HK\$403 million.
- 3) Impairment and related charges of HK\$40 million under HK Express in connection with three aircraft that are unlikely to re-enter meaningful economic service again before they are returned to lessors (2020: Impairment and related charges of HK\$658 million and HK\$526 million were recognised for our laundry and catering plants respectively).
- 4) The revised calculation of the adjusted loss attributable to the shareholders of Cathay Pacific was arrived at after excluding impairment and related charges and restructuring costs. The previous calculation presented in the 2020 annual report was an adjusted loss of HK\$7,414 million.

The movement in Cathay Pacific's and Cathay Dragon's loss before impairment and related charges, restructuring costs and taxation can be analysed as follows:

	HK\$M	
2020 interim Cathay Pacific's and Cathay Dragon's loss before taxation	(6,943)	
Decrease of revenue:		
– Passenger and cargo revenue	(9,716)	– Passenger revenue decreased by 92.8% primarily due to a 95.8% decrease in passenger traffic, partially offset by a 70.3% increase in yield. – Cargo revenue decreased by 0.6% due to a 20.1% decrease in cargo traffic, offset by a 24.4% increase in yield and an 12.1% points increase in load factor.
– Other services and recoveries	(1,245)	– Reduction in COVID-19 related government grants, ticket related recoveries, and cargo handling income.
Decrease of costs:		
– Staff	2,567	– Decreased due to reduction of headcount and new conditions of service.
– Inflight service and passenger expenses	801	– Lower passenger traffic.
– Landing, parking and route expenses	1,781	– Reduced in line with lower activity and ongoing concessions.
– Fuel, including hedging (gains)/losses	4,850	– Fuel consumption is lower, in line with reduced aircraft flying hours. Increased fuel prices were offset by fuel hedging gains.
– Aircraft maintenance	1,742	– Lower due to reduced aircraft flying hours.
– Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	1,465	– Fewer aircraft leased, lower depreciation and lower interest rates on aircraft loans.
– Other items (including commissions)	153	– Lower external manpower cost due to cost saving initiatives, project savings and lounge closure.
2021 interim Cathay Pacific's loss before taxation	(4,545)	

Fuel expenditure and hedging

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

	Six months ended 30th June	
	2021 HK\$M	2020* HK\$M
Gross fuel cost	2,937	5,719
Fuel hedging (gains)/losses	(625)	1,599
Net fuel cost	2,312	7,318

* Included Cathay Dragon

Fuel costs decreased due to a 52.6% decrease in consumption, slightly offset by an 8.6% increase in the average into-plane fuel price.

Financial position

- Additions to property, plant and equipment during the six months period to 30th June 2021 were HK\$3,634 million, comprising HK\$3,547 million in respect of aircraft and related equipment, HK\$64 million in respect of land and buildings and HK\$23 million in respect of other equipment.
- Borrowings increased by 6.0% to HK\$98,696 million and are fully repayable by 2035. Excluding lease liabilities previously classified as operating leases, borrowings increased by 9.2% to HK\$80,866 million, which are fully repayable by 2035, with 40.3% at fixed rates of interest after taking into account derivative transactions.
- Available unrestricted liquidity at 30th June 2021 totalled HK\$32,819 million, comprising liquid funds of HK\$23,557 million and committed undrawn facilities of HK\$9,406 million, less pledged funds of HK\$144 million.
- Net borrowings (after deducting liquid funds) increased by 1.8% to HK\$75,139 million. Disregarding the effect of adopting HKFRS 16, net borrowings increased by 4.8% to HK\$57,309 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 4.6% to HK\$69,882 million. This was due to the Group's losses for the period of HK\$7.6 billion, partially offset by an increase in other comprehensive income of HK\$3.7 billion and the equity component of guaranteed convertible bonds issued on February 2021 amounting to HK\$0.5 billion.
- Disregarding the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio increased from 0.75 times to 0.82 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 1.08 and 1.01 times at 30th June 2021 and 31st December 2020 respectively.
- The Group's policies in relation to financial risk management and the management of currency, interest rate and fuel price exposures are set out in the 2020 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 21 to 41 which comprises the consolidated statement of financial position of Cathay Pacific Airways Limited (the "Company") and its subsidiaries (together the "Group") as of 30th June 2021 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th June 2021 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

11th August 2021

CONDENSED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2021 – Unaudited

	Note	2021 HK\$M	2020 HK\$M	2021 US\$M	2020 US\$M
Revenue					
Passenger services		748	11,056	96	1,417
Cargo services		12,702	12,692	1,628	1,627
Other services and recoveries		2,404	3,921	308	503
Total revenue		15,854	27,669	2,032	3,547
Expenses					
Staff		(5,746)	(8,623)	(737)	(1,106)
Inflight service and passenger expenses		(141)	(949)	(18)	(122)
Landing, parking and route expenses		(2,293)	(4,242)	(294)	(544)
Fuel, including hedging gains/losses		(2,312)	(7,318)	(296)	(938)
Aircraft maintenance		(1,798)	(3,673)	(230)	(471)
Aircraft depreciation and rentals		(5,234)	(6,163)	(671)	(790)
Other depreciation, amortisation and rentals		(1,198)	(1,415)	(154)	(181)
Commissions		(16)	(125)	(2)	(16)
Others		(1,648)	(1,431)	(211)	(183)
Operating expenses		(20,386)	(33,939)	(2,613)	(4,351)
Operating loss before non-recurring items		(4,532)	(6,270)	(581)	(804)
Restructuring costs	22	(403)	–	(52)	–
Impairment and related charges	22	(500)	(2,465)	(64)	(316)
Operating loss	4	(5,435)	(8,735)	(697)	(1,120)
Finance charges		(1,307)	(1,717)	(167)	(220)
Finance income		58	65	7	8
Net finance charges	5	(1,249)	(1,652)	(160)	(212)
Share of losses of associates		(1,509)	(526)	(193)	(67)
Loss before taxation		(8,193)	(10,913)	(1,050)	(1,399)
Taxation	6	629	1,049	80	134
Loss for the period		(7,564)	(9,864)	(970)	(1,265)
Attributable to					
Ordinary shareholders of Cathay Pacific		(7,858)	(9,865)	(1,007)	(1,265)
Preference shareholder of Cathay Pacific		293	–	37	–
Non-controlling interests		1	1	–	–
Loss for the period		(7,564)	(9,864)	(970)	(1,265)
Loss per ordinary share (2020 restated)					
Basic and diluted	7	(122.1)¢	(228.1)¢	(15.6)¢	(29.2)¢
Loss for the period		(7,564)	(9,864)	(970)	(1,265)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges		3,251	(2,884)	417	(369)
Share of other comprehensive income of associates		162	(210)	21	(27)
Exchange differences on translation of foreign operations		251	(443)	32	(57)
Other comprehensive income for the period, net of taxation	8	3,664	(3,537)	470	(453)
Total comprehensive income for the period		(3,900)	(13,401)	(500)	(1,718)
Total comprehensive income attributable to					
Ordinary shareholders of Cathay Pacific		(4,194)	(13,402)	(537)	(1,718)
Preference shareholder of Cathay Pacific		293	–	37	–
Non-controlling interests		1	1	–	–
		(3,900)	(13,401)	(500)	(1,718)

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

The notes on pages 25 to 41 form part of these financial statements.

Consolidated Statement of Financial Position

at 30th June 2021 – Unaudited

	Note	30th June 2021 HK\$M	31st December 2020 HK\$M	30th June 2021 US\$M	31st December 2020 US\$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	9	128,252	131,925	16,442	16,914
Intangible assets	10	15,062	15,061	1,931	1,931
Investments in associates	11	25,302	26,489	3,244	3,396
Other long-term receivables and investments		3,287	2,905	421	372
Deferred tax assets		753	627	97	80
		172,656	177,007	22,135	22,693
Interest-bearing liabilities	12	(73,894)	(68,880)	(9,474)	(8,831)
Other long-term payables	13	(4,386)	(4,210)	(562)	(540)
Deferred tax liabilities		(11,227)	(11,499)	(1,439)	(1,474)
		(89,507)	(84,589)	(11,475)	(10,845)
Net non-current assets		83,149	92,418	10,660	11,848
Current assets and liabilities					
Stock		1,596	1,719	205	220
Trade and other receivables	14	7,811	6,469	1,001	829
Assets held for sale		48	38	6	5
Liquid funds	15	23,557	19,341	3,020	2,480
		33,012	27,567	4,232	3,534
Interest-bearing liabilities	12	(24,802)	(24,249)	(3,180)	(3,109)
Trade and other payables	16	(10,635)	(12,376)	(1,363)	(1,587)
Contract liabilities		(8,922)	(8,122)	(1,144)	(1,041)
Taxation		(1,915)	(1,977)	(245)	(253)
		(46,274)	(46,724)	(5,932)	(5,990)
Net current liabilities		(13,262)	(19,157)	(1,700)	(2,456)
Total assets less current liabilities		159,394	157,850	20,435	20,237
Net assets		69,887	73,261	8,960	9,392
CAPITAL AND RESERVES					
Share capital	17	48,322	48,322	6,195	6,195
Reserves		21,560	24,935	2,764	3,197
Funds attributable to the shareholders of Cathay Pacific		69,882	73,257	8,959	9,392
Non-controlling interests		5	4	1	–
Total equity		69,887	73,261	8,960	9,392

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

The notes on pages 25 to 41 form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2021 – Unaudited

	2021 HK\$M	2020 HK\$M	2021 US\$M	2020 US\$M
Operating activities				
Cash generated from/(used in) operations	2,423	(6,285)	311	(806)
Interest received	34	50	4	6
Interest paid	(807)	(1,278)	(103)	(164)
Tax paid	(225)	(604)	(29)	(77)
Net cash inflow/(outflow) from operating activities	1,425	(8,117)	183	(1,041)
Investing activities				
Net (increase)/decrease in liquid funds other than cash and cash equivalents	(1,121)	4,758	(144)	610
Proceeds from sales of property, plant and equipment	40	57	5	7
Net increase in other long-term receivables and investments	(8)	(10)	(1)	(1)
Payments for property, plant and equipment and intangible assets	(1,016)	(1,652)	(130)	(211)
Dividends received from associates	–	4	–	–
Net repayments of loans to associates	93	–	12	–
Net cash (outflow)/inflow from investing activities	(2,012)	3,157	(258)	405
Financing activities				
New financing	13,022	17,020	1,669	2,182
Loan and lease repayments	(9,370)	(14,756)	(1,201)	(1,892)
Net cash inflow from financing activities	3,652	2,264	468	290
Net increase/(decrease) in cash and cash equivalents	3,065	(2,696)	393	(346)
Cash and cash equivalents at 1st January	6,166	8,881	790	1,138
Effect of exchange differences	(1)	(61)	–	(7)
Cash and cash equivalents at 30th June	9,230	6,124	1,183	785

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

The notes on pages 25 to 41 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2021 – Unaudited

	Attributable to the shareholders of Cathay Pacific								
	Share capital 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 2021	48,322	–	24,741	(148)	(407)	749	73,257	4	73,261
Changes in equity for the six months ended 30th June 2021:									
Loss for the period	–	–	(7,565)	–	–	–	(7,565)	1	(7,564)
Other comprehensive income	–	–	–	–	3,251	413	3,664	–	3,664
Total comprehensive income for the period	–	–	(7,565)	–	3,251	413	(3,901)	1	(3,900)
Equity component of convertible bonds issued	–	526	–	–	–	–	526	–	526
At 30th June 2021	48,322	526	17,176	(148)	2,844	1,162	69,882	5	69,887
At 1st January 2020	17,106	–	45,867	(148)	634	(686)	62,773	3	62,776
Changes in equity for the six months ended 30th June 2020:									
Loss for the period	–	–	(9,865)	–	–	–	(9,865)	1	(9,864)
Other comprehensive income	–	–	–	–	(2,884)	(653)	(3,537)	–	(3,537)
Total comprehensive income for the period	–	–	(9,865)	–	(2,884)	(653)	(13,402)	1	(13,401)
At 30th June 2020	17,106	–	36,002	(148)	(2,250)	(1,339)	49,371	4	49,375

The notes on pages 25 to 41 form part of these 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 11th August 2021.

The financial information relating to the year ended 31st December 2020 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 2020 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 financial statements are consistent with those described in the 2020 annual financial statements except for changes in accounting policies in note 2 below.

The Company has issued convertible bonds during the period and the accounting policy for such bonds is described as follows:

Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the convertible bond reserve until the bonds are converted.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") for the current accounting period of the Group.

- Amendment to HKFRS 16 "COVID-19-related rent concessions beyond 30th June 2021"
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has early adopted the amendment to HKFRS 16. The Group has not early adopted any other new standards or interpretations that are not yet effective for the current accounting period.

2. Changes in accounting policies (continued)

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30th June 2021"

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires that the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30th June 2021 to 30th June 2022.

The eligible rent concessions are accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

There is no impact on the opening balance of equity at 1st January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments focus on accounting reliefs once a new benchmark interest rate is in place. The reliefs have the effect that changing the basis for determining contractual cash flows for financial assets, financial liabilities and lease liabilities, that are as a direct consequence of the Inter-Bank Offered Rate ("IBOR") reform and are economically equivalent, will not result in an immediate gain or loss in the profit or loss. The amendments also provide reliefs to allow hedge accounting to continue when the hedging relationships are directly affected by IBOR reform. The amendments do not have an impact on this interim report as the Group has not moved any existing contracts to new benchmark interest rates. In addition, the Group considers that uncertainty remains over the timing and/or amounts of future cash flows indexed to benchmark interest rates and thus the Group continues to apply the existing accounting policies.

3. Segment information

(a) Segment results

	Six months ended 30th June 2021					
	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	14,205	10	1,411	228		15,854
Inter-segment sales	159	–	31	647		837
Segment revenue	14,364	10	1,442	875		16,691
Segment (loss)/profit, before restructuring costs, impairment and related charges	(3,598)	(905)	448	(477)		(4,532)
Restructuring costs	(403)	–	–	–		(403)
Impairment and related charges	(460)	(40)	–	–		(500)
Segment (loss)/profit	(4,461)	(945)	448	(477)		(5,435)
Net finance charges	(947)	(153)	–	(149)		(1,249)
	(5,408)	(1,098)	448	(626)		(6,684)
Share of losses of associates	–	–	–	–	(1,509)	(1,509)
(Loss)/profit before taxation	(5,408)	(1,098)	448	(626)	(1,509)	(8,193)
Taxation	377	122	(74)	5	199	629
(Loss)/profit for the period	(5,031)	(976)	374	(621)	(1,310)	(7,564)
Non-controlling interests	–	–	–	(1)	–	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(5,031)	(976)	374	(622)	(1,310)	(7,565)

3. Segment information (continued)

	Six months ended 30th June 2020					
	Cathay Pacific and Cathay Dragon 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	25,179	844	1,332	314		27,669
Inter-segment sales	146	–	43	1,052		1,241
Segment revenue	25,325	844	1,375	1,366		28,910
Segment (loss)/profit, before impairment and related charges	(5,616)	(678)	434	(410)		(6,270)
Impairment and related charges	(1,281)	–	–	(1,184)		(2,465)
Segment (loss)/profit	(6,897)	(678)	434	(1,594)		(8,735)
Net finance charges	(1,327)	(140)	–	(185)		(1,652)
	(8,224)	(818)	434	(1,779)		(10,387)
Share of losses of associates	–	–	–	–	(526)	(526)
(Loss)/profit before taxation	(8,224)	(818)	434	(1,779)	(526)	(10,913)
Taxation	863	39	(71)	101	117	1,049
(Loss)/profit for the period	(7,361)	(779)	363	(1,678)	(409)	(9,864)
Non-controlling interests	–	–	–	(1)	–	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(7,361)	(779)	363	(1,679)	(409)	(9,865)

- (i) Cathay Pacific and Cathay Dragon (until 21st October 2020) provide 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.

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

CONDENSED FINANCIAL STATEMENTS
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. Segment information (continued)

(b) Geographical information

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Revenue by origin of sale:		
North Asia		
– Hong Kong and the Chinese Mainland	10,319	16,785
– Japan, Korea and Taiwan	1,544	1,907
Americas	1,116	2,919
Southwest Pacific	338	1,072
Europe	465	1,946
Southeast Asia	1,439	1,939
South Asia, Middle East and Africa	633	1,101
	15,854	27,669

A geographic analysis of segment results is not disclosed for the reasons set out in the 2020 Annual Report.

4. Operating loss

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Operating loss has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– right-of-use assets	2,693	3,105
– owned	3,503	4,080
Amortisation of intangible assets	267	284
Impairment		
– property, plant and equipment	763	2,396
– intangible assets	–	39
Expenses relating to short-term leases and leases of low-value assets	12	8
COVID-19-related rent concessions received	(178)	(123)
(Gain)/loss on disposal of property, plant and equipment, net	(9)	1
Loss on disposal of intangible assets	5	–
Cost of stock expensed	287	567
Exchange differences, net	(25)	(245)
Auditors' remuneration	8	9
Dividend income from unlisted investments	(26)	(44)

5. Net finance charges

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Net interest charges comprise:		
– lease liabilities stated at amortised cost	455	591
– bank loans and overdrafts		
– wholly repayable within five years	171	434
– not wholly repayable within five years	196	345
– other borrowings		
– wholly repayable within five years	176	63
– not wholly repayable within five years	192	89
	1,190	1,522
Income from liquid funds:		
– funds with investment managers and other liquid investments at fair value through profit or loss	(21)	(21)
– bank deposits and others	(37)	(44)
	(58)	(65)
Fair value change:		
– loss on financial liabilities designated at fair value through profit or loss	–	3
– loss on financial derivatives	117	192
	117	195
	1,249	1,652

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

Included in fair value change in respect of financial derivatives are net gain from derivatives that are classified as fair value through profit or loss of HK\$9 million (2020: net loss of HK\$120 million).

6. Taxation

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Current tax expenses		
– Hong Kong profits tax	73	71
– overseas tax	23	60
– under provisions for prior years	15	27
Deferred tax		
– origination and reversal of temporary differences	(740)	(1,207)
	(629)	(1,049)

Hong Kong profits tax is calculated at 16.5% (2020: 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 20(c) to the financial statements).

7. Loss per ordinary share

	2021			2020		
	Loss ^(a) HK\$M	Weighted average number of ordinary shares	Per share amount HK cents	Loss ^(a) HK\$M	Weighted average number of ordinary shares (restated)	Per share amount HK cents (restated)
Basic and diluted loss per ordinary share	(7,858)	6,437,200,203	(122.1)	(9,865)	4,324,951,577	(228.1)

- (a) The amounts represent the loss attributable to the ordinary shareholders of Cathay Pacific, which is the loss for the period after non-controlling interests and dividends attributable to the holder of the cumulative preference shares classified as equity (as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income).
- (b) On 10th August 2020, the Company issued 2,503,355,631 new ordinary shares at HK\$4.68 each by way of rights issue to qualifying ordinary shareholders. As required by HKAS 33 "Earnings per Share", a retrospective adjustment of 391,107,005 shares representing the bonus element in the rights issue was applied to the calculation of the weighted average number of ordinary shares for the periods prior to the rights issue. Basic and diluted loss per ordinary share for the prior periods have been restated accordingly.
- (c) 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 2021 have an anti-dilutive effect to the loss per ordinary share and there are no other potential dilutive ordinary shares in existence during the periods ended 30th June 2021 and 2020, and hence diluted loss per ordinary share is the same as the basic loss per ordinary share.

8. Other comprehensive income

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Cash flow hedges		
– gain/(loss) recognised during the period	3,682	(4,651)
– (gain)/loss transferred to profit or loss	(84)	1,420
– deferred taxation	(347)	347
Share of other comprehensive income of associates	162	(210)
Exchange differences on translation of foreign operations		
– gain/(loss) recognised during the period	251	(443)
Other comprehensive income for the period	3,664	(3,537)

9. 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	Under construction HK\$M	
Cost								
At 1st January 2021	135,383	63,236	5,474	312	15,404	8,119	20	227,948
Additions	507	3,040	20	3	25	39	-	3,634
Disposals	(825)	(831)	(31)	(2)	(1)	(970)	-	(2,660)
Reclassification to assets held for sale	-	-	(34)	-	-	-	-	(34)
Transfers	3,324	(3,324)	-	-	-	-	-	-
Other right-of-use asset adjustments	-	(19)	-	1	-	307	-	289
At 30th June 2021	138,389	62,102	5,429	314	15,428	7,495	20	229,177
Accumulated depreciation and impairment								
At 1st January 2021	59,657	21,316	4,058	86	7,948	2,958	-	96,023
Charge for the period	3,037	2,178	110	30	356	485	-	6,196
Impairment	560	201	-	-	-	2	-	763
Disposals	(752)	(830)	(30)	(2)	(1)	(418)	-	(2,033)
Reclassification to assets held for sale	-	-	(24)	-	-	-	-	(24)
Transfers	2,080	(2,080)	-	-	-	-	-	-
At 30th June 2021	64,582	20,785	4,114	114	8,303	3,027	-	100,925
Net book value								
At 30th June 2021	73,807	41,317	1,315	200	7,125	4,468	20	128,252
At 31st December 2020	75,726	41,920	1,416	226	7,456	5,161	20	131,925

During the six months ended 30th June 2021, an impairment charge of HK\$763 million was recognised to write down the carrying amounts of certain property, plant and equipment to their recoverable amounts. It mainly related to 11 owned and leased aircraft that are unlikely to re-enter meaningful economic service again before their retirement or return to lessors.

Further details surrounding the impact of COVID-19 on the Group is disclosed in note 22 to the financial statements.

10. Intangible assets

	Goodwill HK\$M	Computer software HK\$M	Others HK\$M	Total HK\$M
Cost				
At 1st January 2021	11,654	7,898	39	19,591
Additions	–	273	–	273
Disposals	–	(5)	–	(5)
At 30th June 2021	11,654	8,166	39	19,859
Accumulated amortisation and impairment				
At 1st January 2021	39	4,467	24	4,530
Charge for the period	–	265	2	267
At 30th June 2021	39	4,732	26	4,797
Net book value				
At 30th June 2021	11,615	3,434	13	15,062
At 31st December 2020	11,615	3,431	15	15,061

11. Investments in associates

	30th June 2021 HK\$M	31st December 2020 HK\$M
Share of net assets		
– listed in Hong Kong	16,631	18,410
– unlisted	4,991	4,342
Goodwill	3,519	3,483
	25,141	26,235
Less: impairment loss	(56)	(56)
	25,085	26,179
Loans due from associates	217	310
	25,302	26,489

The Group's interim results include Air China's results for the six months ended 31st March 2021 and any significant events or transactions for the period from 1st April 2021 to 30th June 2021.

12. Interest-bearing liabilities

	30th June 2021		31st December 2020	
	Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Loans and other borrowings ^(a)	18,264	43,501	17,513	37,982
Lease liabilities	6,538	30,393	6,736	30,898
	24,802	73,894	24,249	68,880

(a) On 5th February 2021, the Group completed the issuance of HK\$6.7 billion 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. As at 30th June 2021, the liability component has a carrying value of HK\$6.2 billion included in "Loans and other borrowings"; the equity component has a carrying value of HK\$526 million included in "Convertible bond reserve". The accounting policy on convertible bonds is disclosed in note 1 to the financial statements.

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 2021 HK\$M	31st December 2020 HK\$M
Non-current liabilities:		
Loans and other borrowings	43,501	37,982
Lease liabilities	30,393	30,898
	73,894	68,880
Current liabilities:		
Loans and other borrowings	18,264	17,513
Lease liabilities	6,538	6,736
	24,802	24,249
Total borrowings	98,696	93,129
Liquid funds	(23,557)	(19,341)
Net borrowings	75,139	73,788
Funds attributable to the shareholders of Cathay Pacific	69,882	73,257
Net debt/equity ratio	1.08	1.01

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 2021 HK\$M	31st December 2020 HK\$M
Net borrowings	75,139	73,788
Less: lease liabilities without asset transfer components	(17,830)	(19,090)
Adjusted net borrowings, excluding leases without asset transfer components	57,309	54,698
Adjusted net debt/equity ratio, excluding leases without asset transfer components	0.82	0.75

13. 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.

14. Trade and other receivables

	30th June 2021 HK\$M	31st December 2020 HK\$M
Trade debtors, net of loss allowances	2,679	3,381
Derivative financial assets – current portion	2,286	90
Other receivables and prepayments	2,820	2,994
Due from associates and other related companies	26	4
	7,811	6,469

	30th June 2021 HK\$M	31st December 2020 HK\$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	2,510	2,608
One to three months	79	505
More than three months	90	268
	2,679	3,381

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

15. Liquid funds

	30th June 2021 HK\$M	31st December 2020 HK\$M
Cash and cash equivalents		
Short-term deposits and bank balances	9,230	6,166
Other liquid funds		
Short-term deposits maturing beyond three months when placed	3,643	195
Funds with investment managers		
– debt securities listed outside Hong Kong	10,320	12,648
– bank deposits	220	188
Other liquid investments		
– debt securities listed outside Hong Kong	6	6
– bank deposits	138	138
Liquid funds	23,557	19,341

Included in other liquid investments are bank deposits of HK\$138 million (31st December 2020: HK\$138 million) and debt securities of HK\$6 million (31st December 2020: HK\$6 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.

15. Liquid funds (continued)

Available unrestricted funds to the Group are as follows:

	30th June 2021 HK\$M	31st December 2020 HK\$M
Liquid funds	23,557	19,341
Less amounts pledged as part of long-term financing		
– debt securities listed outside Hong Kong	(6)	(6)
– bank deposits	(138)	(138)
Committed undrawn facilities	9,406	9,396
Available unrestricted liquidity to the Group	32,819	28,593

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

16. Trade and other payables

	30th June 2021 HK\$M	31st December 2020 HK\$M
Trade creditors	3,009	3,284
Derivative financial liabilities – current portion	302	1,311
Other payables	7,010	7,278
Due to associates	137	218
Due to other related companies	177	285
	10,635	12,376

	30th June 2021 HK\$M	31st December 2020 HK\$M
Analysis of trade creditors by invoice date:		
Within one month	2,448	2,570
One to three months	362	262
More than three months	199	452
	3,009	3,284

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

17. Share capital

	30th June 2021		31st December 2020	
	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

17. Share capital (continued)

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 has also issued warrants 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.

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 (2020: nil). At 30th June 2021, 6,437,200,203 ordinary shares and 195,000,000 preference shares were in issue (31st December 2020: 6,437,200,203 ordinary shares and 195,000,000 preference shares).

18. 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 amount attributable to the preference shareholder for the period ended 30th June 2021 was HK\$293 million (30th June 2020: nil).

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend". The accumulated Arrears of Dividend at 30th June 2021 was HK\$521 million (31st December 2020: HK\$228 million).

The dividends payable on 12th August 2021 have been deferred. The cumulative amount deferred of HK\$589 million was in respect of dividends for the twelve month period from the Issue Date 12th August 2020 and the compounding effect of unpaid dividends.

18. Dividends (continued)

(b) Dividends payable to ordinary equity shareholders attributable to the interim period.

	2021 HK\$M	2020 HK\$M
No first interim dividend proposed after the interim period (2020: nil)	-	-

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

There remain Arrears of Dividend as at 30th June 2021 and accordingly no dividends to ordinary equity shareholders were proposed.

Note 18(a) details the cumulative Arrears of Dividend as at 30th June 2021.

(c) Dividends payable to ordinary equity shareholders attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
No second interim dividend in respect of the previous financial year, approved and paid during the six months ended 30th June 2021 (paid during the six months ended 30th June 2020: nil)	-	-

19. 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 2021		Six months ended 30th June 2020	
	Associates HK\$M	Other related parties HK\$M	Associates HK\$M	Other related parties HK\$M
Revenue	17	6	56	8
Aircraft maintenance	388	499	504	1,027
Other operating expenses	37	122	176	152
Dividend income	-	26	132	44
Finance income	2	-	4	-
Property, plant and equipment purchase	-	-	4	-
Lease payments	-	31	-	57

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

20. Capital commitments and contingencies

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

	30th June 2021 HK\$M	31st December 2020 HK\$M
Authorised and contracted for	52,966	58,416
Authorised but not contracted for	1,795	5,951
	54,761	64,367

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

	30th June 2021 HK\$M	31st December 2020 HK\$M
Associates	1,241	1,320

- (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 outcomes of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.
- (d) The Company remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. The Company is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. The Company is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with accounting policy 22 on page 133 in the 2020 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. A 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 against this latest decision, to which the European Commission filed a defence. In December 2017, the Company filed a Reply to this Defence. On 9th March 2018, the European Commission filed a rejoinder to the Company's Reply. The appeal hearing in the General Court took place on 5th July 2019. There is no fixed date for the General Court to issue its decision.

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.

21. 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 2021 and 31st December 2020 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

	30th June 2021		31st December 2020	
	Carrying amount HK\$M	Fair value HK\$M	Carrying amount HK\$M	Fair value HK\$M
Loans and other borrowings	(61,765)	(64,877)	(55,495)	(57,692)

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 2021 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 2021				31st December 2020			
	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	-	-	815	815	-	-	815	815
Liquid funds								
– funds with investment managers	-	10,320	-	10,320	-	12,648	-	12,648
– other liquid investments	-	6	-	6	-	6	-	6
Derivative financial assets	-	2,911	-	2,911	-	333	-	333
	-	13,237	815	14,052	-	12,987	815	13,802
Liabilities								
Derivative financial liabilities	-	(615)	-	(615)	-	(1,810)	-	(1,810)
	-	(615)	-	(615)	-	(1,810)	-	(1,810)

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

21. 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 2021 and 31st December 2020, 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	2021: 7.0-9.5% (2020: 7.0-9.5%)	The higher the discount rate, the lower the fair value	2021: +/- 0.5% (2020: +/- 0.5%)	2021: (50)/5 (2020: (50)/5)

The movement during the six months ended 30th June 2021 in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30th June	
	2021 HK\$M	2020 HK\$M
Unlisted equity investments at fair value		
At 1st January	815	886
Fair value losses recognised in profit or loss during the period	-	(107)
At 30th June	815	779

22. Impacts of COVID-19

The outbreak of COVID-19 in 2020 has continued to pose significant challenges for the Group and has impacted the Group's operations and financial position.

(a) Liquidity and going concern

Cash preservation measures, the re-capitalisation, financing rounds and restructuring in 2020 have strengthened the Group's financial position.

The Group had unrestricted liquidity of HK\$32.8 billion at 30th June 2021 (31st December 2020: HK\$28.6 billion). The Directors have assessed cash flow forecasts under various scenarios, including downside assumptions of continued, heavily subdued passenger demand across the Group's network through the forecast period, and are of the opinion that the Group currently has sufficient unrestricted liquidity for at least the next 12 months from the date of approval of this interim financial report.

(b) Asset carrying values

Following significant changes in the operating environment for the Group, management has reviewed the recoverable amounts of its cash generating units, non-financial assets and investments.

Impairment and related charges of HK\$500 million (pre-tax) was recognised for the reduction in asset values (HK\$763 million, note 9 to the financial statements) mainly on a further 11 aircraft that are unlikely to re-enter meaningful economic service again before their retirement or return to lessors, and an offsetting adjustment to the provision for fulfilling lease return conditions of leased aircraft included therein (HK\$263 million net credit).

The above excludes the cross shareholding effect with Air China.

22. Impacts of COVID-19 (continued)

(c) Restructuring

The Group has continued to assess its cost base in the light of COVID-19 conditions and has implemented various redundancy initiatives in several regions. These one-off costs amounted to HK\$403 million in the first half of the year.

(d) Government grants and other assistance

The Group recognised HK\$710 million (30th June 2020: HK\$1,060 million) of government grants globally, mostly as a result of COVID-19.

HK\$158 million (30th June 2020: HK\$640 million) in respect of income grants are presented as revenue from other services and recoveries. HK\$552 million (30th June 2020: HK\$420 million) in relation to cost reductions and waivers are presented net of the respective cost categories. There were no unfulfilled conditions or contingencies attached to the grants at the period end.

(i) Hong Kong

Cost reductions were predominantly from the Hong Kong Airport Authority, representing HK\$508 million (30th June 2020: HK\$366 million) discounts and waivers on airport facility costs.

(ii) Outport

A total of HK\$165 million (30th June 2020: HK\$155 million) was received from outport governments, the majority of which relates to employment support schemes and is presented as revenue from other services and recoveries.

(e) COVID-19 related rent concessions

During the six months ended 30th June 2021, the Group received rent concessions in the form of a discount on fixed payments as a direct consequence of the COVID-19 pandemic.

Rent concessions of HK\$178 million (30th June 2020: HK\$123 million) received have been accounted for as negative variable lease payments recognised in profit or loss. This is allowable under the Amendment to HKFRS 16, applying the practical expedient under COVID-19-Related Rent Concessions which has been extended to concessions up to 30th June 2022. This amount includes concessions of HK\$154 million (30th June 2020: HK\$107 million) received from government vendors during the period and included as government grants and other assistance as disclosed above.

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 (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

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

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

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

The 2021 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Directors’ particulars

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

1. Ma Chongxian has been appointed as a Non-Executive Director of the Company with effect from 11th June 2021.
2. Martin Murray has resigned as a Non-Executive Director of the Company with effect from 25th August 2021.
3. Guy Bradley has been appointed as a Non-Executive Director of the Company with effect from 25th August 2021. He has also been appointed as an Executive Director and elected as Chairman of Swire Pacific Limited, and elected as Chairman of Swire Properties Limited and John Swire & Sons (H.K.) Limited on the same date.
4. Patrick Healy has been appointed as an Executive Director of Swire Pacific Limited with effect from 25th August 2021. He has resigned as a Non-Executive Director of Swire Properties Limited on the same date.
5. Merlin Swire has been re-designated from an Executive Director to a Non-Executive Director of Swire Pacific Limited and Swire Properties Limited with effect from 25th August 2021 on his ceasing to be the Chairman of Swire Pacific Limited and Swire Properties Limited. He has also resigned as the Chairman and a Director of John Swire & Sons (H.K.) Limited on the same date.
6. Andrew Tung Lieh Cheung has been appointed as Managing Partner of QBN Management Limited.

Directors' interests

At 30th June 2021, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that a Director held the following interests in the shares of Cathay Pacific Airways Limited:

	Capacity	No. of shares	Percentage of voting shares (%)
Merlin Swire	Trust interest (note)	30,000	0.00047

Note: All shares held by Merlin Swire under Trust interest were held by him as one of the executors of a will and he did not have any beneficial interest in those shares.

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

Substantial shareholders

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2021 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
Long position			
1. Air China Limited	4,827,269,423	74.99	Attributable interest (a)
2. China National Aviation Holding Corporation Limited	4,827,269,423	74.99	Attributable interest (b)
3. Swire Pacific Limited	4,827,269,423	74.99	Attributable interest (a)
4. John Swire & Sons Limited	4,827,269,423	74.99	Attributable interest (c)
5. Qatar Airways Group Q.C.S.C.	643,076,181	9.99	Beneficial interest (d)
6. The Financial Secretary Incorporated	416,666,666	6.47	Interest in controlled corporation (e)
7. HSBC Holdings plc	340,239,211	5.28	Interest in controlled corporation (f)
Short position			
1. HSBC Holdings plc	186,077,713	2.89	Interest in controlled corporation (f)

Note: At 30th June 2021:

- (a) Under Section 317 of the SFO, each of Air China Limited (Air China), China National Aviation Company Limited ("CNAC") and Swire Pacific Limited (Swire Pacific), being a party to the Shareholders' Agreement in relation to the Company dated 8th June 2006, was deemed to be interested in a total of 4,827,269,423 shares of the Company, comprising:
 - (i) 2,896,753,089 shares directly held by Swire Pacific;
 - (ii) 1,930,516,334 shares indirectly held by Air China and its subsidiaries CNAC, Super Supreme Company Limited and Total Transform Group Limited, comprising the following shares held by their wholly owned subsidiaries: 472,248,545 shares held by Angel Paradise Ltd., 351,574,615 shares held by Custain Limited, 314,054,626 shares held by Easerich Investments Inc., 310,870,873 shares held by Grand Link Investments Holdings Ltd., 339,343,616 shares held by Motive Link Holdings Inc. and 142,424,059 shares held by Perfect Match Assets Holdings Ltd.
- (b) China National Aviation Holding Corporation Limited was deemed to be interested in a total of 4,827,269,423 shares of the Company, in which its subsidiary Air China is deemed interested.
- (c) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,827,269,423 shares of the Company by virtue of the Swire group being interested in 57.89% of the equity of Swire Pacific and controlling 66.24% of the voting rights attached to shares in Swire Pacific.
- (d) Qatar Airways Group Q.C.S.C. held a total of 643,076,181 shares of the Company as beneficial owner. The interests were disclosed based on the disclosure of interest filing made by Qatar Airways Group Q.C.S.C. on 6th January 2021.
- (e) (i) Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, did not hold any ordinary shares of the Company; (ii) pursuant to a subscription agreement dated 9th June 2020 entered into between the Company and Aviation 2020 Limited in relation to the issue of preference shares and warrants, the Company issued 416,666,666 warrants to Aviation 2020 Limited on 12th August 2020, which entitle Aviation 2020 Limited to subscribe for up to 416,666,666 ordinary shares of the Company; (iii) if Aviation 2020 Limited chooses to exercise all warrants, it would hold approximately 6.08% of the ordinary shares of the Company as enlarged by the issue of such shares.
- (f) These shares were held by The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a corporation controlled by HSBC Holdings plc, as borrower under the Global Master Securities Lending Agreement dated 27th January 2021 entered into between HSBC and Swire Pacific Limited. The interests were disclosed based on the disclosure of interest filing made by HSBC Holdings plc on 26th May 2021.

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.

DESIGN: FORMAT LIMITED
www.format.com.hk
Printed in Hong Kong



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

