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CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2024 Interim Results

Financial and Operational Highlights

Group Financial Statistics

		2024	2023	
		Six months ended 30th June		Change
Results				
Revenue	HK\$ million	49,604	43,593	+13.8%
Profit attributable to the shareholders of the Cathay Group	HK\$ million	3,613	4,268	-15.3%
Earnings per ordinary share				
- basic	HK cents	52.4	61.5	-14.8%
- diluted	HK cents	47.0	55.2	-14.9%
Dividend per ordinary share	HK\$	0.20	-	+0.20
Profit margin	%	7.3	9.8	-2.5%pt
		30th June	31st December	
Financial position				
Funds attributable to the shareholders of the Cathay Group	HK\$ million	61,406	60,026	+2.3%
Net borrowings ^(a)	HK\$ million	47,971	52,764	-9.1%
Available unrestricted liquidity	HK\$ million	25,416	19,985	+27.2%
Ordinary shareholders' funds per ordinary share ^(b)	HK\$	8.0	7.8	+2.6%
Net debt/equity ratio ^(a)	Times	0.78	0.88	-0.10 times

Operating Statistics – Cathay Pacific

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

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK\$37,755 million and 0.61 respectively (31st December 2023: HK\$41,443 million and 0.69). Further details can be found in note 9 below.

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

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

(d) Underlying costs exclude non-recurring items.

Fleet Profile^(a)

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

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

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

(c) The Group believes that based on its available unrestricted liquidity as at 30th June 2024, as well as its ready access to both loan and debt capital markets, it will have sufficient financing capacity to fund this material investment in the fleet.

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

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

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

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

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

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

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

Chair's Statement

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

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

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

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

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

Business performance of Cathay Pacific

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

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

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

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

Turning to customer experience, our first-ever non-airport lounge officially opened its doors to guests early this year at the Shekou Cruise Home Port in Shenzhen, further elevating the intermodal travel experience we provide to travellers going to and from the Greater Bay Area via Hong Kong International Airport. Our partnerships with renowned dining brands continued to expand, bringing more specially designed menus to our customers on selected flights and in our lounges in collaboration with Michelin-starred restaurants. We also showcased an exclusive onboard selection of fine wines from leading wineries in China as part of our Discovery Wines series.

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

Business performance of subsidiaries and associates

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

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

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

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

Financial position

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

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

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

Prospects

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

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

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

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

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

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

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

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

Appreciation

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

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

Patrick Healy

Chair

Hong Kong, 7th August 2024

Review of Operations

Capacity, Load Factor and Yield – Cathay Pacific

	Capacity ASK/AFTK (million)*			Load factor (%)			Yield
	2024	2023	Change	2024	2023	Change	Change
Passenger services							
Americas	14,671	8,983	+63.3%	89.3	94.8	-5.5%pt	-10.1%
North Asia	10,609	7,179	+47.8%	75.3	78.3	-3.0%pt	-15.9%
Europe	9,682	8,807	+9.9%	88.5	92.4	-3.9%pt	-5.3%
Southwest Pacific	7,526	5,097	+47.7%	77.6	83.8	-6.2%pt	-15.5%
Southeast Asia	6,940	5,203	+33.4%	76.8	82.1	-5.3%pt	-14.8%
South Asia, Middle East and Africa	3,453	1,784	+93.6%	80.0	83.2	-3.2%pt	-12.1%
Overall	52,881	37,053	+42.7%	82.4	87.2	-4.8%pt	-11.0%
Cargo services	6,788	6,095	+11.4%	59.9	63.8	-3.9%pt	-2.9%

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

Passenger Services

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

- We saw a surge in demand for leisure travel from Hong Kong and the rest of the Greater Bay Area over the Chinese New Year holiday period, in particular on short-haul routes. Traffic between the Chinese Mainland and Hong Kong was also good over the holidays.
- Demand in the premium cabins was strong during March and April, driven by business travel to various exhibitions and trade shows that took place in Hong Kong and elsewhere in the Greater Bay Area.
- Our intermodal codeshare ferry services linking Hong Kong International Airport and Pazhou Ferry Terminal in Guangzhou proved to be popular with overseas customers who transited via Hong Kong to attend the Canton Fair in Guangzhou in April.

Americas

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

North Asia

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

Europe

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

Southwest Pacific

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

Southeast Asia

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

South Asia, the Middle East and Africa

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

Cargo Services

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

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

Other markets

- Primarily driven by the recovery of our passenger flights, cargo tonnage grew in the Americas, Europe, Northeast Asia, Southeast Asia, Southwest Pacific, South Asia, the Middle East and Africa.
- We saw growth in our market share into the GBA as the inbound market for perishables and other consumer items continued to grow.
- Cathay Cargo increased freighter frequency on transpacific routes in March to cater for the quarter-end air cargo peak season.
- Perishables and pharmaceuticals exports from Europe to Hong Kong and other regional destinations was strong.
- E-commerce business was robust, especially from the Chinese Mainland on long-haul routes to the Americas. There was also an encouraging growth on machinery movements from Japan, the Taiwan region and South Korea. Mail tonnage also grew significantly on North Asia routes with the increase of passenger flights in the region.
- We resumed our freighter operations in Ho Chi Minh City with one freighter per week from the summer schedule. Apart from general cargo, perishables and seafood continued to drive the growth from Southeast Asia.
- Perishables such as fresh products and chilled meats comprised a large proportion of the cargo carried from the Southwest Pacific.

- General cargo, dangerous goods, perishables, and valuable goods continued to drive the growth from South Asia, the Middle East and Africa.
- With freighter operations resumed in Ho Chi Minh City and suspended in Colombo, we were operating freighters serving 41 destinations outside Hong Kong as of 30th June 2024.

Lifestyle

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

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

Financial Review

Revenue

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

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

Operating Expenses

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

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

Operating Results Analysis

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

Notes:

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

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

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

Fuel Expenditure and Hedging

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

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

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

Financial Position

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

- Additions to property, plant and equipment during the six months period to 30th June 2024 were HK\$2,782 million, comprising HK\$2,518 million in respect of aircraft and related equipment, HK\$150 million in respect of land and buildings and HK\$114 million in respect of other equipment.
- Borrowings (being loans and other borrowings, and lease liabilities) decreased by 2.2% to HK\$66,810 million. Excluding leases without asset transfer components, borrowings decreased by 0.7% to HK\$56,594 million, which are fully repayable by 2035, with 44% at fixed rates of interest after taking into account derivative transactions. Borrowings are predominately denominated in United States dollars and Hong Kong dollars and the maturity profile of these borrowings has not changed materially from the information set out in the 2023 Annual Report.
- Available unrestricted liquidity at 30th June 2024 totalled HK\$25,416 million, comprising liquid funds of HK\$18,839 million and committed undrawn facilities of HK\$6,580 million, less pledged funds of HK\$3 million. Liquid funds are predominately denominated in United States dollars and Hong Kong dollars.
- Net borrowings (after deducting liquid funds) decreased by 9.1% to HK\$47,971 million. Excluding leases without asset transfer components, net borrowings decreased by 8.9% to HK\$37,755 million.
- Funds attributable to the shareholders of the Cathay Group increased by 2.3% to HK\$61,406 million. This was due to the Group's attributable profit for the period of HK\$3,613 million, convertible bonds of HK\$2 million converted into ordinary shares, increase in other comprehensive income of HK\$777 million, offset by dividends distributed to ordinary shareholders of HK\$2,768 million and the preference shareholder of HK\$244 million.
- Excluding leases without asset transfer components, the net debt/equity ratio decreased from 0.69 times to 0.61 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.78 at 30th June 2024 (31st December 2023: 0.88).
- The Group's policies in relation to financial risk management including the management of currency, interest rate and fuel price exposures and the uses of financial instruments to hedge these exposures are set out in the 2023 Annual Report.

Review of Other Subsidiaries and Associates

- Hong Kong Express Airways Limited (“HK Express”) recorded an after-tax loss of HK\$73 million in the first half of 2024, compared with a HK\$333 million profit in the first half of 2023. In the first half of 2024, HK Express carried 2.8 million passengers, an increase compared with the same period in 2023. The average flown load factor was 85%, a decrease of 0.5 percentage points. Available seat kilometres amounted to 6,370 million.
- AHK Air Hong Kong Limited recorded a profit in the first half of 2024 at a similar level compared with the same period in 2023.
- The financial results of Cathay Pacific Catering Services (H.K.) Limited as well as flight kitchens outside Hong Kong in the first half of 2024 improved compared to the same period in 2023.
- The financial results of Cathay Pacific Services Limited in the first half of 2024 improved compared with the same period in 2023.
- The financial results of Hong Kong Airport Services Limited for the first half of 2024 improved compared with the same period in 2023.
- The financial results of Vogue Laundry Service Limited for the first half of 2024 improved compared with the same period in 2023.
- The Group’s share of Air China Limited’s (“Air China”) results is based on its financial statements drawn up three months in arrears. Consequently the 2024 interim results include Air China’s results for the six months ended 31st March 2024. For the six months ended 31st March 2024, Air China’s financial results improved compared to those for the six months ended 31st March 2023 but still experienced operating losses. On 7th February 2024, the Group’s interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK\$2 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate. While we did not sell any shares, this was accounted for as a deemed partial disposal of our interest in Air China and a gain of HK\$90 million was recorded.
- Air China Cargo Co., Ltd. (“Air China Cargo”), in which the Cathay Group owns an equity and an economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. Our share of Air China Cargo’s results is based on its financial statements drawn up three months in arrears. Our 2024 interim results include Air China Cargo’s results for the six months ended 31st March 2024.

Sustainability Leadership

- Cathay co-initiated the launch of the Hong Kong Sustainable Aviation Fuel Coalition, a multi-stakeholder platform which brings together the aviation industry, SAF producers, fuel suppliers, infrastructure developers, users and policymakers to collaborate on advancing the development, supply and use of SAF.
- Cathay completed our first voluntary SAF uplift on commercial flights in Europe at Amsterdam Airport Schiphol. The significance of this overseas uplift is for our learning and paving the way for regular SAF uplift from multiple points in our network.
- We pledged to use SAF to offset 10% of the carbon emissions from employee duty travel on Cathay Pacific flights from 2024 onwards. This is in line with our position to scale up SAF usage on all fronts to contribute to the 10% SAF usage by 2030 target.
- Cathay has supported the Hong Kong SAR Government's Strive and Rise Programme for the past two years, reinforcing our long-standing commitment to youth development in the community. In February 2024, we invited more than 600 students and mentors to take part in the Cathay Aviation Exploration Open Day, providing an immersive and memorable aviation-themed experience for participants. Cathay's Director People, being the Strive and Rise Programme's Star Mentor, along with other colleagues from Cathay and our subsidiaries, provided a career talk to introduce the multi-faceted nature of the aviation industry.
- Cathay's flagship I Can Fly programme entered its 20th anniversary. This is our key initiative to promote aviation and encourage young people to contribute to society. In March 2024, the I Can Fly programme welcomed around 300 students with a passion for aviation to participate in a nine-month intensive programme. Led by Cathay pilots and employee volunteers, students had the chance to visit various aviation facilities, go through aviation-related training, participate in team-building activities, and design and implement their own social service projects. Outstanding students will have the opportunity to join an aviation experiential trip to explore different aspects of aviation. Over the past 20 years, more than 4,000 students have joined the programme to explore the world of aviation.
- Cathay continued to drive talent acquisition in the Chinese Mainland targeting different job roles including cabin crew, pilots, cadet pilots, IT professionals, ground employees, customer service officers and so on.
- In addition to the Chinese Mainland, our cabin crew recruitment efforts also include other Asian countries such as India, Indonesia, South Korea, Thailand, and Vietnam, among others.
- We regularly review our human capital and remuneration policies in light of legislation, industry practices, market conditions and individual and collective performance to ensure that our employee remuneration remains competitive.
- At 30th June 2024, the Cathay Group employed more than 27,200 people worldwide, with around 22,700 employed in Hong Kong.

Consolidated Statement of Profit or Loss

for the six months ended 30th June 2024 – Unaudited

	Note	2024 HK\$M	2023 HK\$M
Revenue			
Passenger services		33,004	27,563
Cargo services		12,610	12,432
Other services and recoveries		3,990	3,598
Total revenue		49,604	43,593
Expenses			
Staff		(7,770)	(6,612)
Inflight service and passenger expenses		(1,957)	(1,244)
Landing, parking and route expenses		(6,572)	(5,066)
Fuel, including hedging gains		(14,160)	(10,635)
Aircraft maintenance		(4,047)	(3,253)
Aircraft depreciation and rentals		(4,929)	(5,043)
Other depreciation, amortisation and rentals		(1,256)	(1,305)
Others		(3,006)	(3,799)
Operating expenses		(43,697)	(36,957)
Operating profit before non-recurring items		5,907	6,636
Gain on deemed partial disposal of an associate	4	90	1,929
Net reversal of impairment		19	208
Operating profit	5	6,016	8,773
Finance charges		(1,939)	(1,997)
Finance income		484	551
Net finance charges		(1,455)	(1,446)
Share of losses of associates		(320)	(2,620)
Profit before taxation		4,241	4,707
Taxation	6	(628)	(439)
Profit for the period		3,613	4,268
Profit for the period attributable to			
Ordinary shareholders of the Cathay Group		3,372	3,959
Preference shareholder of the Cathay Group		241	309
Non-controlling interests		-	-
Profit for the period		3,613	4,268
Underlying profit attributable to shareholders of the Cathay Group		3,504	2,131
Earnings per ordinary share			
Basic	7	52.4¢	61.5¢
Diluted	7	47.0¢	55.2¢

Consolidated Statement of Other Comprehensive Income

for the six months ended 30th June 2024 – Unaudited

	<i>Note</i>	2024	2023
		HK\$M	HK\$M
Profit for the period		3,613	4,268
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		1,233	(948)
Share of other comprehensive income of associates		(68)	(387)
Exchange differences on translation of foreign operations		(387)	(797)
Item that is or may be not reclassified subsequently to profit or loss:			
Defined benefit plans		(1)	-
Other comprehensive income for the period, net of taxation	8	777	(2,132)
Total comprehensive income for the period		4,390	2,136
Total comprehensive income attributable to			
Ordinary shareholders of the Cathay Group		4,149	1,827
Preference shareholder of the Cathay Group		241	309
Non-controlling interests		-	-
		4,390	2,136

Consolidated Statement of Financial Position

at 30th June 2024 – Unaudited

	30th June 2024	31st December 2023
	<i>Note</i>	
	HK\$M	HK\$M
ASSETS AND LIABILITIES		
Non-current assets and liabilities		
Property, plant and equipment		116,088
Intangible assets		14,539
Investments in associates		16,046
Other long-term receivables and investments		3,608
Deferred tax assets		1,085
		148,050
Interest-bearing liabilities	9	(57,771)
Other long-term payables		(2,810)
Other long-term contract liabilities		(252)
Deferred tax liabilities		(7,756)
		(66,403)
Net non-current assets		82,777
Current assets and liabilities		
Stock		967
Trade and other receivables	10	6,252
Liquid funds	11	15,530
		27,580
Interest-bearing liabilities	9	(10,523)
Trade and other payables	12	(17,238)
Contract liabilities		(15,223)
Taxation		(2,509)
		(47,814)
Net current liabilities		(22,744)
Total assets less current liabilities		128,622
Net assets		60,033
CAPITAL AND RESERVES		
Share capital	13	28,828
Reserves		31,198
Funds attributable to the shareholders of the Cathay Group		60,026
Non-controlling interests		7
Total equity		60,033

Consolidated Statement of Cash Flows

for the six months ended 30th June 2024 - Unaudited

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

Notes:**1. Basis of preparation and accounting policies**

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

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

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

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

2. Changes in accounting policies

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

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

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

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

3. Segment information

(a) Segment results

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

	Six months ended 30th June 2023					
	Cathay Pacific HK\$M	HK Express HK\$M	Air Hong Kong HK\$M	Airline services HK\$M	Associates HK\$M	Total HK\$M
Profit or loss						
Sales to external customers	38,995	2,601	1,676	321		43,593
Inter-segment sales	278	-	4	1,386		1,668
Segment revenue	39,273	2,601	1,680	1,707		45,261
Segment profit/(loss), before non-recurring items	5,770	548	477	(159)		6,636
Gain on deemed partial disposal of an associate	1,929	-	-	-		1,929
Net reversal of impairment	208	-	-	-		208
Segment profit/(loss)	7,907	548	477	(159)		8,773
Net finance (charges)/income	(880)	(178)	4	(392)		(1,446)
	7,027	370	481	(551)		7,327
Share of losses of associates	-	-	-	-	(2,620)	(2,620)
Profit/(loss) before taxation	7,027	370	481	(551)	(2,620)	4,707
Taxation	(310)	(37)	(79)	(1)	(12)	(439)
Profit/(loss) for the period	6,717	333	402	(552)	(2,632)	4,268
Non-controlling interests	-	-	-	-	-	-
Profit/(loss) attributable to the shareholders of the Cathay Group	6,717	333	402	(552)	(2,632)	4,268

3. Segment information (continued)

- (i) Cathay Pacific provides full-service international passenger and cargo air transportation. Management considers that there is no reasonable and complete basis for allocating operating results fully between passenger and cargo operations. Accordingly these operations are not disclosed as separate business segments.
- (ii) HK Express is a low cost passenger carrier offering scheduled services within Asia.
- (iii) Air Hong Kong provides express cargo air transportation offering scheduled services within Asia.
- (iv) Airline services represents our supporting airline operations including catering, cargo terminal operations, ground handling services and commercial laundry operations.
- (v) Associates represents the share of results from associates held by the Group under the equity method.

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

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

(b) Geographical information

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

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

4. Gain on deemed partial disposal of an associate

On 7th February 2024, the Group's interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK\$2 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate.

A gain on this deemed partial disposal of HK\$90 million was recorded, principally reflecting the change in the Group's share of net assets in Air China immediately before and after the share issuance.

5. Operating profit

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

6. Taxation

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

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

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

As the basis of Global Anti-Base Erosion ("GloBE") Income calculation for the aviation industry is subject to further guidance from the OECD, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably able to be estimated due to the complexities in applying the legislation and calculating GloBE Income. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

7. Earnings per ordinary share

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

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

(b) The Company's warrants and convertible bonds as at 30th June 2024 have a dilutive effect to the earnings per ordinary share. The dilutive impact for the period ended 30th June 2024 is presented above. Please refer to notes 13(b) and 13(c) for the background and details of warrants and convertible bonds.

8. Other comprehensive income

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

9. Interest-bearing liabilities

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

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

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

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

- (a) On 5th February 2021, the Group completed the issuance of HK\$6,740 million guaranteed convertible bonds at a rate of 2.75%, with maturity in 2026. The bonds are accounted for as compound financial instruments, with both a liability component and an equity component. Please refer to note 13(c) for details.
- (b) During the six months ended 30th June 2024, the following transactions have taken place under the Group's US\$2.5 billion Medium Term Note Programme:
- the Group issued unlisted notes HK\$1,825 million (six months ended 30th June 2023: nil)
 - the Group redeemed HK\$288 million of unlisted notes (six months ended 30th June 2023: redeemed SG\$175 million (HK\$1.0 billion) of listed notes on the Singapore Exchange and HK\$400 million of unlisted notes)

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

10. Trade and other receivables

	30th June 2024	31st December 2023
	HK\$M	HK\$M
Trade debtors, net of loss allowances	4,741	4,323
Derivative financial assets - current portion	998	253
Other receivables and prepayments	1,906	1,512
Due from associates and other related companies	24	164
	7,669	6,252

	30th June 2024	31st December 2023
	HK\$M	HK\$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	4,461	3,850
One to three months	162	467
More than three months	118	6
	4,741	4,323

11. Liquid funds

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

Included in other liquid investments are debt securities of HK\$3 million (31st December 2023: HK\$5 million) which are pledged as part of long-term financing arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

Available unrestricted funds to the Group are as follows:

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

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

12. Trade and other payables

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

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

13. Share capital

	30th June 2024		31st December 2023	
	Number of shares	HK\$M	Number of shares	HK\$M
Issued and fully paid				
Ordinary shares				
At 1st January	6,437,900,319	28,828	6,437,200,203	28,822
Conversion of bonds (note 13(c))	246,305	2	700,116	6
	6,438,146,624	28,830	6,437,900,319	28,828
Preference shares				
At 1st January (note 13(a))	-	-	195,000,000	19,500
Reduction	-	-	(97,500,000)	(9,750)
Redemption (note 13(a))	-	-	(97,500,000)	(9,750)
	-	-	-	-
		28,830		28,828

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

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

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

13. Share capital (continued)

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

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

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

- (c) On 27th January 2021, Cathay Pacific Finance III Limited, a wholly-owned subsidiary of the Company, as the Issuer, the Company as the Guarantor, and BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc as the Managers, entered into the subscription agreement in relation to the issuance of 2.75% guaranteed convertible bonds (the “Bonds”) in a principal amount of HK\$6,740,000,000. The Bonds were issued on 5th February 2021.

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

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

On 13th May 2024, 246,305 ordinary shares were allotted and issued to Citi (Nominees) Ltd on exercise of the conversion rights at the conversion price of HK\$8.12 per ordinary share in the principal amount of HK\$2,000,000 (the “Conversion”). The portion of the Bonds of which the conversion rights being exercised represents less than 0.01% of the Bonds and the enlarged total issued share capital of the Company resulting from the Conversion.

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

14. Dividends

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

The preference shares will accrue dividends at the rate of:

- (i) 3% per annum from and including the Issue Date (i.e. 12th August 2020) to but excluding the date falling three years from the Issue Date (the “First Step-up Date”);
- (ii) 5% per annum from and including the First Step-up Date to but excluding the date falling four years from the Issue Date (the “Second Step-up Date”);
- (iii) 7% per annum from and including the Second Step-up Date to but excluding the date falling five years from the Issue Date (the “Third Step-up Date”); and
- (iv) 9% per annum from and including the Third Step-up Date.

Dividends on cumulative preference shares are paid semi-annually in arrears at the current rate of 5% per annum, compounding, and can be deferred in whole or in part at the Company’s discretion. Dividends on cumulative preference shares are not accrued until declared and are classified as distributions from equity.

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

The Company redeemed 97,500,000 Preference Shares at a redemption price of HK\$100 per Preference Share on 4th December 2023. On 14th February 2024, the Company paid dividend of HK\$244 million on the remaining 97,500,000 Preference Shares to the preference shareholder.

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

(b) Dividends payable to ordinary shareholders

The Articles of Association of the Company require that any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute “Arrears of Dividend” and that the Company shall not make any discretionary distribution or dividend in cash or otherwise on any ordinary shares until all outstanding Arrears of Dividend have been paid in full and the dividends scheduled to be paid on the subsequent dividend payment date are paid in full to the preference shareholders.

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

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

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

14. Dividends (continued)

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

The register of members will be closed on Friday, 6th September 2024, during which day no transfer of shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5th September 2024.

15. Events after the reporting period

Final redemption of Preference Shares

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

Purchase of 30 Airbus A330-900 aircraft

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

16. Corporate governance

Cathay Pacific is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report.

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

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

The 2024 interim results have been reviewed by the Audit Committee of the Company and by the external auditors. Details on Corporate Governance can be found in the 2023 Annual Report and in the 2024 Interim Report.

17. Interim report

The 2024 Interim Report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website (www.cathaypacific.com) on or before 23rd August 2024. Printed copies will be dispatched to shareholders who have elected to receive printed copies on 26th August 2024.

Disclaimer

This document may contain certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including the effects of Covid-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese Mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group's ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

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

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

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

Independent Non-Executive Directors: Bernard Chan, Lily Cheng, Christoph Mueller and Wang Xiao Bin

By Order of the Board

Cathay Pacific Airways Limited

Patrick Healy

Chair

Hong Kong, 7th August 2024

Website: www.cathaypacific.com

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