CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2023 Annual Results

Financial and Operational Highlights

Group Financial Statistics

Results		2023	2022 (restated)	Change
Revenue	*HK$ million*	**94,485**	51,036	**+85.1%**
Profit/(loss) attributable to the shareholders of the Cathay Group	*HK$ million*	**9,789**	(6,623)	**+16,412**
Earnings/(loss) per ordinary share				
- basic	*HK cents*	**140.8**	(112.4)	**+253.2**
- diluted	*HK cents*	**125.8**	(112.4)	**+238.2**
Dividend per ordinary share	*HK$*	**0.43**	-	**+0.43**
Profit/(loss) margin	*%*	**10.4**	(13.0)	**+23.4%pt**

Financial position				
Funds attributable to the shareholders of the Cathay Group	*HK$ million*	**60,026**	63,803	**-5.9%**
Net borrowings[(a)]	*HK$ million*	**52,764**	58,829	**-10.3%**
Available unrestricted liquidity	*HK$ million*	**19,985**	27,188	**-26.5%**
Ordinary shareholders' funds per ordinary share[(b)]	*HK$*	**7.8**	6.7	**+16.4%**
Net debt/equity ratio[(a)]	*Times*	**0.88**	0.92	**-0.04 times**

Operating Statistics – Cathay Pacific

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

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

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

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

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

Fleet Profile[a]

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

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

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

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

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

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

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

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

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

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

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

CATHAY

Chair's Statement

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

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

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

Financial results

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

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

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

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

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

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

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

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

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

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

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

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

Patrick Healy
Chair
Hong Kong, 13th March 2024

Chief Executive Officer's Review and Outlook

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

Rebuilding from the pandemic

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

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

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

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

Investing into the future

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

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

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

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

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

Business performance of Cathay

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

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

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

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

Business performance of subsidiaries and associates

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

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

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

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

Outlook

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

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

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

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

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

Gratitude

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

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

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

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

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

Review of Operations

Capacity, Load Factor and Yield Change – Cathay Pacific

	Capacity ASK/AFTK (million)*			Load factor (%)			Yield
	2023	2022	**Change**	**2023**	2022	**Change**	**Change**
Passenger services							
Americas	**21,535**	6,868	**+213.6%**	**91.9**	76.9	**+15.0%pt**	**-7.0%**
Europe	**19,508**	4,879	**+299.8%**	**90.3**	85.1	**+5.2%pt**	**-24.6%**
North Asia	**17,175**	2,706	**+534.7%**	**78.4**	54.8	**+23.6%pt**	**-31.6%**
Southeast Asia	**11,416**	2,051	**+456.6%**	**80.6**	62.9	**+17.7%pt**	**-20.4%**
Southwest Pacific	**11,199**	2,711	**+313.1%**	**83.6**	73.8	**+9.8%pt**	**-30.1%**
South Asia, the Middle East and Africa	**4,774**	841	**+467.7%**	**81.8**	65.9	**+15.9%pt**	**-15.7%**
Overall	**85,607**	20,056	**+326.8%**	**85.7**	73.6	**+12.1%pt**	**-17.7%**
Cargo services	**13,069**	8,181	**+59.7%**	**62.0**	70.6	**-8.6%pt**	**-41.3%**

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

Passenger Services

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

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

Americas

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

Europe

- We progressively increased flight frequencies on a number of our Europe routes. Notably, our popular London Heathrow service returned to up to five round-trip flights per day.
- In light of the situation in Israel, we temporarily suspended all our flights between Hong Kong and Tel Aviv from October 2023 until further notice.
- As at 31st December 2023, we were operating passenger flights serving eight destinations in Europe.

North Asia

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

Southeast Asia

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

Southwest Pacific

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

South Asia, the Middle East and Africa

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

Cargo Services

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

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

Americas

- In Mexico, we moved our freighter operation from Mexico City International Airport (MEX) to Felipe Ángeles International Airport (NLU), effective 1st July 2023.
- Cathay Cargo suspended freighter services to Columbus from August and added frequency to Toronto instead.

- Cathay Cargo increased freighter frequency on transpacific routes from the end of August to cater for the year-end air cargo peak season.
- At 31st December 2023, we were operating freighters serving 11 destinations and passenger bellies serving six destinations in the Americas.

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

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

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

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

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

Financial Review

Revenue

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

Operating Expenses

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

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

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

Operating Results Analysis

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

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

Notes:

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

b) Please refer note 4 below for details.

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

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

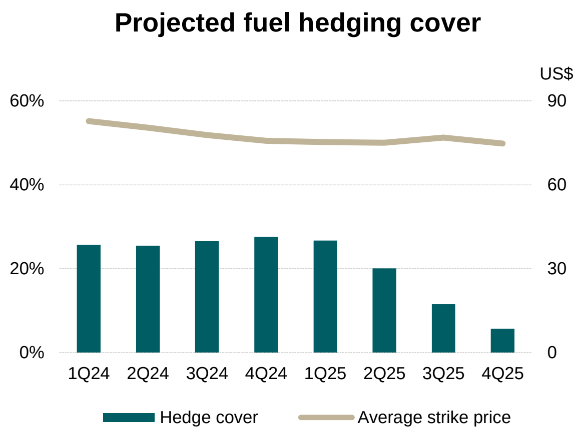
	HK$M	
2022 Cathay Pacific's profit before taxation (restated)	**2,456**	
Increase of revenue:		
- Passenger and cargo revenue	**37,437**	- Passenger revenue increased significantly following the full reopening of borders in Hong Kong and the Chinese Mainland. The increase in capacity and traffic was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

Fuel Expenditure and Hedging

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

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

- Fuel consumption in 2023 was 28.8 million barrels (2022: 13.3 million barrels), an increase of 116.5% compared with an increase in capacity of 110.1%.
- The Group's fuel hedging cover at 31st December 2023 is set out in the chart opposite.
- The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. The Group uses fuel derivatives which are economically equivalent to forward contracts to achieve its desired hedging position. The chart positioned to the right indicates the estimated percentage of projected consumption by quarter in 2024 and 2025 covered by hedging transactions at various Brent strike prices, as well as the average strike price for each period.



- The Group does not speculate on oil prices but uses hedging to manage short to medium term volatility in oil prices and therefore its fuel costs. Hedging is not risk free.

Assets

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

Borrowings and Capital

- Borrowings (being loans and other borrowings, and lease liabilities) decreased by 11.4% to HK$68,294 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 10.1% to HK$56,973 million, which are fully repayable by 2035, with 43% at fixed rates of interest after taking into account derivative transactions. Borrowings are predominately denominated in United States dollars and Hong Kong dollars and the maturity profile of these borrowings has not changed materially from the information set out in the 2022 Annual Report.
- Available unrestricted liquidity at 31st December 2023 totalled HK$19,985 million, comprising liquid funds of HK$15,530 million and committed undrawn facilities of HK$4,460 million, less pledged funds of HK$5 million. Liquid funds are predominately denominated in United States dollars and Hong Kong dollars.
- Net borrowings (after deducting liquid funds) decreased by 10.3% to HK$52,764 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 8.0% to HK$41,443 million.
- Funds attributable to the shareholders of the Cathay Group (being ordinary shares, preference shares and reserves) decreased by 5.9% to HK$60,026 million. This was due to the Group's profit of HK$9,789 million (before non-controlling interest), convertible bonds of HK$6 million converted into ordinary shares, partially offset by preference shares redeemed of HK$9,750 million, decrease in other comprehensive income of HK$1,853 million and dividends distributed to the preference shareholder of HK$1,969 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.71 times to 0.69 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.88 at 31st December 2023 (31st December 2022: 0.92 times).
- Use of proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
  - *HK$31.1 billion rights issue and preference shares and warrants issue in 2020 - HK$9.6 billion unused proceeds were brought forward on 1st January 2023 and have been fully utilised for general corporate purposes in the first-half of 2023.*

Review of subsidiaries and associates

- Hong Kong Express Airways Limited recorded an after-tax profit of HK$433 million in 2023, compared with a HK$1,369 million loss (restated) in 2022. Flight capacity amounted to 9,432 million available seat kilometres, reflecting the airline's significantly expanded capacity following the reopening of borders in Hong Kong, the Chinese Mainland and the Asia region. The average flown load factor was 86.0%, an increase of 17.7 percentage points compared with 2022.
- AHK Air Hong Kong Limited recorded a profit in 2023 at a similar level compared with 2022. In 2023, flight capacity (in terms of available cargo tonne kilometres) decreased by 0.8% to 881 million.
- Cathay Pacific Catering Services (H.K.) Limited ("Cathay Dining") produced 19.4 million airline meals and handled 43,389 flights in 2023, representing a daily average of 53,134 meals and 119 flights, an increase of 379% and 170%, respectively, from 2022. Despite the higher volumes, the financial results of Cathay Dining in 2023 declined compared with 2022 due to high interest expenses and reduction in Covid-19 government grants and other assistance. The financial results of flight kitchens outside Hong Kong in 2023 improved compared with 2022.
- Cathay Pacific Services Limited ("Cathay Cargo Terminal" or "CCT") provided cargo-handling services for the Cathay Group and 15 other scheduled airlines, excluding chartered customers, in 2023. It handled 1.4 million tonnes of cargo in 2023, an increase of 17% compared with 2022. The financial results in 2023 declined compared with 2022 due to high interest expenses.
- The financial results of Hong Kong Airport Services Limited in 2023 improved compared with 2022.
- The financial results of Vogue Laundry Services Limited in 2023 declined compared with 2022 due to high interest expenses.
- Air China Limited ("Air China"), in which the Cathay Group had a 16.26% interest at 31st December 2023, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. The Group's share of Air China's results is based on its financial statements drawn up three months in arrears. Consequently the 2023 annual results include Air China's results for the 12 months ended 30th September 2023. For the 12 months ended 30th September 2023, Air China's financial results improved compared to those for the 12 months ended 30th September 2022. On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and has continued to equity account for its interest in Air China as an associate. While we did not sell any shares, this was accounted for as a deemed partial disposal of our interest in Air China and a gain of HK$1,929 million was recorded. On 7th February 2024, the Group's interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK$2 billion. Further details can be found in note 18 below, Non-adjusting events after the reporting period.
- Air China Cargo Co., Ltd. ("Air China Cargo"), in which the Cathay Group owns an equity and economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. Our share of Air China Cargo's results is based on its financial statements drawn up three months in arrears. Consequently the 2023 annual results include Air China Cargo's results for the 12 months ended 30th September 2023.

Corporate Responsibility

- We have formed a strategic partnership with the State Power Investment Corporation (SPIC) to drive further development of the SAF supply chain in the Chinese Mainland. Additionally, we continue to collaborate with the Civil Aviation University of China (CAUC) to explore new SAF technologies and the feasibility of commercialising SAF feedstocks.
- Cathay Pacific successfully conducted the first overseas SAF uplift on our commercial flights in Singapore and Los Angeles.
- Cathay Pacific launched its first-ever talent recruitment campaign targeting cabin crew in the Chinese Mainland and will continue to provide more job opportunities for talent from the Chinese Mainland in various roles such as cadet pilots, IT professionals, ground employees and customer service officers.
- We have established new Employee Resource Groups (ERGs) to promote equity and inclusion in the workplace, where everyone feels respected, valued and free to bring their whole selves to work. The existing ERGs are the Gender Equity Network, Fly with Pride, OneCathay Intercultural Network and Ability to Fly.
- We strengthened the Cathay Volunteer Team, doubling the number of our employee volunteers during the initial recruitment period.
- We supported the Hong Kong SAR Government's Strive and Rise Programme, focused on youth mentoring and development. We hosted 1,600 students and mentors who participated in our Aviation Exploration Days, including airline facility tours, and conducted our popular Cathay Community Flight for students to experience the joy of flying for the first time.
- At 31st December 2023, the Group employed more than 23,800 people worldwide, with around 19,600 employed in Hong Kong.
- We regularly review our human resources and remuneration policies in light of legislation, industry practices, market conditions and individual and collective performance to ensure that our employee remuneration remains competitive.

Consolidated Statement of Profit or Loss

for the year ended 31st December 2023

	Note	2023 HK$M	2022 (restated)* HK$M
Revenue			
Passenger services		**61,437**	14,333
Cargo services		**25,606**	30,554
Other services and recoveries		**7,442**	6,149
Total revenue		**94,485**	51,036
Expenses			
Staff		**(14,785)**	(10,646)
Inflight service and passenger expenses		**(3,026)**	(694)
Landing, parking and route expenses		**(11,190)**	(5,590)
Fuel, including hedging gains		**(24,989)**	(10,488)
Aircraft maintenance		**(7,357)**	(3,206)
Aircraft depreciation and rentals		**(9,860)**	(9,884)
Other depreciation, amortisation and rentals		**(2,578)**	(2,544)
Others		**(7,701)**	(4,513)
Operating expenses		**(81,486)**	(47,565)
Operating profit before non-recurring items		**12,999**	3,471
Gain on deemed partial disposal of an associate	*4*	**1,929**	-
Net reversal of impairment and other gains or charges		**197**	-
Operating profit	*5*	**15,125**	3,471
Finance charges		**(3,961)**	(3,074)
Finance income		**1,228**	165
Net finance charges	*6*	**(2,733)**	(2,909)
Share of losses of associates		**(1,534)**	(6,677)
Profit/(loss) before taxation		**10,858**	(6,115)
Taxation	*7*	**(1,068)**	(507)
Profit/(loss) for the year		**9,790**	(6,622)
Profit/(loss) for the year attributable to			
Ordinary shareholders of the Cathay Group		**9,067**	(7,237)
Preference shareholder of the Cathay Group	*17*	**722**	614
Non-controlling interests		**1**	1
Profit/(loss) for the year		**9,790**	(6,622)
Underlying profit/(loss) attributable to shareholders of the Cathay Group^		**7,663**	(6,623)
Earnings/(loss) per ordinary share			
Basic	*8*	**140.8¢**	(112.4)¢
Diluted	*8*	**125.8¢**	(112.4)¢

* Background and details of 2022 restatement can be found in note 2(b) below.

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

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Consolidated Statement of Other Comprehensive Income

for the year ended 31st December 2023

	Note	2023 HK$M	2022 (restated)* HK$M
Profit/(loss) for the year		**9,790**	(6,622)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		**(1,201)**	(707)
Share of other comprehensive income of associates		**(252)**	227
Exchange differences on translation of foreign operations		**(555)**	(1,442)
Items that are or may not be reclassified subsequently to profit or loss:			
Defined benefit plans		**157**	108
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**(2)**	(4)
Other comprehensive loss for the year, net of taxation	*9*	**(1,853)**	(1,818)
Total comprehensive income/(loss) for the year		**7,937**	(8,440)
Total comprehensive income attributable to			
Ordinary shareholders of the Cathay Group		**7,214**	(9,055)
Preference shareholder of the Cathay Group	*17*	**722**	614
Non-controlling interests		**1**	1
		7,937	(8,440)

* Background and details of 2022 restatement can be found in note 2(b) below.

Consolidated Statement of Financial Position

at 31st December 2023

	Note	2023 HK$M	2022 (restated)* HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment	*10*	**116,088**	118,855
Intangible assets	*11*	**14,539**	14,800
Investments in associates		**16,046**	16,492
Other long-term receivables and investments		**3,608**	3,297
Deferred tax assets		**1,085**	1,134
		151,366	154,578
Interest-bearing liabilities	*12*	**(57,771)**	(62,463)
Other long-term payables		**(2,810)**	(2,841)
Other long-term contract liabilities		**(252)**	(282)
Deferred tax liabilities		**(7,756)**	(8,117)
		(68,589)	(73,703)
Net non-current assets		**82,777**	80,875
Current assets and liabilities			
Stock		**967**	1,137
Trade and other receivables	*13*	**6,252**	6,921
Assets held for sale		**-**	1
Liquid funds	*14*	**15,530**	18,277
		22,749	26,336
Interest-bearing liabilities	*12*	**(10,523)**	(14,643)
Trade and other payables	*15*	**(17,238)**	(11,199)
Contract liabilities		**(15,223)**	(13,537)
Taxation		**(2,509)**	(4,023)
		(45,493)	(43,402)
Net current liabilities		**(22,744)**	(17,066)
Total assets less current liabilities		**128,622**	137,512
Net assets		**60,033**	63,809
CAPITAL AND RESERVES			
Share capital	*16*	**28,828**	48,322
Reserves		**31,198**	15,481
Funds attributable to the shareholders of the Cathay Group		**60,026**	63,803
Non-controlling interests		**7**	6
Total equity		**60,033**	63,809

* Background and details of 2022 restatement can be found in note 2(b) below.

Consolidated Statement of Cash Flows

for the year ended 31st December 2023

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

Notes:

1. Basis of accounting

The annual results set out in this announcement are extracted from the Group's statutory financial statements for the year ended 31st December 2023.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information relating to the years ended 31st December 2023 and 2022 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2022 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2023 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2023 and 2022. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs for the current accounting period of the Group.

(a) New and amended HKFRSs

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

- HKFRS 17 "Insurance contracts"
- Amendments to HKAS 8 "Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates"
- Amendments to HKAS 1 "Presentation of financial statements" and HKFRS Practice Statement 2 "Making materiality judgements: Disclosure of accounting policies"
- Amendments to HKAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"
- Amendments to HKAS 12 "Income taxes: International tax reform – Pillar Two model rules"

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

The standard and the amendments do not have a material impact on these financial statements except as described below.

2. **Changes in accounting policies (continued)**

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

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

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

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

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

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

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19 to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

2. Changes in accounting policies (continued)

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP obligations. This change in accounting policy did not have any impact on the opening balance of equity at 1st January 2022 and the cash flows for the year ended 31st December 2022.

The following table summarises the impacts of the change in accounting policy and adoption of the HKICPA guidance ("Impacts") on the comparatives presented in the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of financial position:

	As previously reported HK$M	Impacts HK$M	As restated HK$M
Consolidated statement of profit or loss for the year ended 31st December 2022:			
Staff expenses	(10,571)	(75)	**(10,646)**
Operating expenses	(47,490)	(75)	**(47,565)**
Operating profit before non-recurring items and operating profit	3,546	(75)	**3,471**
Loss before taxation	(6,040)	(75)	**(6,115)**
Loss for the year	(6,547)	(75)	**(6,622)**
Loss attributable to ordinary shareholders of the Cathay Group	(7,162)	(75)	**(7,237)**
Loss per ordinary share			
- Basic and diluted	(111.3)¢		**(112.4)¢**
Consolidated statement of other comprehensive income for the year ended 31st December 2022:			
Total comprehensive loss for the year	(8,365)	(75)	**(8,440)**
Total comprehensive loss attributable to ordinary shareholders of the Cathay Group	(8,980)	(75)	**(9,055)**
Consolidated statement of financial position at 31st December 2022:			
Other long-term payables	(2,766)	(75)	**(2,841)**
Total non-current liabilities	(73,628)	(75)	**(73,703)**
Net non-current assets	80,950	(75)	**80,875**
Net assets	63,884	(75)	**63,809**
Reserves	15,556	(75)	**15,481**
Funds attributable to the shareholders of the Cathay Group	63,878	(75)	**63,803**
Total equity	63,884	(75)	**63,809**
Reconciliation of operating profit to cash generated from operations for the year ended 31st December 2022			
Operating profit	3,546	(75)	**3,471**
Gains from financial derivatives, cash flow hedge reserve and other items not involving cash flows	(163)	75	**(88)**

If the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19, in the Group's consolidated statement of profit or loss for the year ended 31st December 2023, staff expenses would decrease by HK$9 million, profit for the year would increase by HK$9 million while the other comprehensive income for the year and attributable to the Cathay Group would increase by HK$6 million. In the Group's consolidated statement of financial position as at same date, other long-term payables would be reduced by HK$90 million, resulting in a corresponding increase in net assets and reserves.

2. **Changes in accounting policies (continued)**

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31st December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

- Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to HKFRS 16 "Lease Liability in a Sale and Leaseback"
- Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments" to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1 "Non-current Liabilities with Covenants"
- Amendments to HKAS 7 and HKFRS 7 "Supplier Finance Arrangements"
- Amendments to HKAS 21 "Lack of Exchangeability"

The Group has yet to assess the full impact of these developments. So far it is not expected that the adoption of them will have a significant impact on the consolidated financial statements.

3. **Segment information**

(a) Segment results

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

3. Segment information (continued)

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

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

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

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

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

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

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

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

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

3. Segment information (continued)

(b) Geographical information

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

4. Gain on deemed partial disposal of an associate

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

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

5. Operating profit

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

6. Net finance charges

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

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

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

7. Taxation

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

Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice, and the status of negotiations.

7. Taxation (continued)

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

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

8. Earnings/(loss) per ordinary share

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

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

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

9. Other comprehensive loss

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

10. Property, plant and equipment

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

11. Intangible assets

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

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

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

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

11. Intangible assets (continued)

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

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

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

12. Interest-bearing liabilities

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

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

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

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

Save as disclosed in note 16, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed debt securities (2022: nil).

13. Trade and other receivables

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

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

13. **Trade and other receivables (continued)**

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

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

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

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

14. **Liquid funds**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds and the availability of an adequate amount of committed undrawn credit facilities to meet obligations when due.

The Group will fund its committed contractual maturities through cash flows earned and financing available under its credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising liquid funds and the undrawn credit facilities below) on the basis of expected cash flows. In addition, the Group's liquidity management policy includes monitoring balance sheet liquidity ratios against internal and external benchmarks and maintaining debt financing plans.

Management has assessed cash flow forecasts under various scenarios. Management is of the opinion that the Group has sufficient unrestricted liquidity for at least the next 12 months from the date of approval of the consolidated financial statements. Accordingly management concludes that it is appropriate to prepare the financial statements on a going concern basis.

At the end of the reporting period, the Group held liquid funds of HK$15,530 million (2022: HK$18,277 million) that is available for managing liquidity risk.

14. Liquid funds (continued)

(a) Financial arrangements

The Group had access to the following liquid funds and undrawn facilities at the end of the reporting period:

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

	2023 HK$M	2022 HK$M
Uncommitted bank overdraft facilities	**438**	431

Due to the dynamic nature of the underlying businesses, the Group treasury function also maintains funding flexibility through available committed and uncommitted credit facilities. Committed undrawn facilities may be drawn at any time in either Japanese yen, Hong Kong dollar or United States dollar. Uncommitted bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

(b) Payment profile of financial liabilities

The undiscounted payment profile of financial liabilities is outlined as follows:

	2023				
	Within one year HK$M	**After one year but within two years HK$M**	**After two years but within five years HK$M**	**After five years HK$M**	**Total HK$M**
Group					
Loans and other borrowings	**(7,651)**	**(8,746)**	**(23,697)**	**(6,386)**	**(46,480)**
Lease liabilities	**(6,302)**	**(4,944)**	**(12,002)**	**(12,415)**	**(35,663)**
Other long-term payables	**-**	**(561)**	**(1,399)**	**(556)**	**(2,516)**
Trade and other payables	**(16,816)**	**-**	**-**	**-**	**(16,816)**
Derivative financial liabilities, net	**(393)**	**(169)**	**-**	**-**	**(562)**
Total	**(31,162)**	**(14,420)**	**(37,098)**	**(19,357)**	**(102,037)**

	2022				
	Within one year HK$M	After one year but within two years HK$M	After two years but within five years HK$M	After five years HK$M	Total HK$M
Group					
Loans and other borrowings	(10,421)	(8,900)	(27,104)	(6,683)	(53,108)
Lease liabilities	(7,417)	(6,153)	(12,079)	(12,170)	(37,819)
Other long-term payables	-	(793)	(1,222)	(610)	(2,625)
Trade and other payables	(10,982)	-	-	-	(10,982)
Derivative financial liabilities, net	(198)	(139)	-	-	(337)
Total	(29,018)	(15,985)	(40,405)	(19,463)	(104,871)

15. Trade and other payables

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

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

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

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

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

16. Share capital

	2023		2022	
	Number of shares	**HK$M**	Number of shares	HK$M
Issued and fully paid				
Ordinary shares				
At 1st January	**6,437,200,203**	**28,822**	6,437,200,203	28,822
Conversion of bonds (note 16(c))	**700,116**	**6**	-	-
At 31st December	**6,437,900,319**	**28,828**	6,437,200,203	28,822
Preference shares				
At 1st January (note 16(a))	**195,000,000**	**19,500**	195,000,000	19,500
Reduction	**(97,500,000)**	**(9,750)**	-	-
Redemption (note 16(b))	**(97,500,000)**	**(9,750)**	-	-
At 31st December	**-**	**-**	195,000,000	19,500
		28,828		48,322

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

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

16. **Share capital (continued)**

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

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

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

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

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

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

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

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

17. **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

17. Dividends (continued)

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

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

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

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

(b) Dividends payable to ordinary shareholders

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

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

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

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

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

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

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

The register of members will be closed on Friday, 5th April 2024, during which day no transfer of shares will be effected. In order to qualify for entitlement to the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 3rd April 2024.

To facilitate the processing of proxy voting for the annual general meeting to be held on 8th May 2024, the register of members will be closed from Friday, 3rd May 2024 to Wednesday, 8th May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2nd May 2024.

18. Non-adjusting events after the reporting period

On 7th February 2024, the Group's interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor with proceeds of the issuance totalling HK$2 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2023, but is expected to result in a gain from deemed partial disposal in 2024.

As the Group applies the equity method to its interest in Air China three months in arrears and the financial information of Air China as at and up to 7th February 2024 is not available, the gain from deemed partial disposal cannot be determined on the date these financial statements are issued. The gain will primarily arise from the Group's share of proceeds from the share subscription (i.e. HK$317 million) less the carrying value of interest deemed to be disposed, which represents approximately 2.4% of the carrying value of the Group's interest in Air China. The carrying value of the Group's interest in Air China as at 31st December 2023, which has accounted for Air China's results up to 30th September 2023, was HK$10.4 billion. The amount of the gain from deemed partial disposal will be finalised once Air China's financial information for relevant subsequent period is made available to the Group and recognised in the Group's first half results for 2024.

19. Corporate governance

The Company 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 Listing Rules throughout the year covered by the annual 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.

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

Details of the Company's corporate governance principles and processes will be available in the 2023 Annual Report.

The annual results have been reviewed by the Audit Committee of the Company.

20. Annual report

The 2023 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website *www.cathaypacific.com* on 2nd April 2024, and copies will be dispatched to shareholders on 9th April 2024.

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

Executive Directors: Patrick Healy (Chair), Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe;
Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng, Zhang Zhuo Ping;

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

By Order of the Board
Cathay Pacific Airways Limited
Patrick Healy
Chair
Hong Kong, 13th March 2024
Website: www.cathaypacific.com

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.

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.