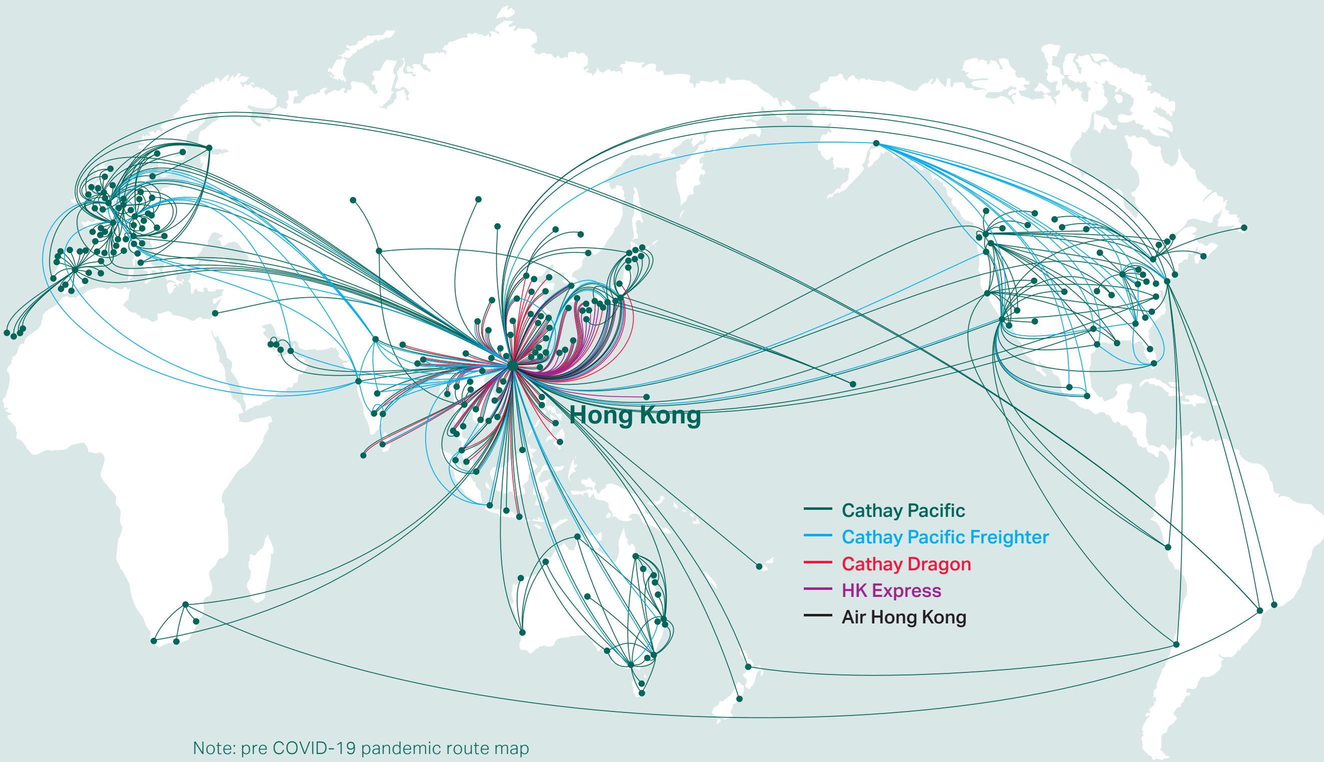
CATHAY PACIFIC

INTERIM REPORT 2020

Cathay Pacific Airways Limited
Stock Code: 00293

oneworld



Note: pre COVID-19 pandemic route map

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Corporate Information

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

Investor relations

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CATHAY PACIFIC AIRWAYS LIMITED ("Cathay Pacific"), with its subsidiaries Hong Kong Dragon Airlines Limited ("Cathay Dragon"), Hong Kong Express Airways Limited ("HK Express") and AHK Air Hong Kong Limited ("Air Hong Kong"), operated 235 aircraft immediately prior to the onset of COVID-19, directly connecting Hong Kong to 119 destinations in 35 countries worldwide (256 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese mainland. According to IATA's 2019 World Air Transport Statistics, the Cathay Pacific Group is the world's eighth-largest carrier of international passengers, and the third-largest carrier of international air cargo.

Cathay Pacific was founded in Hong Kong in 1946. It has been deeply committed to its home base over the past seven decades and remains so, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres.

Cathay Pacific itself operated 152 passenger and cargo aircraft at 30th June 2020. The Group's other investments include its catering, laundry, ground-handling and cargo terminal companies, and corporate headquarters at Hong Kong International Airport.

Cathay Dragon, a regional full-service airline registered and based in Hong Kong, is a wholly owned subsidiary of Cathay Pacific operating 48 aircraft at 30th June 2020. HK Express, a low-cost airline based in Hong Kong offering scheduled services within Asia, is a wholly owned subsidiary of Cathay Pacific operating 24 aircraft at 30th June 2020. Air Hong Kong, an express all-cargo carrier offering scheduled services in Asia, is a wholly owned subsidiary of Cathay Pacific operating 11 aircraft at 30th June 2020. Cathay Pacific owns 18.13% of Air China Limited ("Air China"), the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese mainland.

At 30th June 2020, Cathay Pacific and its subsidiaries employed more than 33,000 people worldwide, of whom around 27,600 are employed in Hong Kong. Shares of Cathay Pacific are listed on The Stock Exchange of Hong Kong Limited, as are the shares of its substantial shareholders Swire Pacific Limited ("Swire Pacific") and Air China.

Cathay Pacific is a founding member of the **one**world global alliance, whose combined network serves more than 1,000 destinations worldwide. Cathay Dragon is an affiliate member of **one**world.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Group Financial Statistics

		2020	2019	
		Six months ended 30th June		Change
Results				
Revenue	*HK$ million*	**27,669**	53,547	**-48.3%**
(Loss)/profit attributable to the shareholders of Cathay Pacific	*HK$ million*	**(9,865)**	1,347	**-11,212**
(Loss)/earnings per share	*HK cents*	**(250.8)**	34.2	**-285.0**
Dividend per share	*HK$*	**–**	0.18	**-100.0%**
(Loss)/profit margin	*%*	**(35.7)**	2.5	**-38.2%pt**
		30th June	31st December	
Financial position				
Funds attributable to the shareholders of Cathay Pacific	*HK$ million*	**49,371**	62,773	**-21.3%**
Net borrowings*	*HK$ million*	**93,033**	82,396	**+12.9%**
Shareholders' funds per share	*HK$*	**12.6**	16.0	**-21.3%**
Net debt/equity ratio*	*Times*	**1.88**	1.31	**+0.57 times**

Operating Statistics – Cathay Pacific and Cathay Dragon

		2020	2019	
		Six months ended 30th June		Change
Available tonne kilometres ("ATK")	*Million*	**8,595**	16,318	**-47.3%**
Available seat kilometres ("ASK")	*Million*	**27,732**	80,814	**-65.7%**
Available cargo tonne kilometres ("AFTK")	*Million*	**5,958**	8,635	**-31.0%**
Revenue tonne kilometres ("RTK")	*Million*	**5,920**	11,950	**-50.5%**
Passenger revenue per ASK	*HK cents*	**37.5**	46.3	**-19.0%**
Revenue passenger kilometres ("RPK")	*Million*	**18,668**	68,078	**-72.6%**
Revenue passengers carried	*'000*	**4,389**	18,261	**-76.0%**
Passenger load factor	*%*	**67.3**	84.2	**-16.9%pt**
Passenger yield	*HK cents*	**55.5**	54.9	**+1.1%**
Cargo revenue per AFTK	*HK$*	**1.88**	1.19	**+58.0%**
Cargo revenue tonne kilometres ("RFTK")	*Million*	**4,129**	5,477	**-24.6%**
Cargo carried	*'000 tonnes*	**667**	979	**-31.9%**
Cargo load factor	*%*	**69.3**	63.4	**+5.9%pt**
Cargo yield	*HK$*	**2.71**	1.88	**+44.1%**
Cost per ATK (with fuel)	*HK$*	**3.75**	3.12	**+20.2%**
Fuel consumption per million RTK	*Barrels*	**1,819**	1,870	**-2.7%**
Fuel consumption per million ATK	*Barrels*	**1,253**	1,369	**-8.5%**
Cost per ATK (without fuel)	*HK$*	**2.95**	2.23	**+32.3%**
Underlying** cost per ATK (without fuel)	*HK$*	**2.99**	2.23	**+34.1%**
ATK per HK$'000 staff cost	*Unit*	**1,158**	1,805	**-35.8%**
ATK per staff	*'000*	**325**	604	**-46.2%**
Aircraft utilisation (including parked aircraft)	*Hours per day*	**5.4**	12.0	**-55.0%**
On-time performance	*%*	**86.5**	74.2	**+12.3%pt**
Average age of fleet	*Years*	**10.3**	10.2	**+0.1 year**

* Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK$74,089 million and 1.50 respectively. Further details can be found in note 12 to the financial statements.

** Underlying costs exclude exceptional items, impairment and related charges and are adjusted for the effect of foreign currency movements.

CHAIRMAN’S STATEMENT

Despite a promising start in January, with encouraging signs that passenger demand was beginning to return following the social unrest which impacted the second half of 2019, the first six months of 2020 were the most challenging that the Cathay Pacific Group has faced in its more than 70-year history. The impact of COVID-19 on the Group’s business and the global economy is unprecedented. The global health crisis has decimated the travel industry and the future remains highly uncertain, with most analysts suggesting that it will take years to recover to pre-crisis levels.

In response to this unprecedented situation, in June 2020 Cathay Pacific announced a HK$39 billion recapitalisation, comprising a HK$19.5 billion preference share issue (with attached warrants), a HK$11.7 billion rights issue and a HK$7.8 billion bridging loan facility. This recapitalisation was completed on 12 August 2020. On behalf of Cathay Pacific Group, I wish to extend our appreciation for the support provided by our shareholders and the Hong Kong Special Administrative Region Government in participating in the recapitalisation issue which demonstrates the confidence they have in the Group, and in our ability to continue to play a critical leadership role in the development of the Hong Kong aviation hub.

The Cathay Pacific Group’s attributable loss was HK$9,865 million in the first half of 2020 (2019 first half: profit of HK$1,347 million). Cathay Pacific and Cathay Dragon reported a loss after tax of HK$7,361 million in the first half of 2020 (2019 first half: profit of HK$675 million), and the share of losses from subsidiaries and associates was HK$2,504 million (2019 first half: profit of HK$672 million).

The loss for the first half of 2020 is net of the receipt of HK$1,060 million of COVID-19 related government grants globally and includes impairment and related charges of HK$2,465 million relating to 16 aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors, and to certain airline service subsidiaries’ assets.

Business performance of Cathay Pacific and Cathay Dragon

Passenger revenue decreased by 72.2% to HK$10,396 million in the first half of 2020. RPK traffic decreased by 72.6%. This loss of revenue reflects the precipitous drop in passenger demand resulting from the extensive travel restrictions, border controls and quarantine arrangements which were implemented around the world in response to the COVID-19 pandemic. In total, we carried 4.4 million passengers in the first six months of the year, 76.0% fewer than in 2019. The load factor also dropped significantly, to 67.3% from 84.2% in the first half of 2019. In April and May we were carrying an average of only around 500 passengers a day.

We introduced substantial ASK capacity reductions in the first six months of 2020, amounting to 29% in February, 73% in March, and 97% in April and May. In June, we began to add capacity back as COVID-19 in Hong Kong stabilised and restrictions on transit traffic were relaxed from the beginning of the month. Overall, capacity was down 65.7% for the first six months of 2020 compared to the same period in 2019.

Cargo yield increased by 44.1% to HK$2.71 in the first six months of the year. There was an imbalance between capacity and demand in the cargo market, which led to higher cargo revenues compared to the first half of 2019. Cargo revenue in the first half of 2020 was HK$11,177 million, an increase of 8.8% compared to the same period in 2019. AFTK capacity decreased by 31.0%, reflecting the considerable loss of available capacity as a result of the extensive cuts to our passenger schedule. Typically, approximately half of our cargo is carried in the bellies of our passenger aircraft. As a result, overall tonnage carried decreased by 31.9% to 667 thousand tonnes. The load factor increased 5.9 percentage points to 69.3%.

We introduced additional cargo-carrying capacity wherever possible. We increased the utilisation of our freighters. We chartered flights from our all-cargo subsidiary Air Hong Kong. We operated 2,228 pairs of cargo-only passenger flights between March and June. At the end of April, we started to carry cargo in the passenger cabins of Boeing 777-300ER aircraft. This increased their cargo-carrying capacity by 5-9%.

Total fuel costs for Cathay Pacific and Cathay Dragon (before the effect of fuel hedging) decreased by HK$9,069 million (or 62.8%) compared with the first half of 2019, reflecting a 22.4% decrease in average into-plane fuel prices and a 51.8% decrease in consumption. The benefits of the substantial decrease in fuel prices were limited (because the airlines flew much less) and were offset by losses on fixed volume fuel hedges. After taking fuel hedging into account, fuel costs decreased by HK$7,640 million (or 52.6%) compared with the first half of 2019. Fuel consumption per available tonne kilometre fell by 8.5%.

Disregarding the effect of foreign currency movements and exceptional items (including impairments), there was a 34.1% increase in non-fuel costs per available tonne kilometre to HK$2.99, reflecting the effect of reducing capacity when some costs are fixed or semi-variable. We implemented numerous cash-preservation measures. These included significant capacity reductions, executive pay cuts, two voluntary special leave schemes (with an uptake of 80% and 90% respectively), suspension of projects and non-essential expenditure, concessions from suppliers and deferral of payments to them, and closure of outport crew bases. We reached agreement with Airbus to defer delivery of our A350-900's and A350-1000's from 2020 and 2021 to 2020-2023, and of our A321neo's from 2020-2023 to 2020-2025. Advanced negotiations are taking place with Boeing for the deferral of B777-9 deliveries. This deferral of deliveries is expected to produce cash savings to the Cathay Pacific Group in the short to medium term.

Business performance of other subsidiaries and associates

The contribution from our subsidiaries was generally weaker. This was partly due to an impairment of the asset carrying values of Vogue Laundry Service and Cathay Pacific Catering Services.

HK Express reported a significant loss for the first half of 2020. It stopped flying in mid-March because of COVID-19 and associated travel restrictions, and has only recently reintroduced some flights.

Air Hong Kong recorded a profit during the first six months of the year. As noted above, there was an imbalance between capacity and demand in the cargo market. The Air Hong Kong aircraft provided additional cargo capacity for the Group.

The Group's share of the results of Air China (in which the Cathay Pacific Group had an 18.13% interest at 30th June 2020) is based on its financial statements drawn up three months in arrear. Consequently the 2020 interim results include Air China's results for the six months ended 31st March 2020, adjusted for any significant events or transactions for the period from 1st April 2020 to 30th June 2020. The results do not reflect the impact of COVID-19 on Air China from 1st April 2020 to 30th June 2020. Air China's financial results declined in the six months to 31st March 2020.

In the first half of 2020, Air China Cargo's profit was higher than in the first half of 2019.

Prospects

The International Air Transport Association (IATA) has released analysis indicating that the COVID-19 crisis will see global airline passenger revenues drop by US$371 billion in 2020, a 61% decline compared to 2019, and estimates airline industry net losses to be US$84 billion. Airlines in Asia Pacific will see the largest share of losses (US$29 billion) and will experience a 54% fall in passenger demand year-on-year. Most industry analysts are forecasting very gradual recoveries over a protracted period, and IATA is forecasting that it will be 2024 at the earliest before international passenger demand returns to pre-crisis levels. Not only that, but with a global recession looming, and geopolitical tensions intensifying, trade will likely come under significant pressure, and this is expected to have a negative impact on both air travel and cargo demand. This is the biggest challenge to the aviation industry that Cathay Pacific has ever witnessed. We do not expect to see a meaningful recovery in our passenger business for some time to come. We will continue to closely monitor market demand as we work towards progressively reintroducing passenger flights as appropriate.

By the fourth quarter of 2020, Cathay Pacific's management will recommend to the Board the optimum size and shape of the Cathay Pacific Group to meet the air travel needs of Hong Kong while meeting its responsibilities to its shareholders. Inevitably this will involve rationalisation of future planned capacity compared to pre-crisis plans, taking into account the market outlook and cost structure at that time.

Patrick Healy
Chairman
Hong Kong, 12th August 2020

REVIEW OF OPERATIONS

Despite a promising start in January, with encouraging signs that passenger demand was beginning to return following the social unrest which impacted the second half of 2019, the first six months of 2020 were the most challenging that the Cathay Pacific Group has faced in its more than 70-year history. The impact of COVID-19 on the Group's business and the global economy is unprecedented. The global health crisis has decimated the travel industry and the future remains highly uncertain, with most analysts suggesting that it will take years to recover to pre-crisis levels.

Cathay Pacific's management team has been active and agile in responding to the extremely difficult environment. We implemented numerous cash-preservation measures. These included significant capacity reductions, executive pay cuts, two voluntary special leave schemes (with an uptake of 80% and 90% respectively), suspension of projects and non-essential expenditure, concessions from suppliers and deferral of payments to them, and closure of outport crew bases. We reached agreement with Airbus to defer delivery of our A350-900's and A350-1000's from 2020 and 2021 to 2020-2023, and of our A321neo's from 2020-2023 to 2020-2025. Advanced negotiations are taking place with Boeing for the deferral of B777-9 deliveries. This deferral of deliveries is expected to produce cash savings to the Cathay Pacific Group in the short to medium term. Despite all these measures, the drop in passenger revenue to around only 1% of prior year levels meant that Cathay Pacific was initially losing cash at the operating level at a rate of HK$2.5 billion to HK$3.0 billion per month as it serviced a high level of customer refunds. This has subsequently reduced and is expected to remain at a rate of approximately HK$1.5 billion per month whilst minimal passenger services are in place.

Passenger services

Passenger revenue decreased by 72.2% to HK$10,396 million in the first half of 2020. RPK traffic decreased by 72.6%. This loss of revenue reflects the precipitous drop in passenger demand resulting from the extensive travel restrictions, border controls and quarantine arrangements which were implemented around the world in response to the COVID-19 pandemic. In total, we carried 4.4 million passengers in the first six months of the year, 76.0% fewer than in 2019. The load factor also dropped significantly, to 67.3% from 84.2% in the first half of 2019. In April and May we were carrying an average of only around 500 passengers a day.

We introduced substantial ASK capacity reductions in the first six months of 2020, amounting to 29% in February, 73% in March, and 97% in April and May. In June, we began to add capacity back as COVID-19 in Hong Kong stabilised and restrictions on transit traffic were relaxed from the beginning of the month. Overall, capacity was down 65.7% for the first six months of 2020 compared to the same period in 2019.

Available seat kilometres ("ASK"), load factor and yield change by region for Cathay Pacific and Cathay Dragon passenger services for the first half of 2020 were as follows:

	ASK (million)			Load factor (%)			Yield
	2020	2019	**Change**	**2020**	2019	**Change**	**Change**
Americas	**7,640**	21,493	**-64.5%**	**69.1**	85.8	**-16.7%pt**	**+7.3%**
Europe	**5,545**	16,767	**-66.9%**	**67.9**	86.3	**-18.4%pt**	**+1.3%**
Southwest Pacific	**4,386**	9,387	**-53.3%**	**70.7**	85.4	**-14.7%pt**	**+6.1%**
North Asia	**4,214**	16,108	**-73.8%**	**65.6**	80.4	**-14.8%pt**	**+1.5%**
Southeast Asia	**3,668**	10,709	**-65.7%**	**62.9**	83.3	**-20.4%pt**	**+8.0%**
South Asia, Middle East and Africa	**2,279**	6,350	**-64.1%**	**63.6**	83.4	**-19.8%pt**	**-1.3%**
Overall	**27,732**	80,814	**-65.7%**	**67.3**	84.2	**-16.9%pt**	**+1.1%**

Innovation

- To provide customers with greater reassurance when planning their travel, we introduced a number of new flexible booking arrangements. This includes Cathay Credits, a system for trading in tickets for credits of equal value that can be redeemed for future bookings. We also introduced unlimited free rebookings, reroutings or refunds for passengers depending on their booking and travel dates (subject to applicable terms and conditions).
- We launched the Whatsapp enquiry channel in select markets that allows customers to receive quick and effective solutions to their queries in a single chat.

Awards

- In January 2020, Cathay Pacific and Cathay Dragon service teams and individual staff members won honours at the Hong Kong Customer Service Excellence Awards 2019.
- In February 2020, Cathay Dragon won Best First Class Sparkling and Cathay Pacific was runner-up in the Best First Class Cellar category at the Cellars in the Sky 2019 Awards.

Home market – Hong Kong and Greater Bay Area

- In the first three weeks of January, we saw a small amount of growth in outbound Hong Kong passengers, largely due to the early start of the Chinese New Year holiday. Outbound travel dropped significantly after the holiday period.
- From late February, a modified service was introduced in our lounges to have food individually served or portioned as a precautionary health and safety measure.
- On 17th February, we temporarily closed The Bridge, The Deck and The Pier First Class Lounges at Hong Kong International Airport until further notice. On 26th March, The Pier Business Class Lounge was also temporarily closed until further notice.
- As of 1st April, all lounges across our network have been temporarily closed until further notice, with the exception of The Wing at Hong Kong International Airport and the Cathay Pacific Lounge at Shanghai Pudong International Airport.
- A modified inflight service was introduced on all flights to strengthen health and safety protocols.
- As of 10th April, the In-Town Check-in service at Hong Kong and Kowloon Airport Express Stations has been suspended.

Americas

- To cater to a temporary increase in demand, we added capacity on flights to Hong Kong from Los Angeles, Seattle and San Francisco, and reinstated two flights to Hong Kong from New York (JFK) and Boston between 16th and 28th March.
- From April until late June, Cathay Pacific's Los Angeles and Vancouver flights were reduced to twice per week. All other flights serving the Americas were temporarily suspended during this time.
- In late June, Cathay Pacific reinstated three weekly flights to San Francisco and New York (JFK), and increased flights to Los Angeles and Vancouver to five times per week. All other flights serving the Americas remained temporarily suspended.

Europe

- To cater to a temporary increase in demand, we reinstated nine flights from London (Heathrow) and two from Manchester to Hong Kong between 17th and 21st March.
- From April until late June, Cathay Pacific's London (Heathrow) flights were reduced to twice per week. All other flights serving Europe were temporarily suspended during this time.
- In late June, Cathay Pacific reinstated two weekly flights to Amsterdam, and increased flights to London (Heathrow) to five times per week. All other flights serving Europe remained temporarily suspended.

Southwest Pacific

- From April until mid-to-late June, Cathay Pacific's Sydney flights were reduced to twice per week. All other flights serving the Southwest Pacific were temporarily suspended during this time.
- In mid-to-late June, Cathay Pacific reinstated two weekly flights to Melbourne and increased flights to Sydney to four times per week. All other flights serving the Southwest Pacific remained temporarily suspended.

North Asia

- On 24th January, Cathay Dragon temporarily suspended flights to and from Wuhan until further notice. Throughout February and March, Cathay Pacific and Cathay Dragon progressively reduced passenger capacity on flights to and from the Chinese mainland by about 90%.
- From April until late June, Cathay Pacific's Tokyo (Narita) and Taipei flights, and Cathay Dragon's Beijing and Shanghai (Pudong) flights were reduced to three times per week. All other flights serving North Asia were temporarily suspended during this time.
- In late June, Cathay Pacific increased flights to Taipei to four times per week. Flight frequency to Tokyo (Narita), Beijing and Shanghai (Pudong) remained at three times per week. All other flights serving North Asia remained temporarily suspended.

Southeast Asia

- From April until late June, Cathay Pacific's Bangkok, Jakarta, Manila and Singapore flights, and Cathay Dragon's Kuala Lumpur flights, were reduced to three times per week, and Cathay Pacific's Ho Chi Minh City flights were reduced to twice per week (increased to three times per week in May). All other flights serving Southeast Asia were temporarily suspended during this time.
- In late June, Cathay Pacific increased flights to Manila to once per day, and to Bangkok to five times per week. Flight frequency to Jakarta, Ho Chi Minh City, Singapore and Kuala Lumpur remained at three times per week. All other flights serving Southeast Asia remained temporarily suspended.

South Asia, Middle East and Africa

- From April, all flights serving South Asia, Middle East and Africa have been temporarily suspended until further notice.

Loyalty and reward programmes

Marco Polo Club

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

Asia Miles

- Asia Miles is a leading travel and lifestyle rewards programme in Asia. It has more than 12 million members and over 800 partners worldwide, including 26 airlines, more than 150 hotel brands and over 400 dining partners and shops.
- There was a 63% decrease in redemptions by Asia Miles members on Cathay Pacific and Cathay Dragon flights in the first half of 2020 compared to the same period of last year.
- Marco Polo Club members are also members of Asia Miles.

Cargo services

Cargo yield increased by 44.1% to HK$2.71 in the first six months of the year. There was an imbalance between capacity and demand in the cargo market, which led to higher cargo revenues compared to the first half of 2019. Cargo revenue in the first half of 2020 was HK$11,177 million, an increase of 8.8% compared to the same period in 2019. AFTK capacity decreased by 31.0%, reflecting the considerable loss of available capacity as a result of the extensive cuts to our passenger schedule. Typically, approximately half of our cargo is carried in the bellies of our passenger aircraft. As a result, overall tonnage carried decreased by 31.9% to 667 thousand tonnes. The load factor increased 5.9 percentage points to 69.3%.

We introduced additional cargo-carrying capacity wherever possible. We increased the utilisation of our freighters. We chartered flights from our all-cargo subsidiary Air Hong Kong. We operated 2,228 pairs of cargo-only passenger flights between March and June. At the end of April, we started to carry cargo in the passenger cabins of Boeing 777-300ER aircraft. This increased their cargo-carrying capacity by 5-9%.

Available cargo tonne kilometres ("AFTK"), load factor and yield change for the first half of 2020 were as follows:

	AFTK (million)			Load factor (%)			Yield
	2020	2019	**Change**	**2020**	2019	**Change**	**Change**
Cathay Pacific and Cathay Dragon	**5,958**	8,635	**-31.0%**	**69.3**	63.4	**+5.9%pt**	**+44.1%**

- Demand was strong in the first three weeks of January, but dropped significantly as manufacturing came to a halt in the Chinese mainland during the Chinese New Year holiday. The delayed resumption of manufacturing significantly affected our Hong Kong and Chinese mainland markets, with outbound demand only beginning to recover by mid-February.
- In February, we saw an overflow of demand for cargo services into the Chinese mainland and Hong Kong, in particular for pharmaceutical-related orders involving medical equipment such as face masks and coverings, hand sanitiser and personal protective equipment.
- In March, exports from Hong Kong and the Chinese mainland rebounded as production resumed; however, other trans-shipments were negatively impacted by lockdowns around the world, in particular on the India sub-continent.
- Demand for medical equipment and pharmaceuticals remained high from March onwards, while the volume of consumer goods such as garments and automobile parts declined.
- In April, overall tonnage dropped by a third compared to March as our passenger network further contracted. Lockdown measures around the world also hindered the movement of certain cargo such as perishables, seafood, live animals, industrial parts and equipment.
- On 23rd April, Cathay Pacific began operating flights with cargo securely carried in the passenger cabins for the first time after obtaining special approval from the Hong Kong Civil Aviation Department to do so aboard our Boeing 777-300ER passenger aircraft. This enables the aircraft to carry about seven tonnes of incremental weight, increasing cargo-carrying capacity by 5-9% on each aircraft.
- In May, significant effort was made to prioritise capacity for routings with the highest airfreight demand, most notably to the Americas, Australia and Europe.
- To meet increased airfreight demand amid the global reduction in available cargo capacity, we sourced additional capacity from our subsidiary Air Hong Kong and mounted additional freighter services. We also operated a total of 2,243 pairs of cargo-only passenger flights throughout the first half of the year. As of 30th June 2020, a regular schedule of cargo-only passenger flights to 51 major destinations had been reinstated.
- In June, Cathay Pacific continued to operate a full freighter schedule as well as chartered flights from Air Hong Kong, though there were fewer cargo-only passenger flights compared with May. Cargo tonnage fell slightly month-on-month as demand for medical supplies waned following a peak month in May, and yields came down following the significant rise seen that month.

Fleet development

- At 30th June 2020, Cathay Pacific operated 152 aircraft, Cathay Dragon operated 48 aircraft, HK Express operated 24 aircraft, and Air Hong Kong operated 11 aircraft (a total of 235 aircraft).
- Given current conditions we have decided to transfer approximately a third of our passenger aircraft to parking locations outside of Hong Kong over the coming months in keeping with prudent operational and asset management considerations. This is subject to change as we continue to reassess our passenger flight capacity.

Fleet profile*

	Number at 30th June 2020					Orders				Expiry of operating leases**					
		Leased**													
Aircraft type	Owned	Finance	Operating	Total	Average age	'20	'21	'22 and beyond	Total	'20	'21	'22	'23	'24	'25 and beyond
Aircraft operated by Cathay Pacific:															
A330-300	17	10	1	28	12.7					1[a]					
A350-900	18	4	2	24	3.1	3	1	2	6						2
A350-1000	9	3		12	1.6	1	2	3	6						
747-400ERF		6		6	11.5										
747-8F	3	11		14	7.4										
777-300	17			17	18.7										
777-300ER	22	8	21	51	8.3						6	4	2	3	6
777-9								21	21						
Total	86	42	24	152	8.9	4	3	26	33	1	6	4	2	3	8
Aircraft operated by Cathay Dragon:															
A320-200	5		9	14	14.5					3	3	3			
A321-200	2		6	8	17.6					1	2	2	1		
A321-200neo						2	4	10	16						
A330-300	21[b/c]		5	26	15.9					1					4
Total	28		20	48	15.8	2	4	10	16	5	5	5	1		4
Aircraft operated by HK Express:															
A320-200			8	8	10.7						3		1	4	
A320-200neo			5	5	3.0	4	1		5[d]						5
A321-200			11	11	2.7										11
A321-200neo								16[e]	16						
Total			24	24	5.4	4	1	16	21		3		1	4	16
Aircraft operated by Air Hong Kong*:**															
A300-600F			9	9	16.1							5	3		1
A330-243F			1	1	7.1										1
A330-300P2F			1	1	24.6							1			
Total			11	11	16.1							6	3		2
Grand total	**114**	**42**	**79**	**235**	**10.3**	**10**	**8**	**52**	**70**	**6**	**14**	**15**	**7**	**7**	**30**

* The table does not reflect aircraft movements after 30th June 2020.

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

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

(a) The operating lease of one Airbus A330-300 aircraft expired in July 2020. The aircraft was returned to its lessor.

(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.

(c) One Airbus A330-300 aircraft was deregistered in August 2020.

(d) These aircraft are subject to operating leases.

(e) These aircraft, ordered by Cathay Dragon, will be operated by HK Express.

Review of other subsidiaries and associates

Hong Kong Express Airways Limited ("HK Express")

- HK Express is Hong Kong's only low-cost carrier, focusing on serving leisure travel destinations.
- HK Express operates flights to 25 destinations including Bangkok, Da Nang, Fukuoka, Nagoya, Ningbo, Osaka, Phuket, Saipan, Seoul, Taichung and Tokyo.
- At 30th June 2020, HK Express operated an all Airbus narrow-body fleet of 24 aircraft, including eight Airbus A320-200 aircraft, five Airbus A320-200neo aircraft and 11 Airbus A321-200 aircraft. The young fleet had an average age of 5.4 years. It is expected to take delivery of five more Airbus A320-200neo aircraft by early 2021.
- HK Express will receive an order previously made by Cathay Dragon for the delivery of 16 Airbus A321-200neo aircraft from 2022, which is the most fuel efficient of its type. Such a modern fleet enables HK Express to leverage new opportunities within the region and help strengthen Hong Kong's position as Asia's leading international aviation hub.
- From 23rd March to 1st August 2020, HK Express temporarily suspended flight operations, in response to significantly reduced travel demand and travel restrictions imposed by governments around Asia Pacific due to the COVID-19 pandemic.
- In the first half of 2020, capacity amounted to 1,726 million available seat kilometres, reflecting the airline's temporary suspension of flight operations. The average booked load factor was 85.7% during the period.
- HK Express recorded a significant after-tax loss of HK$779 million in the first six months of 2020.
- Ancillary revenue penetration as a percentage of total revenue was 17.1% during the period. This included non-flight scheduled revenue which arises from the sale of baggage, priority boarding, allocated seats and administration fees, all directly attributable to the low-fare business of HK Express.
- On-time performance was 91.5% within 15 minutes in the first half of 2020.

	Six months ended 30th June 2020 HK$M
Revenue	
Passenger services*	**660**
Cargo services	**14**
Other services and recoveries*	**170**
Total revenue	**844**
Expenses	
Staff	**(318)**
Inflight service and passenger expenses	**(8)**
Landing, parking and route expenses	**(182)**
Fuel, including hedging losses	**(236)**
Aircraft maintenance	**(228)**
Aircraft depreciation and rentals	**(440)**
Other depreciation, amortisation and rentals	**(12)**
Others	**(98)**
Operating expenses	**(1,522)**
Net finance charges	**(140)**
Total operating expenses	**(1,662)**
Loss before taxation	**(818)**
Taxation	**39**
Loss after taxation	**(779)**

* A portion of ancillary revenue used to calculate ancillary penetration for HK Express is captured under "Passenger services revenue" in alignment with the Group's treatment of revenue in accordance with HKFRS 15.

		Six months ended 30th June 2020
Operating Statistics		
Available seat kilometres ("ASK")	*Million*	**1,726**
Passenger revenue per ASK	*HK cents*	**38.2**
Revenue passenger kilometres ("RPK")	*Million*	**1,480**
Revenue passengers carried	*'000*	**570**
Passenger load factor	*%*	**85.7**
Passenger yield	*HK cents*	**44.6**
Cost per ASK (with fuel)	*HK cents*	**92.3**
Fuel consumption per million ASK	*Barrels*	**151**
Fuel consumption per million RPK	*Barrels*	**176**
Cost per ASK (without fuel)	*HK cents*	**78.8**
ASK per HK$'000 staff cost	*Unit*	**5,434**
ASK per staff	*'000*	**1,555**
Aircraft utilisation	*Hours per day*	**3.1**
On-time performance	*%*	**91.5**
Average age of fleet	*Years*	**5.4**

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

- Air Hong Kong principally operates express cargo services for DHL Express.
- Air Hong Kong operated nine dry leased Airbus A300-600F freighters, one dry leased Airbus A330-300 passenger-to-freighter converted freighter, one dry leased Airbus A330-243F freighter, one wet leased Airbus A330-300 passenger-to-freighter converted freighter and one wet leased A330-243F freighter at 30th June 2020.
- Air Hong Kong operates scheduled and charter flights to major Asia cities, including Bangkok, Ho Chi Minh City, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei, Tokyo, Beijing, Cebu (via Manila), Nagoya, Jakarta and Kuala Lumpur.
- On-time performance was 88% within 15 minutes in the first half of 2020.
- Compared with the first half of 2019, capacity increased by 27.3% to 438 million available tonne kilometres in the first half of 2020. The load factor increased by 0.1 percentage point to 67.8%. Revenue tonne kilometres increased by 27.5% to 297 million.
- Air Hong Kong recorded an increase in profit in the first half of 2020 compared with the first half of 2019.

Principal airline services subsidiaries

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

- CPCS, a wholly owned subsidiary, operates the principal flight kitchen in Hong Kong.
- CPCS provides flight catering services to 50 international airlines in Hong Kong. It produced 22,665 meals for 65 flights per day on average in the first half of 2020 (a decrease of 73% and of 67% respectively compared with the first half of 2019 due to the impact of COVID-19).
- CPCS's loss in the first half of 2020 was materially worse compared with the first half of 2019 due to significantly lower meal volumes and an impairment charge of HK$526 million related to the plant.
- The profits of the flight kitchens outside Hong Kong in the first half of 2020 decreased significantly compared with the first half of 2019.

Cathay Pacific Services Limited ("CPSL")

- CPSL, a wholly owned subsidiary, owns and operates the Group's cargo terminal at Hong Kong International Airport. The terminal's annual handling capacity is 2.6 million tonnes. The terminal provides cargo handling services for Cathay Pacific, Cathay Dragon, Air Hong Kong and 15 other airlines.
- CPSL handled 668 thousand tonnes of cargo in the first half of 2020 (a decrease of 25.9% compared with the first half of 2019), 49% of which were transhipments. Export and import shipments accounted for 32% and 19% respectively of the total.
- The financial results in the first half of 2020 declined compared with the first half of 2019. This was mainly due to lower tonnage being handled.

Hong Kong Airport Services Limited ("HAS")

- HAS, a wholly owned subsidiary, provides ramp and passenger handling services at Hong Kong International Airport. At 30th June 2020, it provided ground handling services to 27 airlines, including Cathay Pacific and Cathay Dragon.
- In the first half of 2020, HAS had 42% and 5% market shares in ramp and passenger handling businesses respectively at Hong Kong International Airport. The number of flights handled under both ramp and passenger handling businesses shrank significantly by 60% against the same period last year. The outbreak of the COVID-19 pandemic and the measures taken by Hong Kong and other countries led to an unprecedented drop in air traffic. Customer airlines have either maintained minimal passenger flights or even suspended operation.
- The financial results for the first half of 2020 were adversely affected. The focus of the business was to reduce operating costs, defer or cancel capital expenditure and seek relevant subsidies to preserve cash. Various financial relief measures or assistance programs have lessened the impact of the pandemic.

Vogue Laundry Service Limited ("VLS")

- VLS, a wholly owned subsidiary, provides a comprehensive range of services in laundry and dry cleaning of commercial linen, uniform and guest garments.
- It operates a commercial laundry plant in Yuen Long Industrial Park and runs 12 valet shops in Hong Kong serving retail customers.
- VLS processed 19 million pieces of laundry items in the first half of 2020 compared to 53 million pieces in the first half of 2019. The financial results of the first half of 2020 declined compared with that of 2019 mainly due to lower volumes of laundry items handled and an impairment charge of HK$658 million related to the plant.

Principal associates

Air China Limited ("Air China")

- Air China, in which Cathay Pacific has a 18.13% interest, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese mainland.
- Our share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, our 2020 interim results include Air China's results for the six months ended 31st March 2020, adjusted for any significant events or transactions for the period from 1st April 2020 to 30th June 2020. Its result therefore includes a cross shareholding adjustment of HK$117 million for the impairment charges recognised by Cathay Pacific and its subsidiaries.
- For the six months ended 31st March 2020, Air China's financial results declined compared to those for the six months ended 31st March 2019.

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

- Air China Cargo, in which Cathay Pacific owns an equity and an economic interest totalling 34.78%, is the leading provider of air cargo services in the Chinese mainland. It has its headquarters in Beijing. Its main operating base is in Shanghai Pudong.
- At 30th June 2020, Air China Cargo operated 15 freighters. It flies to 10 cities in the Chinese mainland and 12 cities outside the Chinese mainland. Taking into account its rights to carry cargo in the bellies of Air China's passenger aircraft, Air China Cargo has connections to more than 200 destinations.
- Despite a substantial reduction of the belly capacity of passenger aircraft as a result of the COVID-19 pandemic, higher utilisation of freighters, significantly improved yields and lower fuel prices resulted in Air China Cargo's financial results for the first half of 2020 being significantly better than same period last year.

Antitrust proceedings

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances in line with accounting policy 19 on page 137 in the 2019 Annual Report.

Environment

- Cathay Pacific participates in the International Civil Aviation Organization (ICAO) Working Group 4 task force that leads the aviation industry's work in developing proposals for a fair, equitable and effective global agreement on emissions. We also take part in the ICAO Fuel Task Group which specialises in the adoption of biofuel for aviation use.
- Cathay Pacific engages with regulators and groups (the IATA Sustainability and Environment Advisory Committee, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping aviation policy with respect to climate change. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.
- In response to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the Cathay Pacific Group has completed all the necessary preparation and the monitoring, verification and reporting plan has been accepted by the authority.
- In compliance with the European Union's Emissions Trading Scheme, our 2019 emissions data from intra-EU flights were reported on by an external auditor and submitted to the UK Environment Agency in March 2020.
- We have introduced two new projects as part of the Fly Greener voluntary carbon offset programme. Both projects are certified by independent third party and meeting 'Gold Standard' for the Global Goals. Since the programme was launched in 2007, over 200,000 tonnes of CO_2 has been offset.
- Since Cathay Pacific announced its single-use plastic strategy in 2018, over 32 million pieces of single-use plastic were removed from our operations annually. In 2019, Cathay Pacific announced its three-year target to reduce its single-use plastic footprint by half by the end of 2022.
- Cathay Pacific has been working with local non-profit organisations, Feeding Hong Kong and Food Angel, to bring our surplus food to Hong Kong charities for distribution to people in need. In April and May, we donated some 30,000 ready-prepared meals to benefit senior citizens and those in need around the city through Food Angel. With Feeding Hong Kong, our Cathay volunteers helped sort, pack, and deliver emergency food parcels to those in need. More than 170 tonnes of surplus food were donated in the first half of 2020.
- In March 2020, Cathay Pacific participated in WWF's annual Earth Hour activity. We switched off all non-essential lighting in our buildings and on billboards outside Cathay Pacific City and Cathay Dragon House.

Contribution to the community

- In January 2020, we announced three new Cathay ChangeMakers for 2020 – individuals who have made significant contributions to environmental protection, youth development and cultural inclusion, which are three key pillars of our community engagement strategy. Cathay Pacific works with its ChangeMakers to help create shared values and enact positive social change.
- Between February and June 2020, the Cathay Pacific Cargo team operated over 2,240 pairs of cargo-only flights to and from destinations all over the world delivering surgical masks, hand sanitiser, personal protective equipment and other supplies where they are needed most.
- In early February when demand was high for medical supplies but flights were disrupted, our cargo facility worked with Hongkong Post to help facilitate the operation of its Air Mail Centre to ease delivery bottlenecks. A temporary mail-handling centre was set up at a designated area in the Cathay Pacific Cargo Terminal in just two days, and a team comprising 30 of our cargo

terminal colleagues was redeployed to partner with Hongkong Post and speed up delivery of anti-epidemic goods to those in need. During the month-long special operation, more than 90,000 shipments were successfully processed.

- With travel restrictions in place around the world, the Cathay Pacific Group supported the Hong Kong SAR Government in operating charter flights to bring affected Hong Kong residents home. These included three flights that brought home 190 people from Tokyo, and a further eight flights that brought more than 1,030 Hong Kong residents home from Wuhan and the wider Hubei Province. All flights were operated by volunteer flight crew.
- In March 2020, Cathay Pacific reinstated certain passenger flights and increased capacity on select UK and US routes to expedite the return of many Hong Kong students and citizens back to Hong Kong.
- To facilitate online learning for students especially when schools are closed, we refurbished and hand-delivered 500 iPads to five non-government organisations (NGO) across Hong Kong that support families in need. In addition to supporting the distribution, our Cathay volunteers also helped guide parents on the use of iPads and offered online homework tutorials to children in need.
- As of 30th June 2020, more than 500 of our colleagues have so far signed up for over 650 hours of volunteer work to support our NGO partners and to give back to the community during this challenging time.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. Since its introduction in 1991, HK$193 million has been raised through the programme.
- A percentage of the "Change for Good" donations are passed to the Cathay Pacific Wheelchair Bank, which raises funds to provide specially adapted wheelchairs for children with neuromuscular diseases.
- Cathay Pacific has received the Caring Company status from the Hong Kong Council of Social Service every year since 2003 in recognition of its good corporate citizenship.
- At Cathay Pacific, we believe that everyone should have equal opportunities in life, and our LGBT+ employees should be treated equally and able to live a life free of prejudice and discrimination. Therefore, Cathay Pacific has signed up the 'Equal Love' campaign, committing its support to the legal recognition and equal treatment of same sex relationships in Hong Kong.

Commitment to staff

- At 30th June 2020, the Cathay Pacific Group employed more than 33,000 people worldwide. Around 27,600 of these people are based in Hong Kong. Cathay Pacific and Cathay Dragon employed more than 26,500 permanent staff worldwide. Around 80% of these people are based in Hong Kong.
- Cathay Pacific and Cathay Dragon recruited more than 260 staff in the first half of 2020, including 90 pilots.
- In the first half of 2020, more than 50 cadets graduated from the Cathay Pacific cadet pilot programme.
- We regularly review our human resources and remuneration policies in light of legislation, industry practices, market conditions and the performance of individuals and the Group.

FINANCIAL REVIEW

The Cathay Pacific Group's attributable loss was HK$9,865 million in the first half of 2020 (2019 first half: profit of HK$1,347 million). Cathay Pacific and Cathay Dragon reported a loss after tax of HK$7,361 million in the first half of 2020 (2019 first half: profit of HK$675 million), and the share of losses from subsidiaries and associates was HK$2,504 million (2019 first half: profit of HK$672 million).

The loss for the first half of 2020 includes impairment and related charges of HK$2,465 million relating to 16 aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors, together with certain airline service subsidiaries' assets.

The Group received HK$1,060 million of COVID-19 related government grants globally, with HK$640 million recognised as revenue from other services and recoveries and HK$420 million recognised as cost reductions or waivers within respective cost categories. In addition we received support in the form of advanced ticket sales of HK$1,008 million from the Hong Kong Special Administrative Region Government which is held within contract liabilities awaiting performance of the related carriage services.

Revenue

	Group			Cathay Pacific and Cathay Dragon		
	Six months ended 30th June			Six months ended 30th June		
	2020 HK$M	2019 HK$M	**Change**	**2020 HK$M**	2019 HK$M	**Change**
Passenger services	**11,056**	37,449	**-70.5%**	**10,396**	37,449	**-72.2%**
Cargo services	**12,692**	11,498	**+10.4%**	**11,177**	10,275	**+8.8%**
Other services and recoveries	**3,921**	4,600	**-14.8%**	**3,752**	4,126	**-9.1%**
Total revenue	**27,669**	53,547	**-48.3%**	**25,325**	51,850	**-51.2%**

Cathay Pacific and Cathay Dragon

Passenger revenue decreased by 72.2% compared with a 72.6% decrease in capacity. Cargo revenue increased by 8.8%, compared with a 24.6% decrease in capacity. Revenue from other services and recoveries decreased by 9.1%.

Operating expenses

	Group			Cathay Pacific and Cathay Dragon		
	Six months ended 30th June			Six months ended 30th June		
	2020 HK$M	2019 HK$M	**Change**	**2020 HK$M**	2019 HK$M	**Change**
Staff	**8,623**	10,133	**-14.9%**	**7,420**	9,042	**-17.9%**
Inflight service and passenger expenses	**949**	2,682	**-64.6%**	**941**	2,682	**-64.9%**
Landing, parking and route expenses	**4,242**	8,635	**-50.9%**	**3,861**	8,451	**-54.3%**
Fuel, including hedging losses	**7,318**	14,807	**-50.6%**	**6,884**	14,524	**-52.6%**
Aircraft maintenance	**3,673**	4,708	**-22.0%**	**3,193**	4,592	**-30.5%**
Aircraft depreciation and rentals	**6,163**	5,944	**+3.7%**	**5,766**	5,945	**-3.0%**
Other depreciation, amortisation and rentals	**1,415**	1,392	**+1.7%**	**985**	972	**+1.3%**
Commissions	**125**	503	**-75.1%**	**125**	503	**-75.1%**
Others	**1,431**	2,269	**-36.9%**	**1,766**	2,991	**-41.0%**
Operating expenses	**33,939**	51,073	**-33.5%**	**30,941**	49,702	**-37.7%**
Net finance charges	**1,652**	1,420	**+16.3%**	**1,327**	1,241	**+6.9%**
Total operating expenses	**35,591**	52,493	**-32.2%**	**32,268**	50,943	**-36.7%**

- The Group's total operating expenses decreased by 32.2% (with the combined Cathay Pacific and Cathay Dragon operating expenses decreasing by 36.7%).
- The cost per ATK (with fuel, excluding impairment and related charges) of Cathay Pacific and Cathay Dragon increased from HK$3.12 to HK$3.75, an increase of 20.2%.
- The cost per ATK (without fuel, excluding impairment and related charges) of Cathay Pacific and Cathay Dragon increased from HK$2.23 to HK$2.95, an increase of 32.3%.
- The underlying cost per ATK (without fuel), which excludes exceptional items and impairment and related charges, and adjusts for the effect of foreign currency movements, increased from HK$2.23 to HK$2.99, an increase of 34.1%.

Operating results analysis

	Six months ended 30th June		
	2020 HK$M	2019 HK$M	**Change HK$M**
Cathay Pacific and Cathay Dragon's (loss)/profit before exceptional items, impairment and related charges and taxation	**(6,903)**	966	**-7,869**
Exceptional items*	**(40)**	(59)	**+19**
Impairment and related charges**	**(1,281)**	–	**-1,281**
Taxation**	**863**	(232)	**+1,095**
Cathay Pacific and Cathay Dragon's (loss)/profit after taxation	**(7,361)**	675	**-8,036**
Share of (losses)/profits from subsidiaries and associates**	**(2,504)**	672	**-3,176**
(Loss)/profit attributable to the shareholders of Cathay Pacific	**(9,865)**	1,347	**-11,212**

* Exceptional items in 2020 included redundancy costs of HK$42 million in connection with the closure of outport crew bases and HK$2 million credit associated with the acquisition of HK Express (2019: data security costs of HK$20 million and costs of HK$39 million associated with the acquisition of HK Express).

** The loss attributable to shareholders includes impairment and related charges of HK$2,465 million. This comprises HK$1,242 million in connection with 16 aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors, together with HK$658 million and HK$526 million for our laundry and catering plants respectively, and HK$39 million of associated goodwill. Thereon is a net tax credit of HK$208 million offset by an Air China cross shareholding effect of HK$117 million.

The movement in the Cathay Pacific and Cathay Dragon's profit/loss before exceptional items, impairment and related charges and taxation (isolating foreign currency movements) can be analysed as follows:

	Reported HK$M	Currency movement HK$M	Adjusted HK$M	ATK unit* % change	Note
2019 Cathay Pacific and Cathay Dragon's profit before exceptional items, impairment and related charges and taxation	**966**		**966**		
Changes:					
– Passenger and Cargo revenue	**(26,151)**	475	**(25,676)**	-12.3%	*1*
– Other services and recoveries	**(374)**	27	**(347)**	+73.9%	*2*
– Staff	**1,664**	(40)	**1,624**	+55.8%	*3*
– Inflight service and passenger expenses	**1,741**	(7)	**1,734**	-32.9%	*4*
– Landing, parking and route expenses	**4,590**	(58)	**4,532**	-12.0%	*5*
– Fuel, including hedging losses	**7,640**	(58)	**7,582**	-9.3%	*6*
– Aircraft maintenance	**1,399**	(22)	**1,377**	+32.9%	*7*
– Owning the assets**	**80**	(30)	**50**	+88.7%	*8*
– Other items (including commissions)	**1,542**	(217)	**1,325**	+16.5%	*9*
2020 Cathay Pacific and Cathay Dragon's loss before exceptional items, impairment and related charges and taxation	**(6,903)**	**70**	**(6,833)**		

* ATK unit % change represents the adjusted revenue or cost component change per ATK.

** includes aircraft and other depreciation, rentals and net finance charges.

Notes:

1) As per Review of Operations section for passenger and cargo services.
2) Decreases in Asia Miles revenues, cargo handling, and passenger related recoveries. Partially offset by income from COVID-19 government concessions.
3) Staff costs lower due to the introduction of Special Leave Schemes, however the decline was less than the significant drop in ATK.
4) Savings in inflight catering and inflight sales costs as RPK reduction higher than ATK reduction.
5) Lower as a result of reduced operations and government concessions.
6) Fuel costs decreased due to a 22.4% fall in the average into-plane fuel price, partially offset by fuel hedging losses.
7) Higher per-unit costs due to continuing necessary scheduled maintenance activities.
8) Increase in aircraft depreciation and net finance costs due to new aircraft deliveries in the second half of 2019, partly offset by lower interest rates, fewer aircraft leased and the cessation of the Atlas (5Y) contract.
9) Decreased sales, distribution and marketing costs and Asia Miles costs, however a portion of fixed overhead costs remained, increasing per unit costs.

Fuel expenditure and hedging

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

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Gross fuel cost	**5,719**	14,693
Fuel hedging losses	**1,599**	114
Fuel cost	**7,318**	14,807

Fuel costs decreased due to a 22.4% fall in the average into-plane fuel price, together with a 49.4% decrease in consumption.

Financial position

- Additions to property, plant and equipment during the six months period to 30th June 2020 were HK$1,545 million, comprising HK$1,321 million in respect of aircraft and related equipment, HK$168 million in respect of land and buildings and HK$56 million in respect of other equipment.
- Borrowings are mainly denominated in United States dollars, Hong Kong dollars and Japanese yen, and are fully repayable by 2035, with 46.5% currently at fixed rates of interest after taking into account derivative transactions. Excluding lease liabilities previously classified as operating leases, borrowings are fully repayable by 2035, with 36.8% at fixed rates of interest with a similar currency profile.
- Available unrestricted liquidity at 30th June 2020 totalled HK$15,432 million, comprising liquid funds of HK$7,355 million (35.9% of which are denominated in United States dollars) and committed undrawn facilities of HK$8,220 million, less pledged funds of HK$143 million.
- Net borrowings (after deducting liquid funds) increased by 12.9% to HK$93,033 million. Disregarding the effect of adopting HKFRS 16, net borrowings increased by 18.7% to HK$74,089 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 21.3% to HK$49,371 million. This was due to the Group's loss for the period and movements in the cash flow hedge reserves reflecting mark to market valuation losses.
- Disregarding the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio increased from 0.99 times to 1.50 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 1.31 and 1.88 times at 31st December 2019 and 30th June 2020 respectively.
- Proceeds from the rights issue of HK$11.7 billion and the issue of preference shares of HK$19.5 billion, as announced as part of a HK$39.0 billion recapitalisation, were received on 11th and 12th August 2020 respectively. Had these issues occurred at 30th June 2020, the net debt/equity ratio would have been 0.53 before, and 0.77 after, the effect of adopting HKFRS 16 on net borrowings respectively.
- The Group's policies in relation to financial risk management and the management of currency, interest rate and fuel price exposures are set out in the 2019 Annual Report.

To the Board of Directors of Cathay Pacific Airways Limited

(Incorporated in Hong Kong with limited liability)

KPMG

Introduction

We have reviewed the interim financial report set out on pages 20 to 38 which comprises the consolidated statement of financial position of Cathay Pacific Airways Limited (the "Company") and its subsidiaries (together the "Group") as of 30th June 2020 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
12th August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30th June 2020 – Unaudited

	Note	**2020 HK$M**	2019 HK$M	**2020 US$M**	2019 US$M
Revenue					
Passenger services		**11,056**	37,449	**1,417**	4,801
Cargo services		**12,692**	11,498	**1,627**	1,474
Other services and recoveries		**3,921**	4,600	**503**	590
Total revenue		**27,669**	53,547	**3,547**	6,865
Expenses					
Staff		**(8,623)**	(10,133)	**(1,106)**	(1,299)
Inflight service and passenger expenses		**(949)**	(2,682)	**(122)**	(344)
Landing, parking and route expenses		**(4,242)**	(8,635)	**(544)**	(1,107)
Fuel, including hedging losses		**(7,318)**	(14,807)	**(938)**	(1,898)
Aircraft maintenance		**(3,673)**	(4,708)	**(471)**	(604)
Aircraft depreciation and rentals		**(6,163)**	(5,944)	**(790)**	(762)
Other depreciation, amortisation and rentals		**(1,415)**	(1,392)	**(181)**	(179)
Commissions		**(125)**	(503)	**(16)**	(64)
Others		**(1,431)**	(2,269)	**(183)**	(291)
Operating expenses		**(33,939)**	(51,073)	**(4,351)**	(6,548)
Impairment and related charges	*22*	**(2,465)**	–	**(316)**	–
Operating (loss)/profit	*4*	**(8,735)**	2,474	**(1,120)**	317
Finance charges		**(1,717)**	(1,617)	**(220)**	(207)
Finance income		**65**	197	**8**	25
Net finance charges	*5*	**(1,652)**	(1,420)	**(212)**	(182)
Share of (losses)/profits of associates		**(526)**	648	**(67)**	83
(Loss)/profit before taxation		**(10,913)**	1,702	**(1,399)**	218
Taxation	*6*	**1,049**	(355)	**134**	(45)
(Loss)/profit for the period		**(9,864)**	1,347	**(1,265)**	173
Non-controlling interests		**(1)**	–	**–**	–
(Loss)/profit attributable to the shareholders of Cathay Pacific		**(9,865)**	1,347	**(1,265)**	173
(Loss)/earnings per share (basic and diluted)	*7*	**(250.8)¢**	34.2¢	**(32.2)¢**	4.4¢
(Loss)/profit for the period		**(9,864)**	1,347	**(1,265)**	173
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges		**(2,884)**	671	**(369)**	86
Share of other comprehensive income of associates		**(210)**	(258)	**(27)**	(33)
Exchange differences on translation of foreign operations		**(443)**	(22)	**(57)**	(3)
Items that may not be reclassified subsequently to profit or loss:					
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**–**	25	**–**	3
Other comprehensive income for the period, net of taxation	*8*	**(3,537)**	416	**(453)**	53
Total comprehensive income for the period		**(13,401)**	1,763	**(1,718)**	226
Total comprehensive income attributable to					
Shareholders of Cathay Pacific		**(13,402)**	1,763	**(1,718)**	226
Non-controlling interests		**1**	–	**–**	–
		(13,401)	1,763	**(1,718)**	226

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

The notes on pages 24 to 38 form part of these financial statements.

Consolidated Statement of Financial Position

at 30th June 2020 – Unaudited

	Note	**30th June 2020 HK$M**	31st December 2019 HK$M	**30th June 2020 US$M**	31st December 2019 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	*9*	**132,936**	140,114	**17,043**	17,963
Intangible assets	*10*	**15,069**	15,151	**1,932**	1,942
Investments in associates	*11*	**25,746**	27,055	**3,301**	3,469
Other long-term receivables and investments		**3,355**	3,823	**430**	490
Deferred tax assets		**1,632**	1,089	**209**	140
		178,738	187,232	**22,915**	24,004
Interest-bearing liabilities	*12*	**(76,479)**	(76,508)	**(9,805)**	(9,809)
Other long-term payables	*13*	**(5,045)**	(4,806)	**(647)**	(616)
Deferred tax liabilities		**(12,556)**	(13,564)	**(1,610)**	(1,739)
		(94,080)	(94,878)	**(12,062)**	(12,164)
Net non-current assets		**84,658**	92,354	**10,853**	11,840
Current assets and liabilities					
Stock		**1,829**	1,812	**234**	232
Trade and other receivables	*14*	**7,010**	10,608	**899**	1,360
Liquid funds	*15*	**7,355**	14,864	**943**	1,906
		16,194	27,284	**2,076**	3,498
Interest-bearing liabilities	*12*	**(23,909)**	(20,752)	**(3,065)**	(2,660)
Trade and other payables	*16*	**(16,619)**	(18,218)	**(2,130)**	(2,336)
Contract liabilities		**(9,397)**	(15,941)	**(1,205)**	(2,044)
Taxation		**(1,552)**	(1,951)	**(199)**	(250)
		(51,477)	(56,862)	**(6,599)**	(7,290)
Net current liabilities		**(35,283)**	(29,578)	**(4,523)**	(3,792)
Total assets less current liabilities		**143,455**	157,654	**18,392**	20,212
Net assets		**49,375**	62,776	**6,330**	8,048
CAPITAL AND RESERVES					
Share capital	*17*	**17,106**	17,106	**2,193**	2,193
Reserves		**32,265**	45,667	**4,137**	5,855
Funds attributable to the shareholders of Cathay Pacific		**49,371**	62,773	**6,330**	8,048
Non-controlling interests		**4**	3	**–**	–
Total equity		**49,375**	62,776	**6,330**	8,048

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The notes on pages 24 to 38 form part of these financial statements.

Consolidated Statement of Cash Flows

for the six months ended 30th June 2020 – Unaudited

	2020 HK$M	2019 HK$M	**2020 US$M**	2019 US$M
Operating activities				
Cash generated from operations	**(6,285)**	11,425	**(806)**	1,465
Interest received	**50**	95	**6**	12
Interest paid	**(1,278)**	(1,496)	**(164)**	(192)
Tax paid	**(604)**	(156)	**(77)**	(20)
Net cash (outflow)/inflow from operating activities	**(8,117)**	9,868	**(1,041)**	1,265
Investing activities				
Net decrease in liquid funds other than cash and cash equivalents	**4,758**	223	**610**	29
Proceeds from sales of property, plant and equipment	**57**	23	**7**	3
Net increase in other long-term receivables and investments	**(10)**	(2,252)	**(1)**	(289)
Payments for property, plant and equipment and intangible assets	**(1,652)**	(7,654)	**(211)**	(981)
Dividends received from associates	**4**	14	**–**	2
Net cash inflow/(outflow) from investing activities	**3,157**	(9,646)	**405**	(1,236)
Financing activities				
New financing	**17,020**	6,971	**2,182**	894
Loan and lease repayments	**(14,756)**	(9,027)	**(1,892)**	(1,158)
Dividends paid – to the shareholders of Cathay Pacific	**–**	(787)	**–**	(101)
– to non-controlling interests	**–**	(1)	**–**	–
Net cash inflow/(outflow) from financing activities	**2,264**	(2,844)	**290**	(365)
Decrease in cash and cash equivalents	**(2,696)**	(2,622)	**(346)**	(336)
Cash and cash equivalents at 1st January	**8,881**	7,653	**1,138**	981
Effect of exchange differences	**(61)**	(9)	**(7)**	(1)
Cash and cash equivalents at 30th June	**6,124**	5,022	**785**	644

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The notes on pages 24 to 38 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30th June 2020 – Unaudited

	Attributable to the shareholders of Cathay Pacific							
	Share capital HK$M	Retained profit HK$M	Investment revaluation reserve (non-recycling) HK$M	Cash flow hedge reserve HK$M	Others HK$M	Total HK$M	Non-controlling interests HK$M	Total equity HK$M
Balance at 1st January 2020	**17,106**	**45,867**	**(148)**	**634**	**(686)**	**62,773**	**3**	**62,776**
Changes in equity for the six months ended 30th June 2020:								
Loss for the period	**–**	**(9,865)**	**–**	**–**	**–**	**(9,865)**	**1**	**(9,864)**
Other comprehensive income	**–**	**–**	**–**	**(2,884)**	**(653)**	**(3,537)**	**–**	**(3,537)**
Total comprehensive income for the period	**–**	**(9,865)**	**–**	**(2,884)**	**(653)**	**(13,402)**	**1**	**(13,401)**
At 30th June 2020	**17,106**	**36,002**	**(148)**	**(2,250)**	**(1,339)**	**49,371**	**4**	**49,375**
Balance at 31st December 2018	17,106	46,956	(181)	83	(28)	63,936	3	63,939
Impact on initial application of HKFRS 16	–	(2,346)	–	–	–	(2,346)	–	(2,346)
Adjusted balance at 1st January 2019	17,106	44,610	(181)	83	(28)	61,590	3	61,593
Changes in equity for the six months ended 30th June 2019:								
Profit for the period	–	1,347	–	–	–	1,347	–	1,347
Other comprehensive income	–	–	25	671	(280)	416	–	416
Total comprehensive income for the period	–	1,347	25	671	(280)	1,763	–	1,763
2018 second interim dividend	–	(787)	–	–	–	(787)	–	(787)
At 30th June 2019	17,106	45,170	(156)	754	(308)	62,566	3	62,569

The notes on pages 24 to 38 form part of these financial statements.

Notes to the Condensed Financial Statements

1. Basis of preparation and accounting policies

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 12th August 2020.

The financial information relating to the year ended 31st December 2019 that is included in this document as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2019 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. That report was not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Ordinance.

The accounting policies, methods of computation and presentation used in the preparation of the interim financial statements are consistent with those described in the 2019 annual financial statements except for changes in accounting policies in note 2 below.

Accounting policy adopted for government grants is as follows:

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Income grants are presented as revenue from other services and recoveries.

Cost waivers or cost reductions are disclosed net of respective cost categories and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants that compensate for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. Changes in accounting policies

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

- Amendments to HKFRS 3 "Definition of a Business"
- Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1st June 2020)

Amendments to HKFRS 3 have no impact on the results and financial position of the Group.

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

2. Changes in accounting policies (continued)

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and has applied the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 22 to the financial statements). There is no impact on the opening balance of equity at 1st January 2020.

3. Segment information

(a) Segment results

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

3. Segment information (continued)

	Six months ended 30th June 2019					
	Cathay Pacific and Cathay Dragon HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	51,762	–	1,222	563		53,547
Inter-segment sales	88	–	2	1,753		1,843
Segment revenue	51,850	–	1,224	2,316		55,390
Segment profit/(loss)	2,148	–	398	(72)		2,474
Net finance charges	(1,241)	–	–	(179)		(1,420)
	907	–	398	(251)		1,054
Share of profits of associates	–	–	–	–	648	648
Profit/(loss) before taxation	907	–	398	(251)	648	1,702
Taxation	(232)	–	(65)	2	(60)	(355)
Profit/(loss) for the period	675	–	333	(249)	588	1,347
Non-controlling interests	–	–	–	–	–	–
Profit/(loss) attributable to the shareholders of Cathay Pacific	675	–	333	(249)	588	1,347

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

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

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

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

The composition of reportable segments of the Group changed in the year ended 31st December 2019 following the acquisition of HK Express in July 2019. Reportable segments are aligned with financial information provided regularly to the Group's executive management. As a result, the previously reported segment results for the six months ended 30th June 2019 have been restated to be comparable with the revised segmentation approach as required by HKFRS 8 "Operating Segments".

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

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Revenue by origin of sale:		
North Asia		
– Hong Kong and the Chinese mainland	**16,785**	26,352
– Japan, Korea and Taiwan	**1,907**	5,113
Americas	**2,919**	7,463
Europe	**1,946**	5,317
Southeast Asia	**1,939**	3,924
Southwest Pacific	**1,072**	2,732
South Asia, Middle East and Africa	**1,101**	2,646
	27,669	53,547

A geographic analysis of segment results is not disclosed for the reasons set out in the 2019 Annual Report.

4. Operating (loss)/profit

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Operating (loss)/profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– right-of-use assets	**3,105**	2,730
– owned	**4,080**	3,810
Amortisation of intangible assets	**284**	278
Impairment		
– property, plant and equipment	**2,396**	–
– intangible assets	**39**	–
Expenses relating to short-term leases	**8**	113
Loss on disposal of property, plant and equipment, net	**1**	33
Loss on disposal of intangible assets	**–**	9
Cost of stock expensed	**567**	1,157
Exchange differences, net	**(245)**	2
Auditors' remuneration	**9**	8
Dividend income from unlisted investments	**(44)**	(45)

5. Net finance charges

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Net interest charges comprise:		
– lease liabilities stated at amortised cost	**591**	693
– bank loans and overdrafts		
– wholly repayable within five years	**434**	263
– not wholly repayable within five years	**345**	625
– other loans		
– wholly repayable within five years	**63**	50
– other borrowings		
– not wholly repayable within five years	**89**	–
	1,522	1,631
Income from liquid funds:		
– funds with investment managers and other liquid investments at fair value through profit or loss	**(21)**	(100)
– bank deposits and others	**(44)**	(97)
	(65)	(197)
Fair value change:		
– loss on financial liabilities designated at fair value through profit or loss	**3**	7
– loss/(gain) on financial derivatives	**192**	(21)
	195	(14)
	1,652	1,420

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

Included in fair value change in respect of financial derivatives are net loss from derivatives that are classified as fair value through profit or loss of HK$120 million (2019: net gain of HK$5 million).

6. Taxation

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Current tax expenses		
– Hong Kong profits tax	**71**	73
– overseas tax	**60**	133
– under provisions for prior years	**27**	7
Deferred tax		
– origination and reversal of temporary differences	**(1,207)**	142
	(1,049)	355

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and the status of negotiations (see note 20(c) to the financial statements).

7. (Loss)/earnings per share (basic and diluted)

(Loss)/earnings per share is calculated by dividing the loss attributable to the ordinary equity shareholders of Cathay Pacific of HK$9,865 million (2019: a profit of HK$1,347 million) by the daily weighted average number of ordinary shares in issue throughout the period of 3,934 million (2019: 3,934 million) ordinary shares.

8. Other comprehensive income

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Cash flow hedges		
– (loss)/gain recognised during the period	**(4,651)**	1,049
– loss/(gain) transferred to profit or loss	**1,420**	(291)
– deferred taxation	**347**	(87)
Share of other comprehensive income of associates	**(210)**	(258)
Exchange differences on translation of foreign operations		
– loss recognised during the period	**(443)**	(22)
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		
– gain recognised during the period	**–**	25
Other comprehensive income for the period	**(3,537)**	416

9. Property, plant and equipment

	Aircraft and related equipment		Other equipment		Land and buildings			
	Owned HK$M	Right-of-use assets HK$M	Owned HK$M	Right-of-use assets HK$M	Owned HK$M	Right-of-use assets HK$M	Under construction HK$M	Total HK$M
Cost								
At 1st January 2020	**132,364**	**61,228**	**5,616**	**217**	**15,333**	**7,566**	**20**	**222,344**
Additions	**1,318**	**3**	**55**	**1**	**37**	**130**	**1**	**1,545**
Disposals	**(1,949)**	**(24)**	**(61)**	**(5)**	**–**	**(23)**	**–**	**(2,062)**
Transfers	**–**	**–**	**–**	**–**	**1**	**–**	**(1)**	**–**
Other right-of-use asset adjustments	**–**	**646**	**–**	**35**	**–**	**254**	**–**	**935**
At 30th June 2020	**131,733**	**61,853**	**5,610**	**248**	**15,371**	**7,927**	**20**	**222,762**
Accumulated depreciation and impairment								
At 1st January 2020	**52,527**	**17,753**	**3,625**	**38**	**6,474**	**1,813**	**–**	**82,230**
Charge for the period	**3,545**	**2,534**	**157**	**23**	**378**	**548**	**–**	**7,185**
Impairment	**1,055**	**157**	**314**	**–**	**751**	**119**	**–**	**2,396**
Disposals	**(1,883)**	**(24)**	**(59)**	**(1)**	**–**	**(18)**	**–**	**(1,985)**
At 30th June 2020	**55,244**	**20,420**	**4,037**	**60**	**7,603**	**2,462**	**–**	**89,826**
Net book value								
At 30th June 2020	**76,489**	**41,433**	**1,573**	**188**	**7,768**	**5,465**	**20**	**132,936**
At 31st December 2019	79,837	43,475	1,991	179	8,859	5,753	20	140,114

9. Property, plant and equipment (continued)

During the six months ended 30th June 2020, the carrying amounts of certain property, plant and equipment were written down by HK$2,396 million to their recoverable amounts. The recoverable amounts were estimated using the higher of fair value less costs of disposal and value in use.

Management assessed that 16 owned and leased aircraft are unlikely to re-enter meaningful economic service again before retirement or return to lessors. An impairment charge of HK$1,212 million was recognised to write off these aircraft assets in full.

In addition, an impairment charge of HK$1,184 million was recognised to reduce the carrying values of Cathay Pacific Catering Services (H.K.) Limited ("CPCS") and Vogue Laundry Service Limited ("VLS") assets to their respective values in use. Values in use were determined using updated cash flow projections to reflect decreased passenger demand of the Group and thus revenues of CPCS and VLS. The pre-tax discount rates used in the value in use assessments for CPCS and VLS were 9.0% and 7.0% respectively.

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

10. Intangible assets

	Goodwill HK$M	Computer software HK$M	Others HK$M	Total HK$M
Cost				
At 1st January 2020	**11,654**	**7,376**	**39**	**19,069**
Additions	**–**	**241**	**–**	**241**
At 30th June 2020	**11,654**	**7,617**	**39**	**19,310**
Accumulated amortisation and impairment				
At 1st January 2020	**–**	**3,898**	**20**	**3,918**
Charge for the period	**–**	**282**	**2**	**284**
Impairment	**39**	**–**	**–**	**39**
At 30th June 2020	**39**	**4,180**	**22**	**4,241**
Net book value				
At 30th June 2020	**11,615**	**3,437**	**17**	**15,069**
At 31st December 2019	11,654	3,478	19	15,151

Details surrounding the impact of COVID-19 on the Group, including the HK$39 million impairment of goodwill, is disclosed in note 22 to the financial statements.

11. Investments in associates

	30th June 2020 HK$M	31st December 2019 HK$M
Share of net assets		
– listed in Hong Kong	**18,268**	20,090
– unlisted	**3,977**	3,404
Goodwill	**3,208**	3,266
	25,453	26,760
Loans due from associates	**293**	295
	25,746	27,055

The Group's interim results include Air China's results for the six months ended 31st March 2020 and any significant events or transactions for the period from 1st April 2020 to 30th June 2020.

12. Interest-bearing liabilities

	30th June 2020		31st December 2019	
	Current HK$M	**Non-current HK$M**	Current HK$M	Non-current HK$M
Loans and other borrowings	**16,792**	**45,717**	13,634	43,134
Lease liabilities	**7,117**	**30,762**	7,118	33,374
	23,909	**76,479**	20,752	76,508

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.

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

	30th June 2020 HK$M	31st December 2019 HK$M
Non-current liabilities:		
Loans and other borrowings	**45,717**	43,134
Lease liabilities	**30,762**	33,374
	76,479	76,508
Current liabilities:		
Loans and other borrowings	**16,792**	13,634
Lease liabilities	**7,117**	7,118
	23,909	20,752
Total borrowings	**100,388**	97,260
Liquid funds less bank overdrafts	**(7,355)**	(14,864)
Net borrowings	**93,033**	82,396
Less lease liabilities without asset transfer components	**(18,944)**	(19,967)
Adjusted net borrowings, excluding leases without asset transfer components	**74,089**	62,429
Funds attributable to the shareholders of Cathay Pacific	**49,371**	62,773
Net debt/equity ratio	**1.88**	1.31
Adjusted net debt/equity ratio, excluding leases without asset transfer components	**1.50**	0.99

13. Other long-term payables

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

14. Trade and other receivables

	30th June 2020 HK$M	31st December 2019 HK$M
Trade debtors, net of loss allowances	**2,441**	5,559
Derivative financial assets – current portion	**337**	431
Other receivables and prepayments	**4,223**	4,567
Due from associates and other related companies	**9**	51
	7,010	10,608

	30th June 2020 HK$M	31st December 2019 HK$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	**2,093**	4,374
One to three months	**104**	713
More than three months	**244**	472
	2,441	5,559

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

15. Liquid funds

	30th June 2020 HK$M	31st December 2019 HK$M
Short-term deposits and bank balances	**6,124**	8,881
Short-term deposits maturing beyond three months when placed	**235**	719
Funds with investment managers		
– debt securities listed outside Hong Kong	**846**	5,079
– bank deposits	**7**	43
Other liquid investments		
– debt securities listed outside Hong Kong	**5**	5
– bank deposits	**138**	137
Liquid funds	**7,355**	14,864

Included in other liquid investments are bank deposits of HK$138 million (31st December 2019: HK$137 million) and debt securities of HK$5 million (31st December 2019: HK$5 million) which are pledged as part of long-term financing arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

Available unrestricted funds to the Group are as follows:

	30th June 2020 HK$M	31st December 2019 HK$M
Liquid funds	**7,355**	14,864
Less amounts pledged as part of long-term financing		
– debt securities listed outside Hong Kong	**(5)**	(5)
– bank deposits	**(138)**	(137)
Committed undrawn facilities	**8,220**	5,289
Available unrestricted liquidity to the Group	**15,432**	20,011

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

16. Trade and other payables

	30th June 2020 HK$M	31st December 2019 HK$M
Trade creditors	**5,270**	8,448
Derivative financial liabilities – current portion	**2,814**	523
Other payables	**7,414**	8,968
Due to associates	**428**	125
Due to other related companies	**693**	154
	16,619	18,218

	30th June 2020 HK$M	31st December 2019 HK$M
Analysis of trade creditors by invoice date:		
Within one month	**3,859**	8,018
One to three months	**650**	403
More than three months	**761**	27
	5,270	8,448

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

17. Share capital

	30th June 2020		31st December 2019	
	Number of shares	**HK$M**	Number of shares	HK$M
Ordinary shares, issued and fully paid				
At 30th June / 31st December	**3,933,844,572**	**17,106**	3,933,844,572	17,106

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's ordinary shares during the period (2019: nil). At 30th June 2020, 3,933,844,572 ordinary shares were in issue (31st December 2019: 3,933,844,572 ordinary shares).

18. Dividends

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

	2020 HK$M	2019 HK$M
No first interim dividend proposed after the interim period (2019: HK$0.18 per ordinary share)	**–**	708

The Directors decided not to declare a first interim dividend (2019: HK$0.18 per ordinary share) for the year ending 31st December 2020. The interim dividend declared for the comparative period has not been recognised as a liability at the end of the comparative period.

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

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
No second interim dividend in respect of the previous financial year, approved and paid during the six months ended 30th June 2020 (paid during the six months ended 30th June 2019: HK$0.20 per ordinary share)	**–**	787

19. Related party transactions

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

	Six months ended 30th June 2020		Six months ended 30th June 2019	
	Associates HK$M	**Other related parties HK$M**	Associates HK$M	Other related parties HK$M
Revenue	**56**	**8**	249	13
Aircraft maintenance	**504**	**1,027**	653	1,313
Other operating expenses	**176**	**152**	389	153
Dividend income	**132**	**44**	375	45
Finance income	**4**	**–**	6	–
Property, plant and equipment purchase	**4**	**–**	61	–
Lease payments	**–**	**57**	–	47

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

20. Capital commitments and contingencies

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

	30th June 2020 HK$M	31st December 2019 HK$M
Authorised and contracted for	**63,235**	62,524
Authorised but not contracted for	**1,221**	3,189
	64,456	65,713

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

	30th June 2020 HK$M	31st December 2019 HK$M
Associates	**1,346**	1,430

(c) The Company operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcomes of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

(d) The Company remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. The Company is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. The Company is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with accounting policy 19 on page 137 in the 2019 Annual Report.

20. Capital commitments and contingencies (continued)

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, the Company and a number of other international cargo carriers agreed cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on the Company. However, the European Commission's finding against the Company and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to the Company in February 2016. The European Commission issued a new decision against the Company and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company filed an appeal against this latest decision, to which the Commission filed a defence. In December 2017, the Company filed a Reply to this Defence. On 9th March 2018, the European Commission filed a rejoinder to the Company's Reply. The appeal hearing in the General Court took place on 5th July 2019. There is no fixed date for the General Court to issue its decision.

The Company is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from the Company's alleged conduct relating to its air cargo operations. The Company is represented by legal counsel and is defending these actions.

21. Financial risk management

(a) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 30th June 2020 and 31st December 2019 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

	30th June 2020		31st December 2019	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Loans and other borrowings	**(62,509)**	**(65,193)**	(56,768)	(58,721)

The fair value of these financial instruments are measured using valuation techniques in which all significant inputs are based on observable market data. The most significant inputs are market interest rates.

(b) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 30th June 2020 across three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. Level 1 includes financial instruments with fair values measured using only unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes financial instruments with fair values measured using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value has been determined based on quotes from market makers or discounted cash flow valuation techniques in which all significant inputs are based on observable market data. The most significant inputs are market interest rates, exchange rates and fuel price. Level 3 includes financial instruments with fair values measured using discounted cash flow valuation techniques in which any significant input is not based on observable market data.

21. Financial risk management (continued)

	30th June 2020				31st December 2019			
	Level 1 HK$M	**Level 2 HK$M**	**Level 3 HK$M**	**Total HK$M**	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
Recurring fair value measurement								
Assets								
Unlisted equity investments at fair value	**–**	**–**	**779**	**779**	–	–	886	886
Liquid funds								
– funds with investment managers	**–**	**846**	**–**	**846**	–	5,079	–	5,079
– other liquid investments	**–**	**5**	**–**	**5**	–	5	–	5
Derivative financial assets	**–**	**1,655**	**–**	**1,655**	–	2,010	–	2,010
	–	**2,506**	**779**	**3,285**	–	7,094	886	7,980
Liabilities								
Financial liabilities designated at fair value through profit or loss	**–**	**(1,354)**	**–**	**(1,354)**	–	(1,415)	–	(1,415)
Derivative financial liabilities	**–**	**(3,972)**	**–**	**(3,972)**	–	(917)	–	(917)
	–	**(5,326)**	**–**	**(5,326)**	–	(2,332)	–	(2,332)

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

The fair value of the unlisted equity investments in Level 3 is determined using a discounted cash flow valuation technique. The significant unobservable input used in the fair value measurement is the discount rate. At 30th June 2020 and 31st December 2019, information about fair value measurements using significant unobservable inputs (Level 3) is as follows:

Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Possible reasonable change	(Negative)/positive impact on fair value (HK$M)
Unlisted equity investments				
Discount rate	2020: 7.0-8.5% (2019: 7.0-8.5%)	The higher the discount rate, the lower the fair value	2020: +/- 0.5% (2019: +/- 0.5%)	2020: (26)/28 (2019: (28)/30)

The movement during the six months ended 30th June 2020 in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Unlisted equity investments at fair value		
At 1st January	**886**	765
Net unrealised gains recognised in other comprehensive income during the period	**–**	25
Fair value losses recognised in profit or loss during the period	**(107)**	–
At 30th June	**779**	790

22. Impacts of COVID-19

The outbreak of COVID-19 in early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

In responding to the difficult environment, the Group implemented numerous cash-preservation measures. These included significant capacity reductions, executive pay cuts, two voluntary special leave schemes (with an uptake of 80% and 90% respectively), suspension of projects and non-essential expenditure, concessions from suppliers and deferral of payments to them, and closure of outport crew bases. The Group reached agreement with Airbus to defer delivery of the A350-900's and A350-1000's from 2020 and 2021 to 2020-2023, and of the A321neo's from 2020-2023 to 2020-2025. Advanced negotiations are taking place with Boeing for the deferral of B777-9 deliveries. This deferral of deliveries is expected to produce cash savings to the Group in the short to medium term. Despite all these measures, the drop in passenger revenue to around only 1% of prior year levels meant that the Group was initially losing cash at the operating level at a rate of HK$2.5 billion to HK$3.0 billion per month during February to April as it serviced a high level of customer refunds. This has subsequently reduced to a rate of approximately HK$1.5 billion per month from May whilst minimal passenger services are in place.

Liquidity and going concern

On 9th June 2020, the Group announced a recapitalisation plan which will raise aggregate proceeds, before expenses, of approximately HK$39.0 billion. The plan involves three components:

(a) The Preference Shares and Warrants Issue, being the issuance by the Company to Aviation 2020 Limited (wholly-owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporation Ordinance (Cap. 1015)) of: (a) Preference Shares for an aggregate subscription price of HK$19.5 billion; and (b) Warrants to subscribe for the Company's ordinary shares with an aggregate exercise price of approximately HK$1.95 billion (subject to adjustment);

(b) The Rights Issue, being a proposed rights issue of 2,503,355,631 Rights Shares on the basis of seven Rights Shares for every 11 existing ordinary shares held on the Rights Issue Record Date at a Rights Subscription Price of HK$4.68 to raise aggregate proceeds of approximately HK$11.7 billion; and

(c) The Bridge Loan, being a committed bridge loan facility to be extended by Aviation 2020 Limited to the Company in an amount of HK$7.8 billion.

The Bridge Loan facility was extended to the Company on 9th June 2020. Dealings in Rights Shares commenced on 11th August 2020. The Preference Shares and Warrants Issue is due to complete on 12th August 2020 (note 23 below, Events after the reporting period).

Taking into account the net proceeds from the above transactions and the Group's presently available financial resources, including internally generated funds from operations and available financial facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this interim financial report.

22. Impacts of COVID-19 (continued)

Asset carrying values

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

Impairment and related charges of HK$2,465 million (pre-tax) was recognised for:

(a) The reduction in asset values (HK$1,212 million, note 9 to the financial statements) on 16 aircraft that are unlikely to re-enter meaningful economic service again before retirement or return to lessors, and additional provision for fulfilling lease return conditions of leased aircraft included therein (HK$30 million).

(b) Impairments on goodwill (totalling HK$39 million, note 10 to the financial statements) and assets of CPCS and VLS (totalling HK$1,184 million, note 9 to the financial statements) to reduce the carrying values of assets to their estimated recoverable amounts; being the higher of fair value less costs of disposal and value in use.

The above excludes the cross shareholding effect with Air China.

Given uncertainties on COVID-19, the position will be reassessed at the year end.

Government grants and other assistance

The Group recognised HK$1,060 million of government grants globally, mostly in relation to COVID-19. HK$640 million in relation to income grants are presented as revenue from other services and recoveries. HK$420 million in relation to cost reductions or waivers are presented net of respective cost categories.

COVID-19 related rent concessions

During the six months ended 30th June 2020, the Group received rent concessions in the form of a discount on fixed payments as a direct consequence of the COVID-19 pandemic.

The Group has early adopted the Amendment to HKFRS 16, COVID-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

Rent concessions of HK$123 million received have been accounted for as negative variable lease payments recognised in profit or loss. This amount includes concessions of HK$107 million received from government vendors during the period and included as government grants and other assistance as disclosed above.

23. Events after the reporting period

The Rights Shares under the recapitalisation plan (note 22 above) were fully subscribed. Proceeds from the Rights Issue of HK$11,716 million was received and dealings in Rights Shares commenced, on 11th August 2020 before the financial statements were authorised for issue.

The Rights Issue will increase the number of ordinary shares in issue of 3,933,844,572 at 30th June 2020 by 2,503,355,631 ordinary shares to a revised total of 6,437,200,203.

The Preference Shares and Warrants Issue is due to complete on 12th August 2020. The Preference Shares are expected to bring in HK$19,500 million to the Group and will be recorded as equity within the consolidated statement of financial position.

The Rights Shares and Preference Shares Issue will be recorded as an increase in the Group's equity of HK$31,216 million (before expenses).

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Corporate governance

The Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report with the following exceptions which it believes do not benefit shareholders:

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

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

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

The 2020 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Directors' particulars

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

1. Bernard Chan was elected as the Chairman of Asia Insurance Company, Limited.
2. John Harrison ceased to be an Independent Non-Executive Director of BW Group Limited and the Vice Chairman of BW LPG Limited.
3. Song Zhiyong was appointed as a Director and General Manager of China National Aviation Holding Corporation Limited.
4. Andrew Tung was appointed as a Director of QBN Management Limited.
5. Zhao Xiaohang was appointed as Vice President of China National Aviation Holding Corporation Limited.

Directors' interests

At 30th June 2020, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that a Director held the following interests in the shares of Cathay Pacific Airways Limited and its associated corporation (within the meaning of Part XV of the SFO), Air China Limited:

	Capacity	No. of shares	Percentage of voting shares (%)
Cathay Pacific Airways Limited			
Michelle Low	Personal	1,000	0.00003
Air China Limited			
Michelle Low	Personal	40,000	0.00028

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

Substantial shareholders

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th June 2020 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	Long position	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
1.	Air China Limited	2,949,997,987	74.99	Attributable interest (a)
2.	China National Aviation Holding Company Limited	2,949,997,987	74.99	Attributable interest (b)
3.	Swire Pacific Limited	2,949,997,987	74.99	Attributable interest (a)
4.	John Swire & Sons Limited	2,949,997,987	74.99	Attributable interest (c)
5.	Qatar Airways Group Q.C.S.C.	392,991,000	9.99	Beneficial interest (d)
6.	The Financial Secretary Incorporated	416,666,666	10.59	Interest in controlled corporation (e)

Note: At 30th June 2020:

(a) Under Section 317 of the SFO, each of Air China, China National Aviation Company Limited ("CNAC") and Swire Pacific, being a party to the Shareholders' Agreement in relation to the Company dated 8th June 2006, was deemed to be interested in a total of 2,949,997,987 shares of the Company, comprising:

(i) 1,770,238,000 shares directly held by Swire Pacific;

(ii) 1,179,759,987 shares indirectly held by Air China and its subsidiaries CNAC, Super Supreme Company Limited and Total Transform Group Limited, comprising the following shares held by their wholly owned subsidiaries: 288,596,335 shares held by Angel Paradise Ltd., 280,078,680 shares held by Custain Limited, 191,922,273 shares held by Easerich Investments Inc., 189,976,645 shares held by Grand Link Investments Holdings Ltd., 207,376,655 shares held by Motive Link Holdings Inc. and 21,809,399 shares held by Perfect Match Assets Holdings Ltd.

(b) China National Aviation Holding Company Limited was deemed to be interested in a total of 2,949,997,987 shares of the Company, in which its subsidiary Air China is deemed interested.

(c) John Swire & Sons Limited ("Swire") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 2,949,997,987 shares of the Company by virtue of the Swire group being interested in 55.20% of the equity of Swire Pacific and controlling 64.28% of the voting rights attached to shares in Swire Pacific.

(d) Qatar Airways Group Q.C.S.C. held a total of 392,991,000 shares of the Company as beneficial owner.

(e) (i) Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, did not hold any ordinary shares of the Company; (ii) pursuant to a subscription agreement dated 9th June 2020 entered into between the Company and Aviation 2020 Limited in relation to the issue of preference shares and warrants, the Company issued 416,666,666 warrants to Aviation 2020 Limited on 12th August 2020, which entitle Aviation 2020 Limited to subscribe for up to 416,666,666 ordinary shares of the Company; (iii) if Aviation 2020 Limited chooses to exercise all warrants , it would hold approximately 6.08% of the ordinary shares of the Company as enlarged by the warrant shares.

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 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.

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