

Government responds to Cathay Group's plan to buy back all remaining preference shares

Regarding Cathay Pacific Airways Limited (Cathay Group)'s announcement today (July 5) that it plans to buy back the remaining 50 per cent of its preference shares from the Government on July 31 this year at a cost of \$9.75 billion, a Government spokesman said:

In June 2020, the Hong Kong Special Administrative Region (HKSAR) Government invested \$27.3 billion in Cathay Group through the Land Fund, comprising preference shares with detachable warrant of \$19.5 billion and a bridging loan of \$7.8 billion, with a view to safeguarding Hong Kong's position as an international aviation hub in the face of the unexpected impact of the COVID-19 pandemic. Pursuant to the relevant investment agreement, in July 2020, the Government designated Fellow Certified Public Accountant Mr Carlson Tong and Senior Counsel Mr Rimsky Yuen as the observers of Cathay Group's Board of Directors, until the Cathay Group repays the Government in full the drawn bridge loan and interest and redeems all preference shares from the Government.

The HKSAR Government is pleased to note Cathay Group's decision to buy back all of its remaining preference shares and would like to express its gratitude to the two observers designated by the Government to sit on Cathay Group's Board of Directors, Mr Carlson Tong and Mr Rimsky Yuen, for their valuable contributions over the past few years.

Major air service providers based in Hong Kong are an important component of Hong Kong's status as an international aviation hub. The HKSAR Government's investment in the airline played an important role at a critical time, and the airline's operational and financial situation have improved with the full resumption of normal travel between Hong Kong and other places. We expect the airline to fully restore its capacity to the pre-pandemic level at full speed, actively expand its passenger and cargo flight network, and continuously enhance its service quality, so as to further support the reinforcement and enhancement of Hong Kong's status as an international aviation hub.

Hong Kong International Airport (HKIA) recorded significant growth in air traffic last year with the full resumption of travel, and demand for flights to and from Hong Kong from all over the world continued to rise. Between April 2023 and March this year, passenger traffic at HKIA rose by more than 260 per cent to 45.2 million, while the number of flight movements rose by more than 90 per cent to 310 000. In the first five months of this year, over 18 million visitors travelled to Hong Kong. Both passenger traffic and flight movements during the peak travel season have returned to 80 per cent of the pre-pandemic levels, and are expected to fully recover by the end of this year. On the cargo side, benefiting from the strong demand for e-

commerce, the airport handled 4.5 million tonnes of cargo last year, and HKIA has been the world's busiest cargo airport for 13 out of the past 14 years.

Looking ahead, the HKSAR Government will continue to enhance our strengths as an international aviation hub and strengthen communication with local airlines, with a view to planning our route network in such a way that it fully meets the needs of Hong Kong's overall economic and social development. In particular, Cathay Group has increased the number of flights between Hong Kong and Xi'an and Qingdao since the end of March this year, in response to the country's further opening up of the Individual Visit Scheme to cover the two cities. Direct passenger flights to Riyadh, the capital of Saudi Arabia, will also be launched in October this year, to further strengthen Hong Kong's ties with Belt and Road countries.

To better complement our country's development of the "Air Silk Road" and leverage the opportunities brought about by the Three-Runway System, the HKSAR Government will continue to strengthen aviation services on existing major routes and routes along the Belt and Road with potential, including destinations in Europe, Africa, South America and Asia. The Airport Authority of Hong Kong will also continue to support and encourage airlines to launch and increase flights to and from Hong Kong, as well as work with relevant parties to step up publicity efforts so as to boost the demand for travel to Hong Kong for leisure and business purposes.