CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2019 Annual Results

Financial and Operational Highlights

Group Financial Statistics

Results		2019	2018	Change
Revenue	*HK$ million*	**106,973**	111,060	**-3.7%**
Profit attributable to the shareholders of Cathay Pacific	*HK$ million*	**1,691**	2,345	**-27.9%**
Earnings per share	*HK cents*	**43.0**	59.6	**-27.9%**
Dividend per share	*HK$*	**0.18**	0.30	**-40.0%**
Profit margin	*%*	**1.6**	2.1	**-0.5%pt**
Financial position*				
Funds attributable to the shareholders of Cathay Pacific*	*HK$ million*	**62,773**	63,936	**-1.8%**
Net borrowings*	*HK$ million*	**82,396**	58,581	**+40.7%**
Shareholders' funds per share*	*HK$*	**16.0**	16.3	**-1.8%**
Net debt/equity ratio*	*Times*	**1.31**	0.92	**+0.39 times**

Operating Statistics – Cathay Pacific and Cathay Dragon

		2019	2018	Change
Available tonne kilometres (“ATK”)	*Million*	**33,077**	32,387	**+2.1%**
Available seat kilometres (“ASK”)	*Million*	**163,244**	155,362	**+5.1%**
Available cargo tonne kilometres (“AFTK”)**	*Million*	**17,558**	17,616	**-0.3%**
Revenue tonne kilometres (“RTK”)	*Million*	**24,090**	24,543	**-1.8%**
Passenger revenue per ASK	*HK cents*	**44.2**	47.1	**-6.2%**
Revenue passenger kilometres (“RPK”)	*Million*	**134,397**	130,630	**+2.9%**
Revenue passengers carried	*‘000*	**35,233**	35,468	**-0.7%**
Passenger load factor	*%*	**82.3**	84.1	**-1.8%pt**
Passenger yield	*HK cents*	**53.6**	55.8	**-3.9%**
Cargo revenue per AFTK**	*HK$*	**1.20**	1.40	**-14.3%**
Cargo revenue tonne kilometres (“RFTK”)**	*Million*	**11,311**	12,122	**-6.7%**
Cargo carried**	*‘000 tonnes*	**2,022**	2,152	**-6.0%**
Cargo load factor**	*%*	**64.4**	68.8	**-4.4%pt**
Cargo yield**	*HK$*	**1.87**	2.03	**-7.9%**
Cost per ATK (with fuel)	*HK$*	**3.06**	3.27	**-6.4%**
Fuel consumption per million RTK	*Barrels*	**1,867**	1,830	**+2.0%**
Fuel consumption per million ATK	*Barrels*	**1,360**	1,387	**-1.9%**
Cost per ATK (without fuel)	*HK$*	**2.19**	2.25	**-2.7%**
Underlying***cost per ATK (without fuel)	*HK$*	**2.22**	2.24	**-0.9%**
ATK per HK$’000 staff cost	*Unit*	**1,879**	1,801	**+4.3%**
ATK per staff	*‘000*	**1,256**	1,217	**+3.2%**
Aircraft utilisation	*Hours per day*	**11.9**	12.3	**-3.3%**
On-time performance	*%*	**76.3**	72.7	**+3.6%pt**
Average age of fleet	*Years*	**10.3**	9.9	**+0.4 years**
GHG emissions	*Million tonnes of CO_2e*	**18.0**	18.0	**-**
GHG emissions per ATK	*Grammes of CO_2e*	**545**	556	**-2.0%**
Lost time injury rate	*Number of injuries per 100 full-time equivalent employees*	**5.33**	4.55	**+17.1%**

* Shareholders’ funds, net borrowings and net debt/equity ratio at 31st December 2019 are arrived at after taking account of the effect of HKFRS 16. Disregarding the effect of adopting HKFRS 16, the net debt/equity ratio increased from 0.92 times to 0.96 times. Further details can be found in note 1 below.

** Including mail. Mail is no longer referred to separately but mail services continue to be accounted for under cargo services.

*** Underlying costs exclude exceptional items, non-recurring item for 2019 and 2018, and are adjusted for the effect of foreign currency movements, as well as the adoption of HKFRS 16 for the year ended 31st December 2019.

Chairman's Statement

Overview

2019 was a turbulent year for the Cathay Pacific Group. With our three-year transformation programme starting to bear fruit we delivered a positive performance in the first half of 2019 notwithstanding a difficult environment brought about by geopolitical and trade tensions. However, with social unrest in Hong Kong intensifying over the second half of the year and mounting US-China trade tensions, we experienced a sharp drop in both inbound and outbound passenger traffic. We were faced with an incredibly challenging environment to operate as the Hong Kong economy slipped into recession. As a result, our second-half results – traditionally stronger compared to first-half results – fell well below what we would have hoped for.

The Cathay Pacific Group reported an attributable profit of HK$1,691 million for 2019. This compares with a HK$2,345 million profit for 2018. The earnings per share was HK43.0 cents in 2019 compared to an earnings per share of HK59.6 cents in 2018. The Cathay Pacific Group reported an attributable profit of HK$344 million in the second half of 2019, compared to an attributable profit of HK$1,347 million in the first half of 2019 and an attributable profit of HK$2,608 million in the second half of 2018. Cathay Pacific and Cathay Dragon reported an attributable loss of HK$434 million in the second half of 2019, compared to an attributable profit of HK$675 million in the first half of 2019 and an attributable profit of HK$1,253 million in the second half of 2018.

Overall, passenger and cargo yields were under intense pressure in 2019 and both were below those seen in 2018. Events in Hong Kong in the second half of the year significantly reduced load factors, forward bookings and the number of passengers we carried. Inbound traffic was hit hard, particularly on short-haul and Mainland China routes, while outbound traffic also decreased. Demand for premium travel was weak and we became increasingly reliant on lower-yielding transit traffic. We carried 0.7% fewer passengers in 2019 than in 2018.

Cargo demand was depressed all year as a result of US-China trade tensions and was noticeably below that of 2018. However, it did pick up later in 2019 during the traditional high season, reflecting new consumer product, specialist airfreight shipments and restocking ahead of holiday periods. Exports from Mainland China and Hong Kong to trans-Pacific and European markets were more encouraging later in the year. Nevertheless, the cargo business performed significantly below expectations in 2019.

To boost the competitiveness of Hong Kong International Airport as a global cargo hub, the Group together with the Airport Authority of Hong Kong announced in December it would introduce a new Terminal Charge concession effective 1st April 2020. The reduction ranges from 18% to more than 20% compared with the current charge levels and is applicable to shipments from Hong Kong on all four of the Group's airlines.

We benefited from lower fuel prices for most of the year, but were adversely affected by a strong US dollar. There was a 2.7% decrease in non-fuel costs per available tonne kilometre (ATK), reflecting our focus on productivity and efficiency as part of our successful transformation programme.

In July 2019, we completed the acquisition of low-cost carrier HK Express, now a wholly owned subsidiary of Cathay Pacific. In November, we announced that the airline would begin taking delivery of half of our new narrow-body Airbus A321-200neo fleet (16 of 32 new aircraft) from 2022 as part of the Group's efforts to optimise the deployment of the passenger fleets of its airlines.

In May 2019 we built on our commitment to our customers with the launch of our new brand direction, 'Move Beyond', expressing our drive to always exceed their expectations. Despite the challenges of the second half of the year, this period saw some of our most extensive enhancements to the customer experience proposition in recent years. These included a major expansion to our inflight entertainment content library; new bedding, amenities and culinary options in our First and Business Class cabins; an elevated Economy Class dining experience on our long-haul services departing Hong Kong; and the reopening of our newly renovated Shanghai Pudong lounge. All are designed to give our customers more reasons to fly with us.

Business performance of Cathay Pacific and Cathay Dragon

Passenger revenue in 2019 was HK$72,168 million, a decrease of 1.3% compared to 2018. RPK traffic increased by 2.9%, while ASK capacity increased by 5.1%, albeit this was less than originally expected. Consequently the load factor decreased by 1.8 percentage points, to 82.3%. Yield decreased by 3.9% to HK53.6 cents, reflecting a strong US dollar, intense competition and reduced travel in the second half of 2019 as a result of the social unrest in Hong Kong. Inbound and outbound traffic, particularly on short-haul Mainland China routes, substantially reduced from August to December. We became increasingly reliant on low-yielding transit traffic, which was relatively less affected. Premium class travel was also weak during this period.

To mitigate these challenges, in October we introduced a number of short-term tactical measures, including frequency cuts on more than a dozen routes during the winter season and suspending our service to Medan indefinitely. We examined expenditure to focus on increased productivity and cost saving, along with implementing a hiring freeze, prioritising projects and deferring or cancelling non-critical expenditure.

Cargo revenue in 2019 was HK$21,154 million, a decrease of 14.2% compared to 2018. RFTK traffic decreased by 6.7%, whilst AFTK capacity decreased by 0.3%. Consequently the load factor decreased by 4.4 percentage points, to 64.4%. Yield decreased by 7.9% to HK$1.87, reflecting a strong US dollar and weakened cargo demand resulting from intensified US-China trade tensions.

Total fuel costs (before the effect of fuel hedging) decreased by HK$3,110 million (or 9.8%) compared with 2018. Prices decreased but we flew more. After taking hedging losses into account, fuel costs decreased by HK$4,454 million or 13.4% compared to 2018. The net cost of fuel is the Airlines' most significant cost, accounting for 28.4% of operating costs in 2019 (compared to 31.4% in 2018).

Non-fuel costs per available tonne kilometre decreased slightly, reflecting our focus on productivity and efficiency.

We continued to take delivery of new and more fuel-efficient aircraft, including six Airbus A350 aircraft. We now have 24 Airbus A350-900 and 12 Airbus A350-1000 aircraft in our fleet. We also took delivery of three used Boeing 777-300 aircraft during the year. At the same time we retired three Boeing 777-200 aircraft, and returned four Airbus A330-300 and one Boeing 777-300ER leased aircraft to their lessors.

Business performance of other subsidiaries and associates

HK Express reported a post-acquisition loss for 2019, against expectations of a small profit. The airline suffered from reduced demand to and from Asia as a result of the Hong Kong social unrest.

Air Hong Kong's results attributable to the shareholders of Cathay Pacific improved year on year. In 2019 we owned 100% of the airline compared with 60% in 2018. On a 100% like-for-like basis there was a decrease in profit. This was in part due to gains on disposal of certain aircraft in 2018, and in part due to a new block space agreement and an underlying decrease in capacity and cargo uplift in 2019.

Our airline services subsidiaries generally performed worse than 2018 due to reduced activity and rising cost pressures.

Whilst our share of Air China's results (accounted for three months in arrears) marginally improved, Air China Cargo suffered a significant decline in results as trade tensions escalated, negatively impacting air traffic and yield, and reducing throughput tonnage for its cargo terminals.

Prospects

Following the impact of social unrest in Hong Kong in the latter half of 2019, the first half of 2020 was expected to be extremely challenging financially, with an already reduced winter season capacity. This has been exacerbated by the significant negative impact of COVID-19 (see note 16 below). It is difficult to predict when these conditions will improve. Travel demand has dropped substantially and we have taken a series of short-term measures in response. These have included a sharp reduction of capacity in our passenger network. Despite these measures we expect to incur a substantial loss for the first half of 2020.

We expect our passenger business to be under severe pressure this year and that our cargo business will continue to face headwinds. However, we are cautiously optimistic about cargo following the recent reduction in US-China trade tensions and we have maintained our cargo capacity intact. The US dollar is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on yields.

Although there is much uncertainty, we have an incredible brand with a reputation and track record of premium service and commitment to our customers that differentiates us from our competitors. These qualities and values remain at the heart of everything we do and are what will help us through the current challenges.

Our three-year transformation programme has left the business leaner and more resilient, and we move forward with a culture of continuous improvement. Investment in our products, customers and fleet is ongoing. We will continue to take delivery of new aircraft in 2020 and, with the hope that the environment will improve, we will retain the flexibility to add capacity back to the market as soon as we are able to. Our plan to take delivery of 70 new and more fuel-efficient aircraft by 2024 remains unchanged.

The hard work and determination of our teams of professionals over the past year, and in the current COVID-19 crisis, has been outstanding. I would like to thank them for the dedication they have shown during these exceptionally challenging times in ensuring our ability to maintain our operations as smoothly and efficiently as possible. As a Group, we remain unwavering in our commitment to our customers, our people and our home hub, which we have proudly served for more than seven decades. We will continue to invest significantly in delivering an industry-leading experience for our customers and in strengthening Hong Kong's position as a world-class global aviation hub.

Patrick Healy
Chairman
Hong Kong, 11th March 2020

Review of Operations

Capacity, Load Factor and Yield Change – Cathay Pacific and Cathay Dragon

	Capacity ASK/AFTK (million)*			Load factor (%)			Yield
	2019	2018	**Change**	**2019**	2018	**Change**	**Change**
Passenger services							
Americas	**43,555**	40,308	**+8.1%**	**82.9**	86.5	**-3.6%pt**	**-5.0%**
Europe	**34,677**	32,090	**+8.1%**	**86.0**	86.2	**-0.2%pt**	**-5.9%**
North Asia	**31,914**	31,533	**+1.2%**	**76.6**	80.7	**-4.1%pt**	**-1.9%**
Southeast Asia	**21,483**	20,919	**+2.7%**	**81.3**	83.2	**-1.9%pt**	**-1.7%**
Southwest Pacific	**18,799**	18,494	**+1.6%**	**85.4**	83.2	**+2.2%pt**	**-3.0%**
South Asia, Middle East and Africa	**12,816**	12,018	**+6.6%**	**82.2**	82.3	**-0.1%pt**	**+0.2%**
Overall	**163,244**	155,362	**+5.1%**	**82.3**	84.1	**-1.8%pt**	**-3.9%**
Cargo services	**17,558**	17,616	**-0.3%**	**64.4**	68.8	**-4.4%pt**	**-7.9%**

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

Passenger Services

Home market - Hong Kong and Pearl River Delta

- Our weekly "fanfares" promotions in Hong Kong continue to demonstrate our commitment to offering good-value fares in our home market. There was a "super fanfare" promotion in April.
- Demand during the 2019 Chinese New Year and Easter holiday period was strong, particularly on short-haul routes from Hong Kong.
- Premium class demand was strong at the beginning of the year, particularly on long-haul routes, but tapered off in the second-half of the year placing pressure on yield.
- In November, we launched our annual senior citizen discount for Hong Kong and Macau residents aged 65 and above, and accompanying adults.

Americas

- Demand on our routes to the Americas fell short of increases in capacity throughout 2019, though this was especially felt in the second half of the year.
- Cathay Pacific introduced a four-times-weekly service to Seattle in March, using Airbus A350-900 aircraft. The service became daily in July.
- In response to reduced demand resulting from social unrest in Hong Kong, in October 2019 Cathay Pacific reduced the frequency of its services to Washington D.C., New York (JFK) and Vancouver for the winter season.
- In October 2019, Cathay Pacific started to use an additional Airbus A350-900 aircraft on its San Francisco route for the winter season.

Europe

- Demand was strong for Europe throughout 2019 where our passenger traffic almost caught up with the capacity increase.
- Europe was well supported by strong transit traffic from Australia throughout 2019 where additional travel volume offset a yield decrease as a result of a weaker Australian dollar.
- Demand was also good for leisure travel from Taiwan to Europe.
- Cathay Pacific increased the frequency of its services to Madrid from five flights per week to daily between June and October 2019.

- In response to reduced demand resulting from social unrest in Hong Kong, in October 2019 Cathay Pacific reduced the frequency of its service to Paris and suspended its service to Dublin for the winter season.
- Cathay Pacific expanded its codeshare agreement with the Lufthansa Group so as to include three more routes to Europe. Cathay Pacific now places its code on Lufthansa's flights between Hong Kong and Frankfurt and Munich, and on Swiss International Air Lines' flights between Hong Kong and Zurich.

North Asia

- Demand for business and leisure travel to and from North Asia was firm in the first half of the year with strong demand on Taiwan routes, but weakened in the second half.
- Cathay Pacific introduced a two-times-weekly seasonal service to Komatsu from April to October.
- Inbound passenger traffic from Mainland China dropped significantly in the second half of the year as travel sentiment weakened due to social unrest in Hong Kong. In 2019, revenue passenger kilometres to and from Mainland China were down 10.9% compared with 2018.
- Our Japan routes performed very well in October with the Rugby World Cup generating good demand, especially from England and South Africa when both teams advanced to the final.
- Cathay Dragon reduced the frequency of its service to Shanghai (Pudong) from 105 to 84 flights per week for the winter season. Among those cancellations, 14 were effective only from November.
- In response to reduced demand resulting from social unrest in Hong Kong, in October 2019 Cathay Pacific and Cathay Dragon reduced the frequency of their services to Beijing, Taipei, Seoul and Osaka, while Cathay Dragon suspended its service to Tokyo (Haneda) for the winter season.

Southeast Asia

- Demand for travel to Southeast Asia destinations was robust in the first half of 2019 – load factors were strong, but there was pressure on yield. Bookings dropped significantly in the second half of the year as sentiment for travel weakened due to social unrest in Hong Kong.
- In response to reduced demand resulting from social unrest in Hong Kong, in October 2019 Cathay Pacific reduced the frequency of its service to Bangkok, while Cathay Dragon suspended its service to Denpasar (Bali) for the winter season and suspended its service to Medan indefinitely.

Southwest Pacific

- Traffic on Southwest Pacific routes performed well throughout the year, helped by capacity reductions by other airlines and strong demand for travel to Europe. This was partially offset by a lower yield on transit revenue and a weaker Australian dollar.
- In October 2019, Cathay Pacific suspended its service to Cairns.

South Asia, Middle East and Africa

- Traffic on Indian routes benefited from capacity reductions by Indian carriers in the first half of the year.
- Demand for travel to Colombo was negatively affected by the bombings in April. Frequencies were reduced.
- From June 2019, Cathay Pacific increased the frequency of its services to Hyderabad from four to five times weekly.
- From July 2019, Cathay Dragon increased the frequency of its services to Dhaka from four to five times weekly.
- Our South Asia routes performed positively throughout 2019, buoyed by strong demand for travel between India and North America.
- In response to reduced demand resulting from social unrest in Hong Kong, in October Cathay Pacific reduced the frequency of its service to Colombo for the winter season.
- Yield pressure remained severe on our South Africa route.

Cargo Services

- Cargo demand was depressed throughout 2019, reflecting weaker global trade brought about by ongoing US-China trade tensions and a weaker global economy. Overall load factor for 2019 was down compared to the previous year.
- Cargo demand picked up in the latter part of 2019 during the traditional high season, reflecting new consumer product, specialist airfreight shipments and restocking ahead of holiday periods. Exports from Mainland China and Hong Kong to trans-Pacific and European markets were more encouraging later in the year. Nevertheless, the cargo business performed significantly below expectations in 2019.
- In April 2019, we expanded our joint-business agreement with Lufthansa Cargo, so as to start eastbound joint shipments from Europe to Hong Kong.
- In April 2019, Cathay Pacific became the first airline to be awarded CEIV Fresh, IATA’s accreditation for perishable cargo handling, reflecting our commitment to provide specialised cargo solutions.
- In July 2019, we introduced a fire containment bag solution that allows for the safe carriage of standalone lithium-ion batteries on our freighter aircraft.
- While we still experienced an increase in demand in the last quarter of the year – the traditional high season – from new consumer products and the e-commerce sector, overall volumes and yields were significantly down in comparison with a record year in 2018.
- We adjusted our freighter services across our network.
- We took our one Boeing 747-400BCF freighter aircraft out of service in September 2019 in preparation for retirement in 2020.
- As of 1st September, Cathay Pacific Cargo is the General Sales and Service Agent (GSSA) for all HK Express cargo activities.

Fleet profile*

Aircraft type	Number at 31st December 2019				Average age	Firm orders				Expiry of operating leases**					
		Leased**													
	Owned	Finance	Operating	Total		'20	'21	'22 and beyond	Total	'20	'21	'22	'23	'24	'25 and beyond
Aircraft operated by Cathay Pacific:															
A330-300	17	10	2	29	12.4					1					1
A350-900	18	4	2	24	2.6	4			4						2
A350-1000	9	3		12	1.1	3	5		8						
747-400BCF	1			1	28.5										
747-400ERF		6		6	11.0										
747-8F	3	11		14	6.9										
777-200	1			1	23.5										
777-300	17			17	18.2										
777-300ER	22	8	21	51	7.8						6	4	2	3	6
777-9							6	15	21						
Total	88	42	25	155	8.7	7	11	15	33	1	6	4	2	3	9
Aircraft operated by Cathay Dragon:															
A320-200	5		10	15	14.5					4[a]	3	3			
A321-200	2		6	8	17.1					1	2	2	1		
A321-200neo						6	8	2	16						
A330-300	21[b]		4	25	15.2					1					3
Total	28		20	48	15.3	6	8	2	16	6	5	5	1		3
Aircraft operated by HK Express:															
A320-200			8	8	10.2						3		1	4	
A321-200			11	11	2.2										11
A320-200neo			5	5	2.5	4	1		5[c]						5
A321-200neo								16[d]	16						
Total			24	24	4.9	4	1	16	21		3		1	4	16
Aircraft operated by Air Hong Kong:															
A300-600F***			9	9	15.6					1		5	3		
Total			9	9	15.6					1		5	3		
Grand total	**116**	**42**	**78**	**236**	9.9	**17**	**20**	**33**	**70**	**8**	**14**	**14**	**7**	**7**	**28**

* The table includes two aircraft parked in preparation for retirement (one Boeing 777-200 aircraft and one Boeing 747-400BCF freighter) and does not reflect aircraft movements after 31st December 2019. The two parked aircraft were deregistered in February 2020.

** With effect from 1st January 2019, leases previously classified as operating leases are accounted for in a similar manner to finance leases as a result of an accounting standard change (HKFRS 16; see note 1 below). The majority of operating leases captured in the above table are within the scope of HKFRS 16.

*** Under the new block space agreement Air Hong Kong entered into with DHL International which commenced on 1st January 2019, the nine Airbus A300-600F freighters are considered operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating lease of one Airbus A320-200 aircraft expired in February 2020. The aircraft was returned to its lessor.
(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.
(c) These aircraft are operating leased.
(d) These aircraft, ordered by Cathay Dragon, will be operated by HK Express from 2022.

CATHAY PACIFIC

Financial Review

Revenue

	Group			Cathay Pacific and Cathay Dragon		
	2019	2018		**2019**	2018	
	HK$M	HK$M	**Change**	**HK$M**	HK$M	**Change**
Passenger services	**73,985**	73,119	**+1.2%**	**72,168**	73,119	**-1.3%**
Cargo services	**23,810**	28,316	**-15.9%**	**21,154**	24,663	**-14.2%**
Other services and recoveries	**9,178**	9,625	**-4.6%**	**8,284**	8,730	**-5.1%**
Total revenue	**106,973**	111,060	**-3.7%**	**101,606**	106,512	**-4.6%**

Operating expenses

	Group			Cathay Pacific and Cathay Dragon		
	2019	2018		**2019**	2018	
	HK$M	HK$M	**Change**	**HK$M**	HK$M	**Change**
Staff	**20,125**	20,211	**-0.4%**	**17,604**	17,987	**-2.1%**
Inflight service and passenger expenses	**5,306**	5,292	**+0.3%**	**5,284**	5,292	**-0.2%**
Landing, parking and route expenses	**17,758**	17,486	**+1.6%**	**16,900**	17,115	**-1.3%**
Fuel, including hedging losses	**29,812**	33,869	**-12.0%**	**28,778**	33,232	**-13.4%**
Aircraft maintenance	**9,858**	9,401	**+4.9%**	**9,231**	8,965	**+3.0%**
Aircraft depreciation and rentals*	**12,022**	12,743	**-5.7%**	**11,640**	12,414	**-6.2%**
Other depreciation, amortisation and rentals*	**2,991**	2,851	**+4.9%**	**2,132**	2,091	**+2.0%**
Commissions	**927**	862	**+7.5%**	**920**	862	**+6.7%**
Others	**4,847**	4,750	**+2.0%**	**6,280**	6,164	**+1.9%**
Operating expenses	**103,646**	107,465	**-3.6%**	**98,769**	104,122	**-5.1%**
Net finance charges*	**2,939**	2,114	**+39.0%**	**2,446**	1,853	**+32.0%**
Total operating expenses	**106,585**	109,579	**-2.7%**	**101,215**	105,975	**-4.5%**

* The adoption of HKFRS 16 has resulted in increased depreciation and finance charges, offset by a reduction in lease charges.

- The Group's total operating expenses decreased by 2.7% (with the combined Cathay Pacific and Cathay Dragon operating expenses decreasing by 4.5%).
- The cost per ATK (with fuel) of Cathay Pacific and Cathay Dragon decreased from HK$3.27 to HK$3.06.
- The cost per ATK (without fuel) of Cathay Pacific and Cathay Dragon decreased from HK$2.25 to HK$2.19.
- The underlying cost per ATK (without fuel), which excludes exceptional items, non-recurring item and adjusts for the effect of foreign currency movements and the adoption of HKFRS 16, decreased from HK$2.24 to HK$2.22, a decrease of 0.9%.

Operating results analysis

	1st half 2019 HK$M	**2nd half 2019 HK$M**	**Full year 2019 HK$M**	1st half 2018 HK$M	2nd half 2018 HK$M	Full year 2018 HK$M
Cathay Pacific and Cathay Dragon's profit/(loss) before exceptional items, non-recurring item and taxation	966	**(455)**	**511**	(844)	1,539	695
Exceptional items*	(59)	**(61)**	**(120)**	101	(259)	(158)
Non-recurring item**	-	**114**	**114**	-	-	-
Taxation	(232)	**(32)**	**(264)**	(126)	(27)	(153)
Cathay Pacific and Cathay Dragon's profit/(loss) after exceptional items, non-recurring item and taxation	675	**(434)**	**241**	(869)	1,253	384
Share of profits from subsidiaries and associates	672	**778**	**1,450**	606	1,355	1,961
Profit/(loss) attributable to the shareholders of Cathay Pacific	1,347	**344**	**1,691**	(263)	2,608	2,345

* Exceptional items in 2019 included additional redundancy costs of HK$8 million in connection with the reorganisation of our outports, data security costs of HK$41 million and costs of HK$71 million associated with the acquisition of HK Express (2018: a HK$101 million gain on the disposal of CO_2 emissions credits, redundancy costs of HK$201 million incurred in connection with the reorganisation of our outports and data security costs of HK$58 million).

** Non-recurring item in 2019 included a HK$114 million gain on deemed partial disposal of Air China Cargo.

The movement in Cathay Pacific and Cathay Dragon's profit before exceptional items, non-recurring item and taxation (isolating the effect of the adoption of HKFRS 16 and foreign currency movements) can be analysed as follows:

	Reported HK$M	HKFRS 16 adoption HK$M	Currency movement HK$M	Adjusted HK$M	ATK unit * % change	Note
2018 Cathay Pacific and Cathay Dragon's profit before tax	**695**			**695**		
Changes:						
- Passenger and Cargo revenue	**(4,460)**		1,213	**(3,247)**	-5.3%	1
- Other services and recoveries	**(446)**		28	**(418)**	-6.8%	2
- Staff	**182**	(31)	(108)	**43**	-2.3%	3
- Inflight service and passenger expenses	**8**		(51)	**(43)**	-1.3%	4
- Landing, parking and route expenses	**215**	(81)	(261)	**(127)**	-1.4%	5
- Fuel, including hedging losses	**4,454**		(8)	**4,446**	-15.2%	6
- Aircraft maintenance	**(266)**	(95)	(9)	**(370)**	+2.0%	7
- Owning the assets **	**140**	182	(14)	**308**	-3.9%	8
- Other items (including commissions)	**(11)**	(85)	(476)	**(572)**	+5.8%	9
2019 Cathay Pacific and Cathay Dragon's profit before tax	**511**	(110)	314	**715**		

* 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) Lower cargo ancillary contribution from Atlas operations and lower aircraft lease income and related recoveries from Air Hong Kong. Lower inflight sales recoveries; offset by a 17% increase in Asia Miles revenues.
3) Reduction in unit staff costs following the reorganisation of our outports and capped discretionary bonuses for 2019.
4) Lower inflight cost of sales in line with reduction in inflight sales recoveries.
5) Reduction in cargo handling costs resulting from decrease in cargo activities.
6) 10% fall in the average into-plane fuel price and a decrease in fuel hedging losses.
7) Increase in engine overhaul and component overhaul costs, partially offset by lower lease return and stock provisions
8) Decreased aircraft leasing costs on the cessation of the Atlas contract.
9) Increased marketing costs associated with Move Beyond and increased activity levels in Asia Miles.

Fuel expenditure and hedging

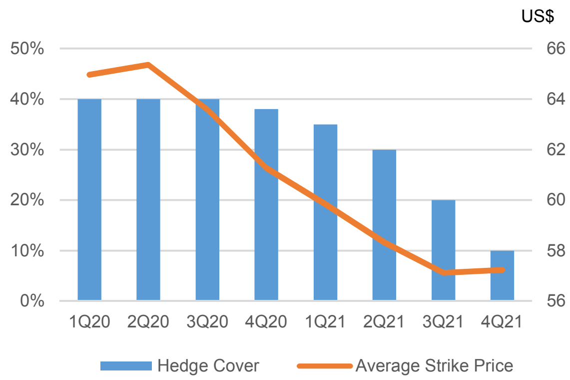
A breakdown of the Group's fuel cost is shown below:

	2019	2018
	HK$M	HK$M
Gross fuel cost	**29,711**	32,424
Fuel hedging losses	**101**	1,445
Fuel cost	**29,812**	33,869

Fuel consumption in 2019 was 46.6 million barrels (2018: 45.8 million barrels), an increase of 1.7% compared with an increase in capacity of 2.0%.

- The Group's fuel hedging cover at 31st December 2019 is set out in the chart opposite.
- The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. The Group uses fuel derivatives which are economically equivalent to forward contracts to achieve its desired hedging position. The chart opposite indicates the estimated percentage of projected consumption by year covered by hedging transactions at various Brent strike prices. The projected consumption in 1Q20 and 2Q20 is currently being impacted by the capacity reductions associated with COVID-19; as such the percentage covered during this period will increase.

Fuel hedging cover



- The Group does not speculate on oil prices but uses hedging to manage the risk of changes in oil prices and therefore its fuel costs. Hedging is not risk free.

Assets

- Total assets at 31st December 2019 were HK$214,516 million.
- As a result of the adoption of HKFRS 16 (which changed the required accounting for operating leases to recognise right-of-use assets), right-of-use assets of HK$17,350 million were brought onto the consolidated statement of financial position at 1st January 2019.
- During the year, additions to property, plant and equipment were HK$13,270 million, comprising HK$12,381 million in respect of aircraft and related equipment, HK$589 million in respect of land and buildings and HK$300 million in respect of other equipment.

Borrowings and capital

- Borrowings (which reflect the adoption of HKFRS 16) increased by 31.7% to HK$97,260 million. These are mainly denominated in United States dollars, Hong Kong dollars and Japanese yen, and are fully repayable by 2033, with 52.8% currently at fixed rates of interest after taking into account derivative transactions. HKFRS 16 did not make a major change to the currency profile of borrowings. Excluding lease liabilities previously classified as operating leases, borrowings increased by 4.6% to HK$77,293 million, which are fully repayable by 2031, with 44.2% at fixed rates of interest.
- Available unrestricted liquidity at 31st December 2019 totalled HK$20,011 million, comprising liquid funds of HK$14,864 million (79.9% of which are denominated in United States dollars) and committed undrawn facilities of HK$5,289 million, less pledged funds of HK$142 million.
- Net borrowings (reflecting the adoption of HKFRS 16 and after taking liquid funds and bank overdrafts into account) increased by 40.7% to HK$82,396 million. Disregarding the effect of adopting HKFRS 16, net borrowings increased by 6.6% to HK$62,429 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 1.8% to HK$62,773 million. This was due to retained net profits and other comprehensive income, less the dividend distribution, being more than offset by the impact to opening reserves on the initial application of HKFRS 16.
- Disregarding the effect of adopting HKFRS 16, the net debt/equity ratio increased from 0.92 times to 0.96 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16, the net debt/equity ratio was 1.31 and 1.25 times at 31st December 2019 and 1st January 2019 respectively.

Review of subsidiaries and associates

- On 19th July 2019, Cathay Pacific completed the acquisition of 100% of the share capital of Hong Kong Express Airways Limited (“HK Express”). For the period from 20th July to 31st December 2019, capacity amounted to 4,583 million available seat kilometres. The average load factor was 91.5% during the period. HK Express recorded an after tax loss during the post-acquisition period of HK$246 million, against expectations of a small profit. The airline suffered from reduced demand to and from Asia as a result of the Hong Kong social unrest.
- AHK Air Hong Kong Limited’s results attributable to the shareholders of Cathay Pacific improved year on year. On a 100% like-for-like basis there was a decrease in profit. This was in part due to gains on disposal of certain aircraft in 2018, and in part due to a new block space agreement and the underlying decrease in capacity and cargo uplift in 2019. Compared with 2018, capacity decreased by 3.7% to 703 million available tonne kilometres. The load factor increased by 2.5 percentage points to 68.6%. Revenue tonne kilometres decreased by 0.2% to 482 million.
- Cathay Pacific Catering Services (H.K.) Limited (“CPCS”) produced 29.6 million meals and handled 70,520 flights in 2019 (representing a daily average of 81,000 meals and 193 flights, a decrease of 1.3% and 4.0% respectively from 2018). Profits fell in 2019. Revenue decreased because of a decrease in business volume. Labour and overhead costs were higher. The profits of the flight kitchens outside Hong Kong decreased compare to the previous year.
- Cathay Pacific Services Limited (“CPSL”) provided cargo handling services to 14 airlines in 2019. It handled 1.9 million tonnes of cargo in 2019, 53% of which were trans-shipments. Export and import shipments accounted for 31% and 16% respectively of the total. The financial results in 2019 declined compared with those of 2018. This was mainly due to lower tonnage handled.
- The financial results of Hong Kong Airport Services Limited in 2019 were worse than those in 2018. This reflected the loss of the Cathay Dragon passenger handling business and the reduction of customers’ flight frequencies in the second half of the year.
- Vogue Laundry Service Limited a wholly owned subsidiary, provides a comprehensive range of services in laundry and dry cleaning of commercial linen, uniform and guest garment. The financial results of 2019 declined compared with that of 2018 mainly due to lower volume of laundry items being handled.
- Air China Limited (“Air China”), in which Cathay Pacific had a 18.13% interest at 31st December 2019, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in Mainland China. The Group’s share of Air China’s results is based on its financial statements drawn up three months in arrear. Consequently the 2019 results include Air China’s results for the 12 months ended 30th September 2019, adjusted for any significant events or transactions for the period from 1st October 2019 to 31st December 2019. For the 12 months ended 30th September 2019, Air China’s financial results improved compared to those for the 12 months ended 30th September 2018.
- In October 2019, the Cathay Pacific Group’s equity and economic interest in Air China Cargo Co., Ltd. of 49.00% was reduced to 34.78%, when the China National Aviation Holding Company group, as part of a mixed ownership reform to transform the business from an airport-to-airport service provider into a total logistics solution provider, injected certain equity interests and cash. A gain of HK$114 million was recorded on this deemed partial disposal. In 2019, Air China Cargo’s financial results declined from 2018 due to slowing air cargo market.

Corporate Responsibility

- Our sustainable development report for 2019 will be published in June 2020. It will be available at https://sustainability.cathaypacific.com/past-reports/reports-download/.
- Cathay Pacific participates in an International Civil Aviation Organization task force which leads the aviation industry's work in developing proposals for a fair, equitable and effective global agreement on emissions.
- 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.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. Our passengers contributed HK$9.5 million in 2018 to help improve the lives of vulnerable children worldwide. Since its introduction in 1991, nearly HK$193 million has been raised through the programme.
- At 31st December 2019, the Cathay Pacific Group employed more than 34,200 people worldwide. Around 28,200 of these people are based in Hong Kong. Cathay Pacific and Cathay Dragon employed more than 27,300 permanent staff worldwide. Around 78% of these people are based in Hong Kong.
- We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2019

	Note	2019 HK$M	2018 HK$M
Revenue			
Passenger services		**73,985**	73,119
Cargo services		**23,810**	28,316
Other services and recoveries		**9,178**	9,625
Total revenue		**106,973**	111,060
Expenses			
Staff		**(20,125)**	(20,211)
Inflight service and passenger expenses		**(5,306)**	(5,292)
Landing, parking and route expenses		**(17,758)**	(17,486)
Fuel, including hedging losses		**(29,812)**	(33,869)
Aircraft maintenance		**(9,858)**	(9,401)
Aircraft depreciation and rentals		**(12,022)**	(12,743)
Other depreciation, amortisation and rentals		**(2,991)**	(2,851)
Commissions		**(927)**	(862)
Others		**(4,847)**	(4,750)
Operating expenses		**(103,646)**	(107,465)
Operating profit before non-recurring items		**3,327**	3,595
Gain on deemed partial disposal of an associate	3	**114**	-
Operating profit	4	**3,441**	3,595
Finance charges		**(3,276)**	(2,457)
Finance income		**337**	343
Net finance charges	5	**(2,939)**	(2,114)
Share of profits of associates		**1,643**	1,762
Profit before taxation		**2,145**	3,243
Taxation	6	**(454)**	(466)
Profit for the year		**1,691**	2,777
Non-controlling interests		**-**	(432)
Profit attributable to the shareholders of Cathay Pacific		**1,691**	2,345
Earnings per share (basic and diluted)	7	**43.0¢**	59.6¢
Profit for the year		**1,691**	2,777
Other comprehensive income			
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)		**33**	-
Defined benefit plans		**1,061**	(270)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		**551**	1,586
Share of other comprehensive income of associates		**(186)**	628
Exchange differences on translation of foreign operations		**(472)**	(1,495)
Other comprehensive income for the year, net of taxation	8	**987**	449
Total comprehensive income for the year		**2,678**	3,226
Total comprehensive income attributable to			
Shareholders of Cathay Pacific		**2,678**	2,794
Non-controlling interests		**-**	432
		2,678	3,226

CATHAY PACIFIC

Consolidated Statement of Financial Position

at 31st December 2019

	Note	2019 HK$M	2018 HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment		**140,114**	117,124
Intangible assets		**15,151**	11,174
Investments in associates		**27,055**	27,570
Other long-term receivables and investments		**3,823**	4,015
Deferred tax assets		**1,089**	793
		187,232	160,676
Long-term liabilities		**(76,508)**	(60,183)
Other long-term payables		**(4,806)**	(4,649)
Deferred tax liabilities		**(13,564)**	(13,178)
		(94,878)	(78,010)
Net non-current assets		**92,354**	82,666
Current assets and liabilities			
Stock		**1,812**	1,828
Trade and other receivables	*9*	**10,608**	12,475
Liquid funds	*10*	**14,864**	15,315
		27,284	29,618
Current portion of long-term liabilities		**(20,752)**	(13,694)
Trade and other payables	*11*	**(18,218)**	(17,646)
Contract liabilities		**(15,941)**	(15,792)
Bank overdrafts – unsecured		**-**	(19)
Taxation		**(1,951)**	(1,193)
Dividend payable to non-controlling interests		**-**	(1)
		(56,862)	(48,345)
Net current liabilities		**(29,578)**	(18,727)
Total assets less current liabilities		**157,654**	141,949
Net assets		**62,776**	63,939
CAPITAL AND RESERVES			
Share capital	*12*	**17,106**	17,106
Reserves		**45,667**	46,830
Funds attributable to the shareholders of Cathay Pacific		**62,773**	63,936
Non-controlling interests		**3**	3
Total equity		**62,776**	63,939

CATHAY PACIFIC

Consolidated Statement of Cash Flows

for the year ended 31st December 2019

	Note	**2019 HK$M**	2018 HK$M
Operating activities			
Cash generated from operations		**18,458**	17,737
Interest received		**179**	248
Interest paid		**(3,010)**	(1,956)
Tax paid		**(285)**	(1,504)
Net cash inflow from operating activities		**15,342**	14,525
Investing activities			
Purchase of subsidiaries		**(1,697)**	-
Net decrease in liquid funds other than cash and cash equivalents		**1,796**	4,639
Proceeds from sales of property, plant and equipment		**134**	71
Proceeds from sales of intangible assets		**-**	196
Proceeds from sales of assets held for sale		**-**	865
Net increase in other long-term receivables and investments		**(60)**	-
Payments for property, plant and equipment and intangible assets		**(12,171)**	(15,991)
Dividends received from associates		**394**	467
Net repayments of loans to associates		**-**	1,121
Net cash outflow from investing activities		**(11,604)**	(8,632)
Financing activities			
Purchase of non-controlling interests		**-**	(36)
New financing		**16,975**	11,237
Initial cash benefit from lease arrangements		**837**	1,029
Loan and lease repayments		**(18,785)**	(16,198)
Dividends paid - to the shareholders of Cathay Pacific		**(1,495)**	(590)
- to non-controlling interests		**(1)**	(564)
Net cash outflow from financing activities		**(2,469)**	(5,122)
Increase in cash and cash equivalents		**1,269**	771
Cash and cash equivalents at 1st January		**7,653**	6,914
Effect of exchange differences		**(41)**	(32)
Cash and cash equivalents at 31st December		**8,881**	7,653

Notes:

1. Basis of accounting

The annual results set out in this announcement are extracted from the Group's statutory financial statements for the year ended 31st December 2019.

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

The financial information relating to the years ended 31st December 2018 and 2019 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2018 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2019 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2018 and 2019. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

The HKICPA has issued a new HKFRS, HKFRS 16 "Leases", and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements.

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

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 "Leases" and related interpretations, HK(IFRIC) 4 "Determining whether an arrangement contains a lease", HK(SIC) 15 "Operating leases – incentives", and HK(SIC) 27 "Evaluating the substance of transactions involving the legal form of a lease". The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the consolidated statement of financial position for all leases by lessees, except for leases that have a lease term of 12 months or less ("short- term leases") and leases of low-value assets. The standard does not significantly change the accounting of lessors.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

1. Basis of accounting (continued)

The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profit at 1st January 2019. Accordingly, the comparative information presented for 2018 has not been restated and is presented as previously reported under HKAS 17 and related interpretations.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has chosen to apply the new definition of a lease to all contracts on transition to the new standard. The reclassifications and the adjustments arising from the initial adoption of HKFRS 16 are recognised in the opening balance of the consolidated statement of financial position at 1st January 2019.

(b) Lease accounting and transitional impact

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessees at 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 1st January 2019 was 3.92%.

A reconciliation between commitments under operating leases for future periods at 31st December 2018 and lease liabilities recognised at 1st January 2019 under HKFRS 16 is provided below:

	HK$M
Operating lease commitments disclosed at 31st December 2018	**19,958**
Less: commitments relating to leases exempt from capitalisation:	
- leases with remaining lease term ending on or before 31st December 2019, short-term leases and leases of low-value assets	**(301)**
Less: adjustments for contracts reassessed based on the lease definition in HKFRS 16	**(4)**
Add: adjustments as a result of a different treatment of extension and termination options	**1,500**
	21,153
Less: total future interest charges	**(2,550)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1st January 2019	**18,603**
Add: obligations under finance leases recognised at 31st December 2018	**23,191**
Lease liabilities recognised at 1st January 2019	**41,794**
Of which are:	
Current lease liabilities	**7,293**
Non-current lease liabilities	**34,501**
	41,794

1. Basis of accounting (continued)

The associated right-of-use assets for aircraft and other significant leases were measured on a modified retrospective basis as if the new rules had always been applied since the commencement dates of the leases, but discounted using the respective incremental borrowing rates at 1st January 2019. Other right-of-use assets were measured at the amount equal to the lease liabilities. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated and company-level statement of financial position at 1st January 2019:

	At 31st December 2018 HK$M	Impact of initial application of HKFRS 16 HK$M	At 1st January 2019 HK$M
Group			
Assets			
Property, plant and equipment	117,124	**18,566**	**135,690**
Investments in associates	27,570	**(1,219)**	**26,351**
Other long-term receivables and investments	4,015	**(1,173)**	**2,842**
Deferred tax assets	793	**(3)**	**790**
Trade and other receivables	12,475	**(187)**	**12,288**
Liabilities			
Trade and other payables	(17,646)	**18**	**(17,628)**
Long-term liabilities	(73,877)	**(18,603)**	**(92,480)**
Deferred tax liabilities	(13,178)	**255**	**(12,923)**
Equity			
Reserves	(46,830)	**2,346**	**(44,484)**
Company			
Assets			
Property, plant and equipment	99,520	**13,959**	**113,479**
Trade and other receivables	11,050	**(123)**	**10,927**
Liabilities			
Trade and other payables	(14,182)	**18**	**(14,164)**
Long-term liabilities	(73,567)	**(14,928)**	**(88,495)**
Deferred tax liabilities	(11,814)	**124**	**(11,690)**
Equity			
Reserves	(37,130)	**950**	**(36,180)**

1. **Basis of accounting (continued)**

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients permitted by the standard at the date of initial application of HKFRS 16:

- when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16 , i.e. where the lease term ends on or before 31st December 2019;
- the Group excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application of HKFRS 16; and
- the Group applied hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of HKFRS 16 caused a significant increase in the Group's total borrowings and hence the Group's adjusted net debt/equity ratio rose from 0.92 to 1.25 on 1st January 2019 when compared to its position at 31st December 2018.

The Group's net debt/equity ratio at the end of the current and previous reporting period under HKFRS 16 and HKAS 17 was as follows:

	HKFRS 16 31st December 2019 HK$M	(Hypothetical) HKAS 17 31st December 2019 HK$M	HKFRS 16 1st January 2019 HK$M	HKAS 17 31st December 2018 HK$M
Non-current liabilities:				
Long-term loans	**43,134**	**43,134**	40,952	40,952
Lease liabilities	**33,374**	**17,480**	34,501	19,231
	76,508	**60,614**	75,453	60,183
Current liabilities:				
Long-term loans	**13,634**	**13,634**	9,734	9,734
Lease liabilities	**7,118**	**3,045**	7,293	3,960
	20,752	**16,679**	17,027	13,694
Total borrowings	**97,260**	**77,293**	92,480	73,877
Liquid funds less bank overdrafts	**(14,864)**	**(14,864)**	(15,296)	(15,296)
Net borrowings	**82,396**	**62,429**	77,184	58,581
Funds attributable to the shareholders of Cathay Pacific	**62,773**	**65,264**	61,590	63,936
Adjusted net debt/equity ratio	**1.31**	**0.96**	1.25	0.92

(c) Impact on the financial performance, financial position and cash flows

After the initial recognition of right-of-use assets and lease liabilities as at 1st January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their interest element and capital element (see note 24 to the financial statements in the 2019 annual report), the latter of which is classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, instead of the previous classification of rental expenses within operating cash outflows for operating leases under HKAS 17.

1. **Basis of accounting (continued)**

The Group's lessee accounting policy is outlined in accounting policy 6(a)(i) in the 2019 annual report.

The estimated effects of adopting HKFRS 16 on the financial statements for the year ended 31st December 2019 are as follows:

	HK$M
Estimated effect on consolidated statement of profit or loss and other comprehensive income*:	
Decrease/(increase) in expenses	
Lease charges	**4,507**
Depreciation of property, plant and equipment	**(3,849)**
Finance charges	**(744)**
Exchange differences, net	**71**
Taxation	**(11)**
Decrease in profit attributable to the shareholders of Cathay Pacific	**(26)**
Decrease in earnings per share (basic and diluted)	**(0.7)¢**

	HK$M
Estimated effect on consolidated statement of financial position*:	
Increase/(decrease) in assets	
Property, plant and equipment**	**19,937**
Investments in associates	**(1,219)**
Other long-term receivables and investments	**(1,130)**
Deferred tax assets	**31**
Trade and other receivables	**(168)**
	17,451
(Increase)/decrease in liabilities	
Trade and other payables	**18**
Long-term liabilities**	**(19,967)**
Other long-term payables	**(222)**
Deferred tax liabilities	**229**
	(19,942)
Equity	
Decrease in reserves	**2,491**

* Excluding the impact on share of profits of associates for the year ended 31st December 2019.

** At 19th July 2019, the Group recognised the right-of-use assets and lease liabilities of HK$4,732 million and HK$4,668 million respectively arising from acquisition of HK Express.

	HK$M
Estimated effect on consolidated statement of cash flows:	
Increase in cash generated from operations	**4,445**
Increase in interest paid	**(744)**
Increase in net cash inflow from operating activities	**3,701**
Increase in loan and lease repayments	**(3,701)**
Increase in net cash outflow from financing activities	**(3,701)**

2. Segment information

(a) Segment results

	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	**101,377**	**1,893**	**2,633**	**1,070**		**106,973**
Inter-segment sales	**229**	**-**	**5**	**3,565**		**3,799**
Segment revenue	**101,606**	**1,893**	**2,638**	**4,635**		**110,772**
Segment profit/(loss)	**2,951**	**(196)**	**797**	**(111)**		**3,441**
Net finance charges	**(2,446)**	**(112)**	**-**	**(381)**		**(2,939)**
	505	**(308)**	**797**	**(492)**		**502**
Share of profits of associates	**-**	**-**	**-**	**-**	**1,643**	**1,643**
Profit/(loss) before taxation	**505**	**(308)**	**797**	**(492)**	**1,643**	**2,145**
Taxation	**(264)**	**62**	**(130)**	**33**	**(155)**	**(454)**
Profit/(loss) for the year	**241**	**(246)**	**667**	**(459)**	**1,488**	**1,691**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) attributable to the shareholders of Cathay Pacific	**241**	**(246)**	**667**	**(459)**	**1,488**	**1,691**
Other segment information						
Depreciation and amortisation	**13,027**	**409**	**6**	**780**		**14,222**
Purchase of property, plant and equipment and intangible assets	**12,049**	**5**	**2**	**115**		**12,171**

	2018					
	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	106,194	-	3,653	1,213		111,060
Inter-segment sales	318	-	6	3,651		3,975
Segment revenue	106,512	-	3,659	4,864		115,035
Segment profit/(loss)	2,390	-	1,290	(85)		3,595
Net finance charges	(1,853)	-	(7)	(254)		(2,114)
	537	-	1,283	(339)		1,481
Share of profits of associates	-	-	-	-	1,762	1,762
Profit/(loss) before taxation	537	-	1,283	(339)	1,762	3,243
Taxation	(153)	-	(206)	37	(144)	(466)
Profit/(loss) for the year	384	-	1,077	(302)	1,618	2,777
Non-controlling interests	-	-	(432)	-	-	(432)
Profit/(loss) attributable to the shareholders of Cathay Pacific	384	-	645	(302)	1,618	2,345
Other segment information						
Depreciation and amortisation	9,207	-	2	593		9,802
Purchase of property, plant and equipment and intangible assets	15,860	-	2	129		15,991

2. Segment information (continued)

(i) Cathay Pacific and Cathay Dragon provides 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 has changed in the year ended 31st December 2019 following the acquisition of HK Express (note 26 to the financial statements in the 2019 annual report). Reportable segments are aligned with financial information provided regularly to the Group's executive management.

Due to such a change in the reportable segments, the previously reported segment results for the year ended 31st December 2018 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.

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

(b) Geographical information

	2019 **HK$M**	2018 HK$M
Revenue by origin of sale:		
North Asia		
- Hong Kong and Mainland China	**54,198**	56,994
- Japan, Korea and Taiwan	**9,974**	10,882
Americas	**14,084**	14,167
Europe	**10,377**	10,592
Southeast Asia	**7,598**	8,072
Southwest Pacific	**5,586**	5,455
South Asia, Middle East and Africa	**5,156**	4,898
	106,973	111,060

Geographical segment results and segment net assets are not disclosed for the reasons set out in the 2019 Annual Report.

3. Gain on deemed partial disposal of an associate

On 31st October 2019, the Cathay Pacific Group's equity and economic interest in Air China Cargo of 49.00% was reduced to 34.78%, when the China National Aviation Holding Company group, as part of a mixed ownership reform to transform the business from an airport-to-airport service provider into a total logistics solution provider, injected certain equity interests and cash. A gain of HK$114 million was recorded on this deemed partial disposal.

4. Operating profit

	2019	2018
	HK$M	HK$M
Operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- right-of-use assets	**5,846**	2,015
- owned	**7,826**	7,234
Amortisation of intangible assets	**550**	553
Operating lease rentals for leases previously classified as operating leases under HKAS 17		
- land and buildings	**-**	1,107
- aircraft and related equipment	**-**	4,579
- others	**-**	106
Expenses relating to short-term leases	**181**	-
(Gain)/loss on disposal of property, plant and equipment, net	**(175)**	82
Loss/(gain) on disposal of intangible assets	**9**	(101)
Cost of stock expensed	**2,164**	1,859
Exchange differences, net	**(43)**	438
Auditors' remuneration	**16**	15
Dividend income from unlisted equity investments	**(51)**	(42)

The Group has initially applied HKFRS 16 at 1st January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The carrying amount of the finance leased assets which were previously included in property, plant and equipment is also reclassified as a right-of-use asset. After initial recognition of right-of-use assets at 1st January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

5. Net finance charges

	2019 HK$M	2018 HK$M
Net interest charges comprise:		
- leases liabilities stated at amortised cost	**1,404**	656
- bank loans and overdrafts		
- wholly repayable within five years	**673**	585
- not wholly repayable within five years	**1,090**	948
- other loans		
- wholly repayable within five years	**110**	119
	3,277	2,308
Income from liquid funds:		
- funds with investment managers and other liquid investments at fair value through profit or loss	**(170)**	(101)
- bank deposits and others	**(167)**	(242)
	(337)	(343)
Fair value change:		
- gain on financial liabilities designated at fair value through profit or loss	**(26)**	(75)
- loss on financial derivatives	**25**	224
	(1)	149
	2,939	2,114

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

Included in fair value change in respect of financial derivatives is net loss from derivatives that are classified as fair value through profit or loss of HK$40 million (2018: net loss of HK$71 million).

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

6. Taxation

	2019 HK$M	2018 HK$M
Current tax expenses		
- Hong Kong profits tax	**137**	350
- overseas tax	**205**	225
- under provisions for prior years	**12**	28
Deferred tax		
- origination and reversal of temporary differences	**100**	(137)
	454	466

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and the status of negotiations (see note 30(c) to the financial statements in the 2019 annual report).

6. Taxation (continued)

A reconciliation between tax charge and accounting profit at applicable tax rates is as follows:

	2019 HK$M	2018 HK$M
Profit before taxation	**2,145**	3,243
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**(354)**	(535)
Expenses not deductible for tax purposes	**(148)**	(198)
Income not subject to tax	**44**	36
Effect of changes in effective tax rate and jurisdictional differences	**284**	395
Tax under provisions arising from prior years	**(12)**	(28)
Tax losses not recognised	**(268)**	(136)
Tax charge	**(454)**	(466)

Further information on deferred taxation is shown in note 15 to the financial statements in the 2019 annual report.

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

7. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to the shareholders of Cathay Pacific of HK$1,691 million (2018: HK$2,345 million) by the daily weighted average number of shares in issue throughout the year of 3,934 million (2018: 3,934 million) shares. Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential shares in issue throughout the year.

8. Other comprehensive income

	2019 HK$M	2018 HK$M
Defined benefit plans		
- remeasurement gain/(loss) recognised during the year	**1,188**	(311)
- deferred taxation	**(127)**	41
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		
- gain recognised during the year	**33**	-
Cash flow hedges		
- gain recognised during the year	**1,455**	428
- (gain)/loss transferred to profit or loss	**(831)**	1,366
- deferred taxation	**(73)**	(208)
Share of other comprehensive income of associates		
- recognised during the year	**(186)**	628
Exchange differences on translation of foreign operations		
- loss recognised during the year	**(556)**	(1,495)
- reclassified to profit or loss upon deemed partial disposal	**84**	-
Other comprehensive income for the year	**987**	449

9. Trade and other receivables

	2019 HK$M	2018 HK$M
Trade debtors, net of loss allowances	**5,559**	6,559
Derivative financial assets – current portion	**431**	499
Other receivables and prepayments	**4,567**	5,343
Due from associates and other related companies	**51**	74
	10,608	12,475

	2019 HK$M	2018 HK$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	**4,374**	5,009
One to three months	**713**	1,166
More than three months	**472**	384
	5,559	6,559

	2019 HK$M	2018 HK$M
Analysis of trade debtors (net of loss allowances) by age:		
Current	**4,984**	5,519
Within three months overdue	**430**	816
More than three months overdue	**145**	224
	5,559	6,559

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

	2019 HK$M	2018 HK$M
At 1st January	**83**	45
Amounts written off	**(2)**	-
Impairment losses recognised	**-**	38
At 31st December	**81**	83

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

10. Liquid funds

Liquidity risk

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

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

At the end of the reporting period, the Group held liquid funds (note 17 to the financial statements in the 2019 annual report) of HK$14,864 million (2018: HK$15,315 million) that is available for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group treasury function also maintains funding flexibility through available committed and uncommitted credit facilities.

10. Liquid funds (continued)

(a) Financial arrangements

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

	2019 HK$M	2018 HK$M
Liquid funds	**14,864**	15,315
Less amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	**(5)**	(5)
- bank deposits	**(137)**	(160)
Committed undrawn facilities	**5,289**	4,680
Available unrestricted liquidity to the Group	**20,011**	19,830

	2019 HK$M	2018 HK$M
Uncommitted bank overdraft facilities	**330**	332
Other uncommitted bank facilities	**100**	1,588
	430	1,920

Committed undrawn facilities may be drawn at any time in either Hong Kong dollar or United States dollar. Uncommitted bank overdraft facilities and other uncommitted bank facilities may be drawn at any time and may be terminated by the bank without notice.

(b) Payment profile of financial liabilities

The analysis has been performed on the same basis as for 2018, except for the application of HKFRS 16 from 1st January 2019. Under the HKFRS 16 transition methods chosen, comparative information in 2018 is not restated. The undiscounted payment profile of financial liabilities is outlined as follows:

	2019				
	Within one year HK$M	**After one year but within two years HK$M**	**After two years but within five years HK$M**	**After five years HK$M**	**Total HK$M**
Group					
Long-term loans	**(15,009)**	**(11,737)**	**(23,680)**	**(11,616)**	**(62,042)**
Lease liabilities	**(8,233)**	**(7,518)**	**(18,546)**	**(10,807)**	**(45,104)**
Other long-term payables	**-**	**(1,871)**	**(1,698)**	**(843)**	**(4,412)**
Trade and other payables	**(17,695)**	**-**	**-**	**-**	**(17,695)**
Derivative financial liabilities, net	**(579)**	**(163)**	**(102)**	**(32)**	**(876)**
Total	**(41,516)**	**(21,289)**	**(44,026)**	**(23,298)**	**(130,129)**

	2018				
	Within one year HK$M	After one year but within two years HK$M	After two years but within five years HK$M	After five years HK$M	Total HK$M
Group					
Long-term loans	(11,370)	(12,524)	(20,273)	(13,129)	(57,296)
Obligations under finance leases	(4,604)	(3,637)	(11,059)	(6,651)	(25,951)
Other long-term payables	-	(614)	(2,272)	(449)	(3,335)
Trade and other payables	(16,428)	-	-	-	(16,428)
Derivative financial liabilities, net	(1,212)	(724)	(12)	(7)	(1,955)
Total	(33,614)	(17,499)	(33,616)	(20,236)	(104,965)

11. Trade and other payables

	2019 HK$M	2018 HK$M
Trade creditors	**8,448**	6,801
Derivative financial liabilities - current portion	**523**	1,218
Other payables	**8,968**	9,255
Due to associates	**125**	179
Due to other related companies	**154**	193
	18,218	17,646

	2019 HK$M	2018 HK$M
Analysis of trade creditors by invoice date:		
Within one month	**8,018**	6,425
One to three months	**403**	337
More than three months	**27**	39
	8,448	6,801

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

Included in other payables above, the Group had a provision of HK$794 million (2018: HK$780 million) for possible or actual taxation (other than income tax), litigation and claims. The movements during the year are as follows:

	2019 HK$M	2018 HK$M
At 1st January	**780**	696
Additional provision made	**152**	160
Provision utilised	**(138)**	(76)
At 31st December	**794**	780

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods chosen, comparative information in 2018 is not restated. See note 1 above.

12. Share capital

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year and the Group has not adopted any share option scheme.

At 31st December 2019, 3,933,844,572 shares were in issue (31st December 2018: 3,933,844,572 shares). There has been no movement in share capital during the year.

13. Dividends

(a) Dividends payable to equity shareholders attributable to the year

	2019 HK$M	2018 HK$M
First interim dividend declared and paid of HK$0.18 per share (2018: HK$0.10 per share)	**708**	393
No second interim dividend proposed after the end of the reporting period (2018: HK$0.20 per share)	**-**	787
	708	1,180

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

	2019 HK$M	2018 HK$M
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK$0.20 per share (2018: HK$0.05 per share)	**787**	197

The first interim dividend of HK$0.18 per share was paid on 3rd October 2019, representing a distribution of HK$708 million. The Directors decided not to declare a second interim dividend for the year ended 31st December 2019.

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

To facilitate the processing of proxy voting for the annual general meeting to be held on 13th May 2020, the register of members will be closed from 8th May 2020 to 13th May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7th May 2020.

14. Corporate governance

The Company is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code (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 year covered by the annual 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") contained in Appendix 10 to the Listing Rules.

14. Corporate governance (continued)

On specific enquiries made, all Directors of the Company have confirmed that, in respect of the accounting period covered by the annual 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.

Details of the Company's corporate governance principles and processes will be available in the 2019 Annual Report.

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

15. Annual report

The 2019 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website *www.cathaypacific.com* on 7th April 2020, and copies will be dispatched to shareholders on 8th April 2020.

16. Event after the reporting period

The outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment, and will adversely impact the Group's financial performance and liquidity position. Travel demand has dropped substantially and the Group has taken a number of short-term measures in response, including aggressive reduction of passenger capacity measured in Available Seat Kilometres (ASK) by approximately 30% for February and 65% for March and April, with frequencies cut approximately 65% and 75% over the same periods. Substantial passenger capacity and frequency reduction is also likely for May as we continue to monitor and match market demand. As at the end of February, passenger load factor had declined to approximately 50% and year-on-year yield had also fallen significantly. It is difficult to predict when these conditions will improve. However, the Group is expected to incur a substantial loss for the first half of 2020. The Group's available unrestricted liquidity as at 31st December 2019 was HK$20.0 billion. The Directors believe that with the cost saving measures being taken, the Group's strong vendor relationships, as well as the Group's liquidity position and availability of sources of funds, the Group will remain a going concern.

As at the date of this announcement, the Directors of Cathay Pacific are:

Executive Directors: Patrick Healy (Chairman), Gregory Hughes, Ronald Lam, Martin Murray, Augustus Tang;

Non-Executive Directors: Cai Jianjiang, Ivan Chu, Michelle Low, Song Zhiyong, Merlin Swire, Samuel Swire, Xiao Feng, Zhao Xiaohang; and

Independent Non-Executive Directors: Bernard Chan, John Harrison, Robert Milton and Andrew Tung.

By Order of the Board
Cathay Pacific Airways Limited
Patrick Healy
Chairman
Hong Kong, 11th March 2020

Website: www.cathaypacific.com

Disclaimer