In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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Statement of details of parent law and other information for an overseas company

Companies House

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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

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Part 1 Corporate company name

Corporate name of overseas company ❶	CATHAY PACIFIC AIRWAYS LIMITED
UK establishment number	B R 0 0 1 7 5 5

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷ Hong Kong Companies Ordinance

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ❸ Hong Kong Institute of Certified Public Accountants

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01
Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	Hong Kong Institute of Certified Public Accountants	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X Joanna Lai, Company Secretary X
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Mr. David Morris
Company name	John Swire & Sons Limited
Address	Swire House
	59 Buckingham Gate
Post town	
County/Region	London
Postcode	S E 1 E 6 A J
Country	England
DX	
Telephone	020 7834 7717

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Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

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CATHAY PACIFIC AIRWAYS LIMITED

Annual Report 2022

Stock code: 00293

COVER PAGE

Certified a true copy
For CATHAY PACIFIC AIRWAYS LIMITED

Joanna Lai
Company Secretary
Date: 21st April 2023

No Route Map will be displayed this year

Contents

A Chinese translation of this Annual Report is available upon request from the Company's Registrars.

Cathay Pacific Airways Limited ("Cathay Pacific"), with its subsidiaries Hong Kong Express Airways Limited ("HK Express") and AHK Air Hong Kong Limited ("Air Hong Kong"), had 222 aircraft at 31st December 2022, of which 41 were held at parking locations outside of Hong Kong. At 31st December 2022, our passenger and cargo airlines offered scheduled services to 81 destinations in 30 countries and regions worldwide, including 14 destinations in the Chinese Mainland. Furthermore, the Group serves an additional 131 destinations in 21 countries and regions through codeshare agreements. The Cathay Pacific Group was the world's eighth-largest carrier of international passengers and the third-largest carrier of international air cargo prior to the COVID-19 pandemic, according to IATA's 2019 World Air Transport Statistics.

Cathay Pacific was founded in Hong Kong in 1946. The Group has been deeply committed to its home base for more than 76 years and remains so, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres. There are 48 new passenger aircraft scheduled to join the Group's fleet in the coming years.

Cathay Pacific itself had 181 passenger and cargo aircraft at 31st December 2022. The Group's other investments include its catering, laundry, ground-handling and cargo terminal companies, and its corporate headquarters at Hong Kong International Airport.

HK Express, a low-cost airline based in Hong Kong offering scheduled services within Asia, is a wholly owned subsidiary of Cathay Pacific and had 26 aircraft at 31st December 2022. Air Hong Kong, an express all-cargo carrier offering scheduled and charter services in Asia, is a wholly owned subsidiary of Cathay Pacific operating 15 aircraft at 31st December 2022.

Cathay Pacific owns 16.26% (18.13% during the year of 2022) 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 31st December 2022, Cathay Pacific and its subsidiaries employed more than 21,200 people worldwide, of whom around 17,400 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 900 destinations worldwide.

Schedule A

Financial and Operational Highlights

Group Financial Statistics

Results		2022	2021	Change
Revenue	*HK$ million*	**51,036**	45,587	**+12.0%**
Loss attributable to the shareholders of Cathay Pacific	*HK$ million*	**(6,548)**	(5,527)	**+18.5%**
Loss per ordinary share	*HK cents*	**(111.3)**	(95.1)	**+17.0%**
Dividend per ordinary share	*HK$*	**-**	-	**-**
Loss margin	*%*	**(12.8)**	(12.1)	**-0.7%pt**

Financial position				
Funds attributable to the shareholders of Cathay Pacific	*HK$ million*	**63,878**	72,244	**-11.6%**
Net borrowings[(a)]	*HK$ million*	**58,829**	70,570	**-16.6%**
Available unrestricted liquidity	*HK$ million*	**27,188**	30,250	**-10.1%**
Ordinary shareholders' funds per ordinary share[(b)]	*HK$*	**6.7**	8.1	**-17.3%**
Net debt/equity ratio[(a)]	*Times*	**0.92**	0.98	**-0.06 times**

Operating Statistics – Cathay Pacific

		2022	2021	Change
Available tonne kilometres ("ATK")	*Million*	**10,100**	11,354	**-11.0%**
Available seat kilometres ("ASK")	*Million*	**20,056**	13,228	**+51.6%**
Available cargo tonne kilometres ("AFTK")	*Million*	**8,181**	10,094	**-19.0%**
Revenue tonne kilometres ("RTK")	*Million*	**7,190**	8,615	**-16.5%**
Passenger revenue per ASK	*HK cents*	**68.2**	32.9	**+107.3%**
Revenue passenger kilometres ("RPK")	*Million*	**14,764**	4,120	**+258.3%**
Revenue passengers carried	*'000*	**2,804**	717	**+291.1%**
Passenger load factor	*%*	**73.6**	31.1	**+42.5%pt**
Passenger yield	*HK cents*	**92.7**	105.5	**-12.1%**
Cargo revenue per AFTK	*HK$*	**3.30**	3.21	**+2.8%**
Cargo revenue tonne kilometres ("RFTK")	*Million*	**5,774**	8,220	**-29.8%**
Cargo carried	*'000 tonnes*	**1,154**	1,333	**-13.4%**
Cargo load factor	*%*	**70.6**	81.4	**-10.8%pt**
Cargo yield	*HK$*	**4.67**	3.94	**+18.5%**
Cost per ATK (with fuel)[(c)]	*HK$*	**4.35**	3.88	**+12.1%**
Fuel consumption per million RTK	*Barrels*	**1,679**	1,612	**+4.2%**
Fuel consumption per million ATK	*Barrels*	**1,195**	1,223	**-2.3%**
Cost per ATK (without fuel)[(c)]	*HK$*	**3.43**	3.32	**+3.3%**
Underlying[(d)] cost per ATK (without fuel)	*HK$*	**3.43**	3.24	**+5.9%**
ATK per HK$'000 staff cost	*Unit*	**1,157**	1,174	**-1.4%**
ATK per employee	*'000*	**614**	679	**-9.6%**
Aircraft utilisation (including parked aircraft)	*Hours per day*	**3.3**	3.4	**-2.9%**
On-time performance	*%*	**80.1**	86.2	**-6.1%pt**
Average age of fleet	*Years*	**10.8**	10.5	**+0.3 year**
GHG emissions	*Million tonnes of CO_2e*	**4.9**	5.6	**-12.5%**
GHG emissions per ATK	*Grammes of CO_2e*	**481**	491	**-2.0%**
Lost time injury rate	*Number of injuries per 100 full-time equivalent employees*	**3.20**	0.81	**+295.1%**

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK$45,064 million (2021: HK$53,979 million) and 0.71 (2021: 0.75) respectively. Further details can be found in note 11 to the financial statements.

(b) Ordinary shareholders' funds are arrived at after deducting preference share capital of HK$19,500 million and unpaid cumulative dividends attributable to the preference shareholder of HK$1,438 million and HK$824 million as at 31st December 2022 and 31st December 2021 respectively.

(c) Cost per ATK represents total operating costs, including impairment and restructuring costs, over ATK for the period.

(d) Underlying costs exclude impairment and related charges and restructuring costs.

Chair's Statement

As Hong Kong's home airline for more than 76 years, Cathay Pacific represents Hong Kong on the world stage. We are a key enabler of the city's economic development through our ability to connect Hong Kong to the Chinese Mainland and the rest of the world. We have played our part by maintaining hub connectivity even during the most difficult times of the COVID-19 pandemic, ensuring the important flow of people and cargo continued.

Cathay Pacific has experienced three challenging years due to the COVID-19 pandemic, with 2022 very much being a year of two halves. The emergence of the Omicron variant at the beginning of the year led to increasingly stringent travel and operational restrictions during the first few months of 2022, particularly in Hong Kong and the Chinese Mainland. This significantly constrained our ability to operate both passenger and freighter flights. The challenge this posed for our business was exemplified on 12th March 2022 when we carried just 58 passengers.

As the COVID-19 situation in Hong Kong improved and these restrictions were progressively adjusted from 1st May onwards, we were able to slowly add back some of our flight capacity. The most significant adjustments came in September, when the quarantine requirements for both passengers entering Hong Kong and for Hong Kong-based aircrew were lifted.

Financial Results

The Cathay Pacific Group, including airlines, subsidiaries and associates, reported an attributable loss of HK$6,548 million in 2022 (2021: loss of HK$5,527 million). The loss per ordinary share in 2022 was HK111.3 cents (2021: loss per ordinary share of HK95.1 cents).

The second-half 2022 results for our airlines and subsidiaries saw a marked improvement over our first-half 2022 results, reporting an attributable profit of HK$2,261 million in the second half of 2022, but an attributable loss of HK$255 million for the full year of 2022. However, the results from associates, the majority of which are recognised three months in arrears, reflected a significant loss of HK$6,293 million (2021: loss of HK$1,710 million). As a result, the Group's attributable loss in the second half of 2022 was HK$1,549 million (2022 first half: loss of HK$4,999 million; 2021 second half: profit of HK$2,038 million).

The difficult start to the year initially had an adverse impact on our monthly operating cash burn. However, following the Hong Kong SAR Government's initial adjustments to travel restrictions and quarantine requirements from 1st May, we returned to being operating cash generative towards the end of the first half of 2022. Further adjustments to restrictions came into effect in Hong Kong in the second half of the year, and we were operating cash generative in the second half of 2022 and consequently overall for the full year.

Our available unrestricted liquidity stood at HK$27.2 billion as at 31st December 2022. We are grateful to the Hong Kong SAR Government for agreeing to extend the drawdown period of the HK$7.8 billion bridge loan facility for a further 12 months to 8th June 2023, giving us greater flexibility to manage our liquidity position.

Prospects

After three years of unprecedented disruption due to the COVID-19 pandemic, we are pleased to now be at the stage where we are rebuilding a new Cathay Pacific which Hong Kong can be proud of. We have a crystal-clear strategy that we are confident will deliver long-term success.

To achieve this, we are focused on reconnecting. This means reconnecting Cathay Pacific with Hong Kong, the Greater Bay Area (GBA) and the Chinese Mainland, as well as reconnecting Hong Kong with the world.

Hong Kong has an important role to play in the overall development of the country under the 14th Five-Year Plan, which notably reinforces the importance of strengthening Hong Kong's status as an international aviation hub. We are reconnecting the Hong Kong international aviation hub by rebuilding our flight capacity to serve the needs of the Hong Kong, Chinese Mainland and international travel markets. We anticipate that the Group – comprising passenger airlines Cathay Pacific and HK Express – will be operating about 70% of its pre-pandemic passenger flight capacity by the end of 2023, with an aim to return to pre-pandemic levels by the end of 2024.

The aviation landscape is evolving and Cathay Pacific must meet the changing needs of our customers, of our people and of Hong Kong. We are taking a measured and responsible approach to the rebuilding of our operations. We recognise there have been difficulties regarding crew rosters, resourcing, schedules and customer support hotlines. We will continue to do our utmost to minimise such issues as we continue to rebuild.

The three challenging years of the COVID-19 pandemic have had a significant impact on our financial position. We are grateful to the Hong Kong SAR Government and our shareholders for their continued support. As we rebuild our operations, our cash generation is improving. Going forward, we will continue to take a measured and prudent approach to our cash management given the need to invest in support of the further development of the Hong Kong international aviation hub with the opening of the Three-Runway System.

The Three-Runway System at Hong Kong International Airport is expected to be fully operational by early 2025, and this will usher in a new phase of exciting opportunities as well as increased competition. We are also greatly encouraged by the potential of the GBA as our extended home market. As Hong Kong is integrated economically into the vibrant GBA, we are eager to play our role.

Appreciation

On behalf of the Board, I would like to extend our gratitude to Augustus Tang for his immense contribution as Chief Executive Officer in guiding the Group through the most turbulent period in our more than 76-year history. It gives me great pleasure to congratulate Ronald Lam on his appointment to Chief Executive Officer, and the rest of our new leadership team who are assuming their new responsibilities. Succession planning has always been a core strength of the Group.

I would like to thank all of our customers for their outstanding support over the past three years. We are continually working to add more flights and more destinations as quickly as feasible, and we look forward to welcoming all of our customers onboard.

I would also like to extend a sincere thank you to all of our people, especially our front-line employees. Despite extremely difficult conditions, they have continued to provide our customers with the industry-leading service that we are known for and to keep our airlines, and our home city, safely connected to the world.

Patrick Healy
Chair
Hong Kong, 8th March 2023

Chief Executive Officer's Review and Outlook

2022 was another challenging year for the Cathay Pacific Group due to the travel restrictions brought by the COVID-19 pandemic. However, we were very encouraged to see a bright light at the end of the tunnel in the second half of 2022, and the positive momentum has continued into 2023. After three brutal years of the COVID-19 pandemic, we have finally entered into a new exciting phase, in which we will rebuild Cathay Pacific for Hong Kong.

Review of 2022

Our travel and cargo operations in 2022 were constrained by travel restrictions and quarantine requirements for both travellers and Hong Kong-based aircrew that were in place in Hong Kong until the Hong Kong SAR Government began introducing progressive adjustments from 1st May onwards. These adjustments enabled us to gradually resume more flights, especially between October and December.

On the travel side, across Cathay Pacific and HK Express, we added about 3,000 passenger flights during the fourth quarter of 2022. By December, the Group was operating about one-third of pre-pandemic passenger flight capacity, representing approximately eight times the average capacity the airlines together operated in the first half of the year. Cathay Pacific ended the year operating passenger flights to 58 destinations, double the 29 destinations the airline flew to in January 2022.

On the cargo side, we resumed operating a full freighter schedule in August. As we added more passenger flights, the additional belly capacity provided by our passenger aircraft enabled us to offer more options to our cargo customers. By the end of the year, the Group was operating about two-thirds of pre-pandemic cargo flight capacity levels.

Business Performance of Cathay Pacific

In 2022, Cathay Pacific's passenger revenue increased by 214.9% to HK$13,686 million compared with 2021. Passenger flight capacity, measured in available seat kilometres (ASKs) increased by 51.6%, while traffic, measured in revenue passenger kilometres (RPKs) increased by 258.3%. We carried a total of 2.8 million passengers in 2022, an average of 7,682 per day, which was 291.1% more than in 2021. Load factor was 73.6% compared with 31.1% in 2021.

Meanwhile, cargo revenue in 2022 decreased by 16.6% to HK$26,990 million compared with 2021. Capacity, measured in available cargo tonne kilometres (AFTKs), decreased by 19.0% mainly due to the reduction in cargo capacity operated, particularly in the first part of the year, due to elevated COVID-19 crew quarantine restrictions. Traffic, measured in cargo revenue tonne kilometres (RFTKs) decreased by 29.8%. Total tonnage decreased by 13.4% to 1,154 thousand tonnes. Load factor was 70.6% compared with 81.4% in 2021, and yield increased by 18.5% to HK$4.67.

We remained focused on prudent cost management, as has been the case throughout the pandemic. However, certain factors such as high fuel prices did have an impact on our costs. Non-fuel costs for 2022 decreased by 5.9% to HK$34,599 million compared with 2021. Total fuel costs for Cathay Pacific (before the effect of fuel hedging) increased by HK$4,207 million (or 48.2%) compared with 2021.

Business Performance of Subsidiaries and Associates

HK Express reported a loss of HK$1,359 million for 2022 (2021: loss of HK$1,978 million). The airline's results were adversely affected by the stringent travel restrictions and quarantine requirements, but benefitted from adjustments to these restrictions from 1st May onwards, particularly in the last quarter.

Air Hong Kong reported a profit of HK$776 million for 2022 (2021: profit of HK$748 million). Quarantine requirements for Hong Kong-based cargo aircrew, which were in place from the start of 2022 until 1st May, affected the airline's ability to operate greater capacity during that period.

Our airline services subsidiaries' financial performance declined in 2022 compared with 2021. The substantial reduction in passenger and cargo volumes due to the global pandemic affected their results.

Results from associates declined compared with 2021.The losses were caused by the continued impact of COVID-19, low passenger demand and capacity, high fuel prices and fluctuating exchange rates.

Key Developments

While 2022 was a challenging year for the Cathay Pacific Group, we also achieved a number of important milestones. In addition to taking delivery of five new, modern aircraft, we also reactivated 24 of our aircraft that had been parked overseas as we start to build back our flight capacity.

Expanding on the introduction in 2021 of our new premium travel lifestyle brand, Cathay, 2022 saw the introduction of an elevated membership experience that has brought the best of the Marco Polo Club and Asia Miles under one Cathay membership programme. We have more than 13 million members and we want to thank them for their ongoing loyalty and support over the years. In 2022, we also opened our very first Cathay-branded retail space in Hong Kong.

Furthermore, we continued to make major strides towards our sustainable development goals. In 2022, we launched the Cathay Pacific Corporate Sustainable Aviation Fuel (SAF) Programme, the first major programme of its kind in Asia, and SAF was uplifted and used at Hong Kong International Airport for the first time as part of the programme. We also signed an offtake agreement with Aemetis for the supply of blended SAF starting in 2025.

Outlook for 2023 and Beyond

As we put the past few challenging years behind us and move into a new phase, our focus is now firmly on rebuilding Cathay Pacific for Hong Kong. We are reconnecting Cathay Pacific with Hong Kong, as well as reconnecting Hong Kong with the world.

To achieve this, we are doing more than simply returning to where we were before the pandemic. We are rebuilding a Cathay Pacific that is better than before. We have a purpose of moving people forward in life and an ambitious vision to become one of the world's greatest service brands, a brand that our people, our customers and Hong Kong can be truly proud of. Being thoughtful, progressive, and can-do form the core of our culture.

Four Lines of Business

Underpinning our corporate strategy are our four lines of business – Premium Travel, Low-Cost Travel, Cargo and Lifestyle. Each of these is guided by an ambition to excel: to be one of the world's best premium airlines; to be the best-practice low-cost carrier in Asia; to be the most customer-centric air cargo brand in the world; and to inspire and enable our customers to enjoy a premium travel lifestyle.

For Travel, we take a strong dual-brand approach that leverages the premium service of Cathay Pacific alongside the unique strengths and growth potential of our low-cost carrier HK Express. This enables us to cater to the needs of all customers, providing them with greater choice to enjoy travel the way that suits them.

Cargo has been an especially important part of our business over the past few years, and remains so. The efforts of our cargo team to go above and beyond for our customers have been exceptional. This was exemplified by Cathay Cargo being named Cargo Airline of the Year in Air Transport World's (ATW) 2023 Airline Industry Achievement Awards for continuing to grow, innovate and adapt through some of the most challenging restrictions.

Our Lifestyle business – built on the five core pillars of Holidays, Payment, Wellness, Shopping and Dining – will also continue to expand and grow.

Customer centricity is one of our key pillars guiding how we will deliver on our strategy. This means forging deep, data-driven insights into what our customers love about Cathay to build loyalty and advocacy. We are also acutely focused on delivering operational excellence to ensure a consistently efficient operation; building a high-performance culture that emphasises creating a signature employee experience, and a diverse and inclusive workplace; and maximising productivity and value creation, to help us work smarter, better and to continuously improve.

Three Key Development Areas

To enable the success of our four lines of business, it is crucial that we look ahead and continue to build new capabilities for the future. The three key development areas to help us deliver on our corporate strategy are: making the Greater Bay Area (GBA) part of our extended home market; transforming into a digital leader famous for our strong digital culture and capabilities; and becoming a leader in sustainability.

Our goal in the GBA is to become the preferred choice for both premium and low-cost international travel to and from the region. Central to our strategy is offering customers a seamless, hassle-free and differentiated cross-border connecting experience between cities in the GBA and Hong Kong International Airport (HKIA). We are committed to providing a wide range of reliable and convenient intermodal services, including air, sea and land options, for GBA travellers to connect seamlessly with their Cathay Pacific and HK Express flights at HKIA.

On the cargo side, Cathay Pacific Cargo and Cathay Pacific Services Limited became the first carrier and cargo terminal operator, respectively, to have cargo shipments accepted in Dongguan Logistics Park and transported to HKIA by ship for outbound airfreight in February 2023. This also involved establishing our own upstream bonded facility – the Cathay Cargo Terminal Dongguan – located at the Bestar Logistics Centre in Dongguan.

To enable our GBA strategy, we opened a new GBA head office in Shenzhen last July and we continue to explore opportunities for growth and investment in the region, including building partnerships to expand our curated lifestyle propositions.

Our digital strategy is underpinned by our focus on customer centricity with a framework built around data analytics, technological innovation and company-wide digital transformation. We have been having great success in these areas, including being recognised with a number of industry awards and rolling out new technological innovations such as artificial intelligence to improve the efficiency and quality of our customer service offering.

Regarding sustainability, we are dedicated to achieving our target of net-zero carbon emissions by 2050, and using Sustainable Aviation Fuel (SAF) for 10% of our total fuel consumption by 2030. We have set specific key performance indicators (KPI) related to our climate-change performance. Notably, Cathay Pacific secured its first sustainability-linked aircraft financing for a new Airbus A321neo aircraft in 2022, and we will continue to explore opportunities to incorporate sustainability-linked targets in our financing. We also achieved a major milestone in our journey towards gender equality this year by being listed on the 2023 Bloomberg Gender-Equality Index (GEI).

Outlook and Appreciation

As global travel resumes, and Cathay Pacific and the Hong Kong international aviation hub rebuild, we are eager to welcome visitors to our home city. We are excited to support initiatives by the Hong Kong SAR Government, the Hong Kong Tourism Board and the Hong Kong Trade Development Council to attract visitors, as well as returning mega events such as the Cathay/HSBC Hong Kong Rugby Sevens and the Clockenflap music festival.

The past few years have been challenging, but we are taking forward lessons to be the Cathay Pacific for the future. As we move beyond the challenges, we want people to reconnect with Cathay Pacific and see for themselves how we are moving into a new exciting phase.

We are truly grateful for the continued support our customers have shown us throughout the past few years. We are committed to bringing them more flights, more destinations and even more exciting things to come as we rebuild for the future.

I would particularly like to recognise and thank our global team of aviation professionals who have kept Hong Kong people and businesses connected to the world. I wish to acknowledge their contributions in what has been an extremely challenging environment. Taking on my new role as the Chief Executive Officer from 2023, I am truly blessed with a team that has displayed such high levels of professionalism, teamwork, customer focus and resourcefulness.

Ronald Lam
Chief Executive Officer
Hong Kong, 8th March 2023

The emergence of a new COVID-19 variant, Omicron, led to increasingly stringent travel and operational restrictions in the earlier months of the year, in particular in Hong Kong and the Chinese Mainland. This significantly constrained our ability to operate more flights. However, as the COVID-19 situation in Hong Kong improved and these restrictions were progressively adjusted from 1st May onwards, we were able to slowly add back some of our flight capacity.

Further adjustments to travel restrictions in Hong Kong followed in the ensuing months, most significantly the lifting of quarantine requirements for Hong Kong-based aircrew as well as for travellers entering Hong Kong in September. These changes enabled us to add even more passenger flights in the second half of the year compared with the first half.

As a Group, comprising passenger airlines Cathay Pacific and HK Express, we added about 3,000 passenger flight sectors from October until the end of December. By the end of the year, the Group was operating about one-third of pre-pandemic passenger flight capacity levels, representing approximately eight times the average capacity the airlines together operated in the first half of the year. We also resumed passenger flights to more destinations, and by the end of 2022 Cathay Pacific had doubled the number of destinations offered to 58 compared with the 29 it operated in January 2022. Together with HK Express, the Group served 64 destinations by the end of December 2022.

On the cargo side we resumed operating a full freighter schedule from August onwards. As we added more passenger flights, the additional belly capacity provided by our passenger aircraft enabled us to offer our cargo customers more options as well. By the end of the year, the Group was operating about two-thirds of pre-pandemic cargo flight capacity levels.

Cathay Pacific Passenger Services

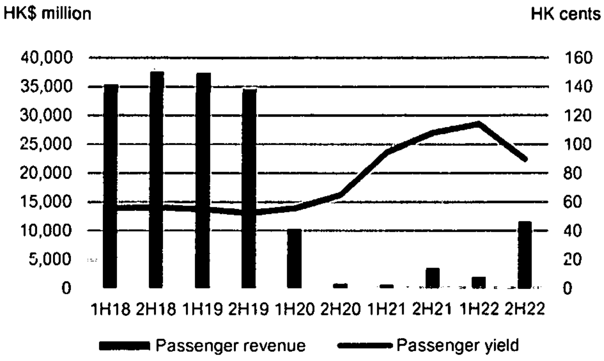
Passenger revenue remained constrained by COVID-19 travel restrictions and quarantine requirements in 2022. Nevertheless, it increased by 214.9% to HK$13,686 million compared with 2021, while revenue passenger kilometre (RPK) traffic increased by 258.3%. Cathay Pacific carried 2.8 million passengers in 2022, an average of 7,682 passengers per day and 291.1% more than in 2021. Capacity, measured in available seat kilometres (ASK), increased by 51.6% compared with 2021. Load factor increased by 42.5 percentage points to 73.6%, while yield decreased by 12.1% to HK92.7 cents.

The first half of 2022 was especially challenging for our passenger business. The emergence of a new COVID-19 variant, Omicron, led to the tightening of travel restrictions and operational requirements by the Hong Kong SAR Government. This included bans on flights from nine "high-risk" places, a number of which were key markets for Cathay Pacific, as well as a ban on transit services via Hong Kong International Airport for passengers from 153 countries and regions. Travel restrictions greatly affected customer demand for travel. Furthermore, stringent quarantine rules for Hong Kong-based aircrew significantly constrained our ability to operate more flights.

The progressive easing of travel restrictions and quarantine requirements in Hong Kong from 1st May onwards had a positive impact on travel demand and enabled us to gradually add back more flights. This was especially so following the removal of the quarantine arrangement for locally based aircrew on 10th September, followed shortly after by the removal of the quarantine arrangement for arrivals entering Hong Kong on 26th September.

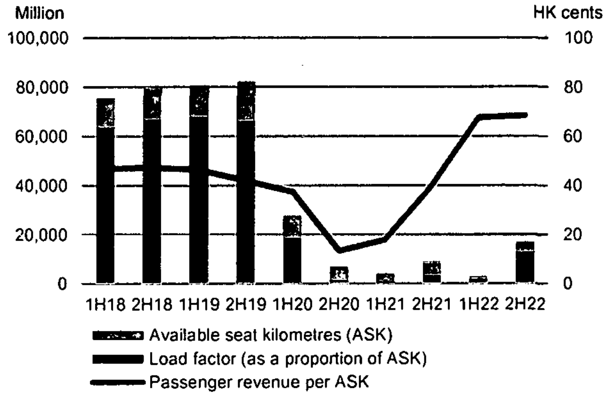
We saw considerable improvement in demand for flights from Hong Kong following the lifting of these arrangements, and we added more than half a million seats for passengers in November and December, notably for popular destinations in Japan as well as London Heathrow. At the end of 2022, we were operating 32% of pre-pandemic passenger flight capacity. We also resumed First class for the first time since 2020 on our prime London Heathrow route in December, enabling our customers to once again be able to enjoy and experience our elevated First class products and service.

Passenger revenue and yield trend



Data in 2018-2020 included Cathay Dragon.

Passenger capacity, load factor and efficiency



Data in 2018-2020 included Cathay Dragon.

Available seat kilometres ("ASK"), load factor and yield change by region for Cathay Pacific passenger services for 2022 were as follows:

	ASK (million)			Load factor (%)			Yield
	2022	2021	**Change**	**2022**	2021	**Change**	**Change**
Americas	**6,868**	4,870	**+41.0%**	**76.9**	40.5	**+36.4%pt**	**-17.2%**
Europe	**4,879**	2,662	**+83.3%**	**85.1**	45.5	**+39.6%pt**	**+0.6%**
Southwest Pacific	**2,711**	3,183	**-14.8%**	**73.8**	9.0	**+64.8%pt**	**-23.4%**
North Asia	**2,706**	1,344	**+101.3%**	**54.8**	28.1	**+26.7%pt**	**-16.9%**
Southeast Asia	**2,051**	1,016	**+101.9%**	**62.9**	22.2	**+40.7%pt**	**-9.3%**
South Asia, Middle East and Africa	**841**	153	**+449.7%**	**65.9**	30.4	**+35.5%pt**	**-22.8%**
Overall	**20,056**	13,228	**+51.6%**	**73.6**	31.1	**+42.5%pt**	**-12.1%**

Awards

- Cathay Pacific won the "CX Mover – Best Cloud Implementation" award in the Partner Implementation category for its all-in-one cloud platform at the 17th annual Customer Innovation Awards organised by Genesys in September 2022.
- Cathay was named "Best in Future of Intelligence" for its data-driven culture strategy at the IDC Future Enterprise Awards 2022 Hong Kong organised by International Data Corporation (IDC) in October 2022.
- Cathay Pacific won the Digital Transformation and Hybrid Cloud Infrastructure award for its multi-cloud hybrid environment and applications at the Red Hat APAC Innovation Awards 2022 for Hong Kong, organised by open-source solutions provider Red Hat, Inc.

Home Market - Hong Kong and Greater Bay Area

- The Hong Kong SAR Government banned flights from nine "high-risk" places from January and February until 1st April as part of anti-pandemic measures due to the COVID-19 situation in those countries.
- Airport Authority Hong Kong banned transit and transfer services via Hong Kong International Airport for passengers from 153 "high-risk" countries and regions from 16th January to 1st April.
- We reopened The Pier, Business, our largest lounge at Hong Kong International Airport, for eligible passengers transiting through Hong Kong, and those starting their journey from Hong Kong and travelling to any destination other than the Chinese Mainland in April.
- The Hong Kong SAR Government began introducing progressive adjustments to travel restrictions and quarantine requirements from 1st May.
- The quarantine arrangements for Hong Kong-based aircrew arriving back in Hong Kong were adjusted on 1st May, and lifted on 10th September. These adjustments facilitated the gradual resumption of more passenger flights.
- The quarantine arrangements for inbound persons entering Hong Kong were adjusted on 12th August, and lifted on 26th September. Sentiment for travel out of Hong Kong significantly improved following the lifting of quarantine arrangements.

Americas

- Flights to Hong Kong from Canada and the United States were banned between 8th January and 1st April under the Hong Kong SAR Government's place-specific flight-suspension mechanism.
- We saw increased demand for travel to Hong Kong from the US and Canada following the progressive adjustments to travel restrictions and quarantine requirements from 1st May onwards.
- We resumed our flights to Boston in August.
- We saw increased transit traffic between the US and destinations in Southeast Asia via the Hong Kong hub in the second half of the year.
- At 31st December 2022, we were operating flights serving six destinations in the Americas.

Europe

- Flights to Hong Kong from France and the UK were banned between 8th January and 1st April under the Hong Kong SAR Government's place-specific flight-suspension mechanism.
- We saw increased demand for travel to Hong Kong from the UK and elsewhere in Europe, following the progressive adjustments to travel restrictions and quarantine requirements from 1st May onwards.
- We saw increased demand for travel between the UK and Australia via the Hong Kong hub in the second half of the year.
- We resumed operating flights to Madrid and Milan in October, and to Zurich in December.
- To cater to increased demand, we substantially increased the number of flights on our London Heathrow route in November and December, adding 31,500 seats over the two months.
- Our First class offering resumed on our prime London Heathrow route in early December.
- At 31st December 2022, we were operating flights serving nine destinations in Europe.

Southwest Pacific

- Flights to Hong Kong from Australia were banned between 8th January and 1st April under the Hong Kong SAR Government's place-specific flight-suspension mechanism.
- We resumed passenger flights to Auckland in June.
- We saw increased demand for transit travel between the UK and Australia and New Zealand via the Hong Kong hub in the second half of the year.
- At 31st December 2022, we were operating flights serving five destinations in the Southwest Pacific.

North Asia

- Transit traffic, in particular students, from the Chinese Mainland to long-haul destinations such as Australia, the UK and the United States via the Hong Kong hub was an important source of passenger traffic for the airline in 2022.
- Our flights to destinations on the Chinese Mainland were restricted in 2022 due to capacity restrictions related to anti-pandemic measures there.
- We were able to resume flying passengers to Fuzhou, Nanjing and Wuhan in July, and Qingdao, Xiamen and Zhengzhou in August following adjustments to capacity restrictions by the local authorities.
- Following the easing of quarantine requirements in Hong Kong in September, we saw increased demand for flights to Seoul, and later to Japan following the easing of quarantine restrictions there.
- Customers had the opportunity to book our first ever "Miles Flights", which saw more than 70,000 seats on designated flights between Hong Kong and destinations in Asia opened for Standard Award redemption throughout October. This included flights to and from Hong Kong and Osaka and Seoul.
- To cater to increased demand, we added a substantial number of flight sectors to popular destinations in Japan from October to December. In the last two months of the year, we added close to 140,000 seats for customers heading to Osaka, Tokyo (Narita and Haneda, the latter resumed in November) and Sapporo (resumed in December). We also resumed operating flights to Fukuoka in December.
- We reopened our Cathay Pacific Lounge at Tokyo (Haneda) International Airport in December.
- At 31st December 2022, we were operating flights serving 20 destinations in North Asia.

Southeast Asia

- Flights to Hong Kong from the Philippines were banned between 8th January and 1st April under the Hong Kong SAR Government's place-specific flight-suspension mechanism.
- Following the easing of quarantine requirements in Hong Kong in September, we saw increased demand for flights to Bangkok and Singapore. We added capacity on flights to Southeast Asia as a result.
- Standard Award redemptions on "Miles Flights" for October included flights to and from Hong Kong and Bangkok, Kuala Lumpur, Cebu, Manila, Hanoi and Ho Chi Minh City.
- We resumed passenger flights to Bali in November, and to Penang in December
- At 31st December 2022, we were operating flights serving 12 destinations in Southeast Asia.

South Asia, Middle East and Africa

- Flights to Hong Kong from India and Pakistan were banned from 8th January to 1st April, and flights to Hong Kong from Nepal were banned from 12th February to 1st April under the Hong Kong SAR Government's place-specific flight suspension mechanism.
- We resumed operating flights to Delhi and Mumbai in May.
- We resumed operating flights to Bengaluru, Dubai and Kathmandu in October, and to Dhaka in December.
- At 31st December 2022, we were operating flights serving six destinations in South Asia, the Middle East and Africa.

Cathay – A Premium Travel Lifestyle Brand

Cathay is our new master brand, which represents much more than airline travel. It represents our evolution into a premium travel lifestyle brand, consisting of a host of complementary categories – flights, holidays, shopping, dining, wellness and payment. Cathay Pacific remains the brand of our airline and proudly so.

Our purpose is to move people forward in life by connecting them to meaningful people, places and experiences. This means that we are aiming to enrich the lives of our customers, but also add value to society in Hong Kong and the Chinese Mainland through our products and services. We also have a renewed focus on the customer. To help us make progress in fulfilling our purpose, we have set ourselves the vision to become one of the world's greatest service brands. As such, in order to be of better service to our customers, all of our people at Cathay have a role to play in contributing to a seamless brand experience for our customers.

- We expanded into the wellness space with the launch of Cathay's wellness journey, our new virtual health companion in the Cathay lifestyle app. Our wellness journey rewards Hong Kong-based Cathay members with miles every day when they complete daily wellness goals.
- We launched a strategic wellness and insurance collaboration with Cigna Hong Kong to offer the exclusive Cigna Cathay Premier Health Plan – the only insurance product where members can directly earn and use miles when purchasing through Cathay. We also now enable members to purchase one more Cigna product through the Cathay website, allowing them to earn and spend miles on their health protection purchases.
- We collaborated with Hong Kong label Native Union to create a collection of tech accessories such as wireless chargers, charging cables and stow organisers that are inspired by our home city and created with the Cathay customer in mind. The pilot collection – the first under our travel lifestyle Cathay brand and our first move into the tech space – is available on our online shopping platform, the Cathay shop.
- We partnered with specialty coffee roaster Blue Bottle Coffee to launch a subscription service on the Cathay shop.
- We launched a series of offers in collaboration with Hong Kong's Central Market, including co-branded cocktail menus and signature drinks at select food and beverage outlets in Central Market. Customers could also earn extra miles when dining at select restaurants when paying with Miles Plus Cash.
- We partnered with Swiss watchmaker Breitling to introduce the Navitimer B01 Cathay Pacific Limited Edition in celebration of the 70th anniversary of the renowned pilots' watch. The timepiece is available on the online Cathay shop.

- Together with Hong Kong Aircraft Engineering Company Limited ("HAECO"), we launched a weekend Cathay x HAECO staycation experience for aviation enthusiasts in August that included accommodation and an exclusive tour of HAECO's maintenance facilities at Hong Kong International Airport.
- We opened Cathay's first experiential retail space in Hong Kong's Cityplaza shopping mall. This exclusive space aims to bring an "online to offline to online" shopping experience for customers by enabling them to scan the QR codes of products within the store, purchase them online through the Cathay shop using miles, cash or a combination of both, and pick them up in store or have them delivered.

Elevated Membership Programme

We launched a refreshed customer relationship programme, bringing together the best of Marco Polo Club and Asia Miles, from benefits to rewards, under a single membership, in August 2022. With Cathay, it will be easier for members to earn and spend miles on flights, meaningful experiences and curated products, and it will be just as simple to earn Status Points that unlock even more membership benefits. Cathay members continue to enjoy access to many of the exclusive services and rewards they have always loved.

- We work with more than 800 premium lifestyle and travel partners to bring our over 13 million members an ever-expanding list of experiences, dining and lifestyle offers.
- Cathay members can enjoy their benefits whether they are in the air or on the ground.
- All members are entitled to priority online check-in. Cathay Silver members (and above) have unlimited access to lounges when flying on Cathay Pacific.
- Status Points (formerly Marco Polo Club club points) are the key to levelling up membership status and accessing more exclusive benefits. Members can renew or upgrade their status by spending with select co-branded credit cards (available in Hong Kong) or by simply flying with Cathay Pacific or our partner airlines. Status Points are earned by reference to airline, cabin fare class and distance travelled.
- Asia Miles is the currency members earn and spend on a huge range of rewards. We work with more than 800 premium lifestyle and travel partners to bring our members an ever-expanding list of experiences, dining and lifestyle offers. Eligible members can earn more miles faster, and can spend miles at better rates when using Miles Plus Cash for flights, dining and shopping with Cathay.
- Members had the opportunity to book our first ever "Miles Flights" for travel throughout October. This saw about 70,000 seats on designated flights to and from Hong Kong and Osaka, Seoul, Bangkok, Kuala Lumpur, Cebu, Manila, Hanoi and Ho Chi Minh City opened for Standard Award redemption during that month. This was followed by a second wave of Miles Flights in November for flights to London and Amsterdam.
- There was a 153% increase in redemptions by members on Cathay Pacific flights in 2022 compared with the previous year, while redemptions for non-flight-related channels increased by 43%.

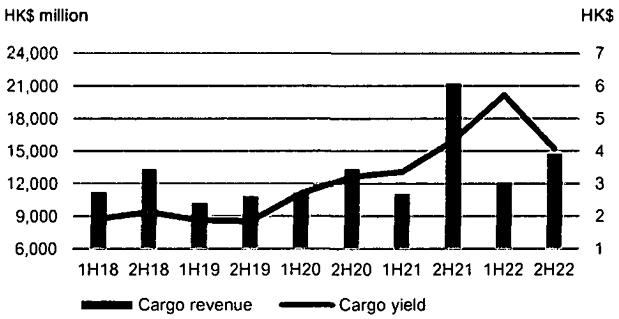
Cathay Pacific Cargo Services

Cargo revenue in 2022 was HK$26,990 million, a decrease of 16.6% compared with 2021. Cargo revenue tonne kilometre (RFTK) traffic decreased by 29.8% in 2022 compared with 2021. Total tonnage decreased by 13.4% to 1,154 thousand tonnes. Capacity, measured in available cargo tonne kilometres (AFTK), decreased by 19.0%. Cargo yield increased 18.5% to HK$4.67, while load factor averaged 70.6% (2021: 81.4%).

Quarantine requirements for Hong Kong-based aircrew constrained our ability to operate more capacity in the first half of 2022, but eased in the second half of the year after these requirements were lifted, first on 1st May for aircrew operating cargo flights and then on 10th September for aircrew operating passenger flights. We resumed operating a full freighter schedule from August onwards. As we added more passenger flights in the latter part of the year, the additional cargo capacity provided by the bellies of our passenger aircraft enabled us to offer extended routings and more consistent services to our cargo customers. We operated fewer cargo-only passenger flights (services operated using passenger aircraft but carrying exclusively cargo), in particular on long-haul routes, than the high number we operated in 2021.

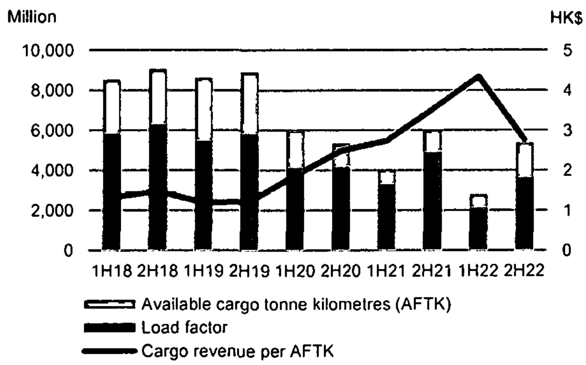
Global economic headwinds and anti-pandemic measures on the Chinese Mainland impacted trade flows and production. The peak cargo season this year was subdued when compared to the unprecedented peak we saw in 2021, although yields remained well above pre-pandemic levels.

Cargo revenue and yield trend



Data in 2018-2020 included Cathay Dragon.

Cargo capacity, load factor and efficiency



Data in 2018-2020 included Cathay Dragon.

Available cargo tonne kilometres ("AFTK"), load factor and yield change for 2022 were as follows:

	AFTK (million)			Load factor (%)			Yield
	2022	2021	**Change**	**2022**	2021	**Change**	**Change**
Cathay Pacific	**8,181**	10,094	**-19.0%**	**70.6**	81.4	**-10.8%pt**	**+18.5%**

- Cathay Pacific Cargo launched its own fully featured chatbot to provide a quicker and more intuitive response to customers' cargo queries. Customers in Hong Kong can access the chatbot, which is available to provide help and advice 24 hours a day, directly from the cathaypacificcargo.com website.
- We launched our new Priority service that provides cargo customers with a suite of different options for time-sensitive shipments across our various cargo solutions, including the new top tier, First (PR1), which guarantees the highest commitment on speed and priority. The Priority solution enables customers to choose the tier best suited to their needs, and can be easily accessed through our online booking portal, Click & Ship, which was launched last year.
- We developed solutions to ship seasonal fruits and vegetables from Australia and Northeast Asia to Hong Kong. Customers of the Cathay shop in Hong Kong are able to order various fresh produce, which is delivered directly to their door with the aid of our cargo services.

- The joint business agreement between Cathay Pacific and Lufthansa Cargo on routes between Hong Kong and Europe was expanded with the entry of Swiss WorldCargo into the arrangement. The three airlines are now working closely together on network planning, sales, IT and ground handling initially on traffic from Hong Kong to Zurich and Frankfurt, providing greater choice and more attractive offers for our cargo customers.
- As part of our ongoing efforts to improve the quality of our service delivery, Cathay Pacific Cargo became one of the first carriers to pioneer two new Cargo iQ milestone measurements – freight out of warehouse (FOW) and freight into warehouse (FIW) control. These additional milestones will bring greater transparency to the overall shipment journey, and are now operational at the Cathay Pacific Cargo Terminal in Hong Kong, with plans in place to roll them out across our network in the near future. Cargo iQ is a not-for-profit membership group supported by the International Air Transport Association (IATA) composed of major airlines, freight forwarders, ground-handling agents, trucking companies and IT providers who work together to bring standardisation and transparency to the air cargo journey.
- We extended our Fly Greener carbon-offset programme to our air cargo business, enabling our cargo customers to work out the carbon emissions of shipments and the cost to offset them, and then make a contribution to purchase carbon-offset projects. All selected projects are certified under the Gold Standard to ensure their carbon reductions are verified, and come with societal and developmental benefits.
- Cathay Pacific Cargo consolidated and refreshed its comprehensive solution for pharmaceutical customers under a new name, Cathay Pharma, and made it easier for customers to identify all of the possible options for pharmaceutical shipments in a more streamlined way.

Awards

- Cathay Pacific was named "Cargo Airline of the Year" at the 2021 Incheon Airport Awards on 1st April 2022. The awards recognise carriers for their efforts to improve operations and services at Incheon International Airport.
- Cathay Pacific Cargo was named "Best Air Cargo Carrier – Asia" for the third year in a row and "Overall Carrier of the Year – Asia Pacific" at the 2022 Asian Freight, Logistics and Supply Chain (AFLAS) Awards in September 2022.
- Cathay Pacific Cargo was named "Overall Carrier of the Year – Asia Pacific" at the 9th Payload Asia Awards in October 2022.

Fleet Development

- At the end of 2022, Cathay Pacific had 181 aircraft, HK Express had 26 aircraft and Air Hong Kong had 15 aircraft (a total of 222 aircraft).
- Given current conditions, 41 of our passenger aircraft are parked in locations outside of Hong Kong. We have brought back 24 aircraft that we had moved overseas for long-term parking to Hong Kong, and we will be bringing back more aircraft in line with our operational requirements.
- Cathay Pacific took delivery of five new aircraft in 2022, and the Group anticipates a further 11 in 2023. These aircraft were firm commitments made earlier that will help to modernise our fleets and improve efficiency. The Group believes that based on its available unrestricted liquidity as at 31st December 2022, as well as its ready access to both loan and debt capital markets, it will have sufficient financing capacity to fund this material investment in our fleet.
- As of 31st December 2022, we have completed refitting the seats in four of our six Boeing 777-300ER passenger aircraft that previously had been converted into "preighters" by removing seats in some of the cabins to provide additional cargo-carrying capacity. The remaining two will be completed in 2023.

Fleet Profile*

Aircraft type	Number at 31st December 2022				Average age	Orders				Expiry of operating leases**					
		Leased**													
	Owned	Finance	Operating	Total		'23	'24	'25 and beyond	Total	'23	'24	'25	'26	'27	'28 and beyond
Cathay Pacific:															
A320-200	4			4	19.3										
A321-200	2		1	3	19.8					1					
A321-200neo		2	5	7	1.4	5(a)	4		9						5
A330-300	31	8	4	43	14.3							2	2		
A350-900	19	7	2	28	5.1	2			2						2
A350-1000	11	7		18	3.1										
747-400ERF	6			6	14.0										
747-8F	3	11		14	9.9										
777-300	17			17	21.2										
777-300ER	28	2	11	41	10.2					2	3	2	4		
777-9								21	21						
Total	121	37	23	181	10.8	7	4	21	32	3	3	4	6		7
HK Express:															
A320-200			5	5	10.5					1	4				
A320-200neo			10	10	3.8										10
A321-200			11	11	5.2							1	2		8
A321-200neo						4	8	4	16						
Total			26	26	5.7	4	8	4	16	1	4	1	2		18
Air Hong Kong***(b)**:**															
A300-600F			9	9	18.6					7	2				
A330-243F			2	2	11.0								2		
A330-300P2F			4	4	13.7								3		1
Total			15	15	16.3					7	2		5		1
Grand total	**121**	**37**	**64**	**222**	10.6	**11**	**12**	**25**	**48**	**11**	**9**	**5**	**13**		**26**

* The table does not reflect aircraft movements after 31st December 2022.

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

(a) Two Airbus A321-200neo aircraft were delivered in February 2023.

(b) We plan to return the nine A300-600F between 2023 and 2024 and to have them replaced with nine second-hand A330F. This allows the Air Hong Kong fleet to remain the same (at 15) at least until 2024.

Digital Leadership

Digital is one of Cathay Pacific's key strategic focus areas for delivering our vision of becoming one of the world's greatest service brands. We strive to transform Cathay Pacific into a digital leader famous for its strong digital culture and capabilities.

Our digital strategy is underpinned by our focus on customer centricity, and our strong desire to help move our customers forward in life. The framework for our digital strategy is built around data analytics, technological innovation and company-wide digital transformation, and we achieved remarkable successes in these areas.

- Data analytics – with our expanded data warehouse and mature analytics capabilities centred about big data and machine learning, we scaled up the use of data to generate insights to improve our customer services and operational reliability. This included continuous optimisation of our inflight food and beverage choices, aircraft maintenance schedule and resource planning.
- Technological innovation – we adopted technologies such as artificial intelligence (AI) to improve the efficiency and quality of our customer service offering. This included partnering with a local tech company to co-develop a new Conversational AI Training Excellence platform that trains our AI chatbots to provide more accurate and efficient responses to customers' queries. Other technologies were adopted to support the launch of our elevated Cathay membership programme, online-to-offline-to-online shopping experience at our first retail space, and the tracking of cargo shipments, among others.
- Digital transformation – the Agile methodology was increasingly adopted across various business functions to deliver rapid development cycles, and improve team collaboration and product quality. In driving innovation, we deepened our partnership with local universities in areas such as academic research and data-science subjects. In 2022, we celebrated the ninth anniversary of our IT & Digital Graduate Trainee programme, which continues to foster tech talent in our home city. We also successfully held our 5th Annual Cathay Hackathon, inviting 80 tech-savvy young innovators to our Cathay City headquarters to team up to develop creative solutions designed to enhance customers' travel experience, elevate their lifestyle and promote sustainability.

Cathay Pacific's continued success in digital transformation was recognised in industry awards such as the IDC Future Enterprise Award 2022 for Hong Kong – Best in Future of Intelligence, and Red Hat APAC Innovation Awards 2022 Hong Kong – Digital Transformation and Hybrid Cloud Infrastructure.

Review of Subsidiaries and Associates

Losses from subsidiaries in 2022 were HK$1,715 million (2021: loss of HK$2,089 million), and the share of losses from associates in 2022 was HK$6,293 million (2021: loss of HK$1,710 million). Set out below is a review of the performance and operations of principal 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 typically operates flights to 25 destinations including Bangkok, Da Nang, Fukuoka, Nagoya, Ningbo, Osaka, Phuket, Seoul, Taichung and Tokyo.
- At 31st December 2022, HK Express had an all-Airbus narrowbody fleet of 26 aircraft, including five Airbus A320-200 aircraft, 11 Airbus A321-200 aircraft and 10 Airbus A320-200neo aircraft. The young fleet had an average age of 5.7 years.
- From March 2023, HK Express will receive delivery of an order previously allocated to Cathay Dragon for 16 Airbus A321-200neo aircraft, 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.
- In 2023, HK Express will receive three aircraft that have been reassigned from Cathay Dragon.
- At 31st December 2022, HK Express was operating scheduled services serving 15 destinations, including Taipei, Kaohsiung and Singapore.
- In 2022, flight capacity amounted to 983 million available seat kilometres (less than 10% of annualised 2019 ASK), reflecting the airline's substantial capacity reductions for much of the year in response to significantly reduced demand as well as travel restrictions and quarantine requirements in place in Hong Kong and other markets amid the global COVID-19 pandemic. The average flown load factor was 68.3%, an increase of 59.5 percentage points compared with 2021.
- HK Express recorded an after-tax loss of HK$1,359 million in 2022, compared with a HK$1,978 million loss in 2021.
- Ancillary revenue penetration as a percentage of total revenue was 18.7% in 2022. This included non-flight scheduled revenue, which arises from the sale of baggage, priority boarding, seat selection and administration fees, all directly attributable to the low-fare business of HK Express.

	For the year ended 31st December		
	2022 HK$M	2021 HK$M	**Change**
Revenue			
Passenger services*	**646**	11	**+5,772.7%**
Cargo services	**6**	2	**+200.0%**
Other services and recoveries*	**40**	7	**+471.4%**
Total revenue	**692**	20	**+3,360.0%**
Expenses			
Staff	**(414)**	(384)	**+7.8%**
Inflight service and passenger expenses	**(4)**	(1)	**+300.0%**
Landing, parking and route expenses	**(113)**	(33)	**+242.4%**
Fuel	**(128)**	(8)	**+1,500.0%**
Aircraft maintenance	**(276)**	(279)	**-1.1%**
Aircraft depreciation and rentals	**(733)**	(830)	**-11.7%**
Other depreciation, amortisation and rentals	**(29)**	(27)	**+7.4%**
Others	**(236)**	(264)	**-10.6%**
Operating expenses	**(1,933)**	(1,826)	**+5.9%**
Net finance charges	**(389)**	(328)	**+18.6%**
Total operating expenses	**(2,322)**	(2,154)	**+7.8%**
Loss before impairment and related charges and taxation	**(1,630)**	(2,134)	**-23.6%**
Impairment and related charges	**-**	(41)	**-**
Taxation	**271**	197	**+37.6%**
Loss after taxation	**(1,359)**	(1,978)	**-31.3%**

* 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 presentation of revenue in accordance with HKFRS 15.

		For the year ended 31st December		
		2022	2021	Change
Operating Statistics – HK Express				
Available seat kilometres ("ASK")	*Million*	**983**	71	**+1,284.5%**
Passenger revenue per ASK	*HK cents*	**65.8**	15.3	**+330.1%**
Revenue passenger kilometres ("RPK")	*Million*	**671**	6	**+11,083.3%**
Revenue passengers carried	*'000*	**314**	8	**+3,825.0%**
Passenger load factor	*%*	**68.3**	8.8	**+59.5%pt**
Passenger yield	*HK cents*	**96.3**	173.5	**-44.5%**
Cost per ASK (with fuel)	*HK cents*	**236.2**	2,967.1	**-92.0%**
Fuel consumption per million ASK	*Barrels*	**134**	145	**-7.6%**
Fuel consumption per million RPK	*Barrels*	**197**	1,644	**-88.0%**
Cost per ASK (without fuel)	*HK cents*	**223.2**	2,956.4	**-92.5%**
ASK per HK$'000 staff cost	*Unit*	**2,563**	184	**+1,292.9%**
ASK per employee	*'000*	**1,062**	70	**+1,417.1%**
Aircraft utilisation	*Hours per day*	**0.9**	0.1	**+800.0%**
On-time performance	*%*	**93.1**	96.8	**-3.7%pt**
Average age of fleet	*Years*	**5.7**	5.2	**+0.5 year**

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

- *Air Hong Kong principally operates express cargo services for DHL Express.*
- At 31st December 2022, Air Hong Kong operated nine dry-leased Airbus A300-600F freighters, two dry-leased Airbus A330-243F freighters and four dry-leased Airbus A330-300P2F converted freighters.
- Air Hong Kong operated scheduled and charter flights to 15 major cities in Asia and the Middle East, including Bahrain, Bangkok, Beijing, Cebu (via Manila), Chengdu, Ho Chi Minh City, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo.
- In 2022, flight capacity (in terms of available cargo tonne kilometres) decreased by 6.2% to 888 million.
- On-time performance increased by 1.4 percentage points to 90.5% in 2022.
- Air Hong Kong recorded an increase in profit in 2022 compared with 2021.

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 58 international airlines in Hong Kong. It produced 4.1 million airline meals and handled 16,214 flights in 2022, representing a daily average of 11,104 meals and 44 flights, an increase of 136% and 15%, respectively, from 2021.
- While responding to the gradual resumption in demand for flight-catering services, the company has also continued to develop its non-aviation catering services, while minimising operating costs and capital expenditure.
- CPCS has been supporting the Hong Kong SAR Government's pandemic response by providing meal services at various Community Isolation Facilities in Hong Kong.
- The financial results of CPCS in 2022 improved compared with 2021.
- The financial results of flight kitchens outside Hong Kong in 2022 improved compared with 2021, with the exception of Canada, which reported a year-on-year decline.

Cathay Pacific Services Limited ("CPSL")

- CPSL, a wholly owned subsidiary, owns and operates the Group's cargo terminal at Hong Kong International Airport. At 31st December 2022, CPSL provided cargo-handling services for the Cathay Pacific Group and 17 other scheduled airlines, excluding chartered customers.
- CPSL handled 1.2 million tonnes of cargo in 2022, a decrease of 15% compared with 2021.
- The financial results in 2022 declined compared with 2021 and remained lower than pre-COVID-19 levels due to the reduced cargo capacity at Cathay Pacific caused by restrictions placed on locally based cargo aircrew between January and May 2022, and the softer cargo peak in the fourth quarter of 2022 compared with 2021.

- CPSL opened a new purpose-built Pharma Handling Centre at the Cathay Pacific Cargo Terminal at Hong Kong International Airport. The fully temperature-controlled area covers 1,250 square metres and takes advantage of the latest technologies and designs to offer peace of mind temperature-sensitive cargo solutions for customers.
- CPSL has set up a wholly owned foreign enterprise in Dongguan on the Chinese Mainland to facilitate new intermodal logistics opportunities for shippers in the Greater Bay Area to connect directly with Hong Kong International Airport. Operations commenced in the first quarter of 2023.

Hong Kong Airport Services Limited ("HAS")
- HAS, a wholly owned subsidiary, provides ramp- and passenger-handling services at Hong Kong International Airport. At 31st December 2022, it provided ground-handling services to 17 airlines, including Cathay Pacific.
- In 2022, HAS had 37% and 10% 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 increased by 5.6% and 153.2% against the previous year.
- The financial results for 2022 declined compared with 2021.
- In 2022, HAS continued to meet and exceed the Critical Key Performance Indicators set by the Airport Authority Hong Kong. Recognising HAS's efforts in promoting occupational health and safety best practices, HAS won the Silver Award at the Hong Kong International Airport Safety Excellence Awards 2021/22. HAS also won the Merit Award in the Transport and Logistics category at the Hong Kong Awards for Environmental Excellence (HKAEE) in recognition of its achievements in green management.

Vogue Laundry Service Limited ("VLS")
- VLS, a wholly owned subsidiary, provides a comprehensive range of professional 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 six valet shops in Hong Kong serving retail customers.
- VLS processed 30 million items of laundry in 2022 compared with 33 million items in 2021. The financial results of 2022 declined compared with 2021.

Principal Associates

Air China Limited ("Air China")
- Air China, in which the Cathay Pacific Group had an 18.13% interest at 31st December 2022, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. We are represented on the Board of Directors of Air China and equity account for our share of Air China's results.
- Our share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, our 2022 annual results include Air China's results for the 12 months ended 30th September 2022.
- For the 12 months ended 30th September 2022, Air China's financial results declined compared to those for the 12 months ended 30th September 2021.
- On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2022, but is expected to result in a gain from deemed partial disposal in 2023. Further details can be found in note 31 to the financial statements, Non-adjusting events after the reporting period.

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

- Air China Cargo, in which the Cathay Pacific Group owns an equity and economic interest totalling 24%, 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.
- Following the dilution of economic interest in Air China Cargo during the year ended 31st December 2021, our share of Air China Cargo's results is based on its financial statements drawn up three months in arrear since September 2021. Our 2022 annual results include Air China Cargo's results for the 12 months ended 30th September 2022.

Antitrust Proceedings

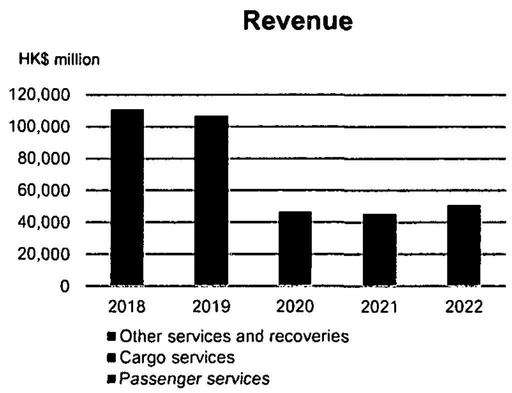
Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities, but makes provisions based on relevant facts and circumstances in line with accounting policy 22 set out on page 139.

Financial Review

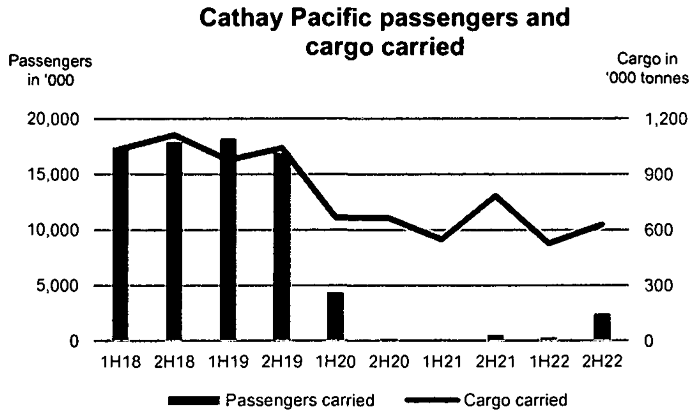
The Cathay Pacific Group's attributable loss was HK$6,548 million for 2022 (2021: loss of HK$5,527 million). Cathay Pacific reported a profit after tax of HK$1,460 million for 2022 (2021: loss of HK$1,728 million). Losses from subsidiaries in 2022 were HK$1,715 million (2021: loss of HK$2,089 million), and the share of losses from associates in 2022 was HK$6,293 million (2021: loss of HK$1,710 million).

Revenue

	Group			Cathay Pacific		
	2022 HK$M	2021 HK$M	**Change**	**2022 HK$M**	2021 HK$M	**Change**
Passenger services	**14,333**	4,357	**+229.0%**	**13,686**	4,346	**+214.9%**
Cargo services	**30,554**	35,814	**-14.7%**	**26,990**	32,377	**-16.6%**
Other services and recoveries	**6,149**	5,416	**+13.5%**	**5,706**	5,461	**+4.5%**
Total revenue	**51,036**	45,587	**+12.0%**	**46,382**	42,184	**+10.0%**



Data in 2018-2020 included Cathay Dragon.



Data in 2018-2020 included Cathay Dragon.

Cathay Pacific

- Passenger revenue increased by 214.9% to HK$13,686 million. The number of revenue passengers carried increased by 291.1% to 2.8 million. Revenue passenger kilometres increased by 258.3%.
- The passenger load factor increased by 42.5 percentage points to 73.6%. Available seat kilometres increased by 51.6%.
- Passenger yield decreased by 12.1% to HK92.7 cents.
- Cargo revenue decreased by 16.6% to HK$26,990 million with a 19.0% decrease in available freight tonne kilometers.
- The cargo load factor decreased by 10.8 percentage points and cargo yield increased by 18.5% to HK$4.67.
- The annualised effect on revenue of changes in yield and load factor is set out below:

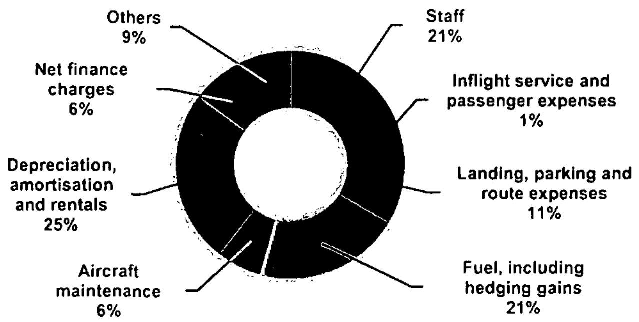
	HK$M
+ 1 percentage point in passenger load factor	**186**
+ 1 percentage point in cargo load factor	**382**
+ HK¢1 in passenger yield	**148**
+ HK¢1 in cargo yield	**58**

Operating Expenses

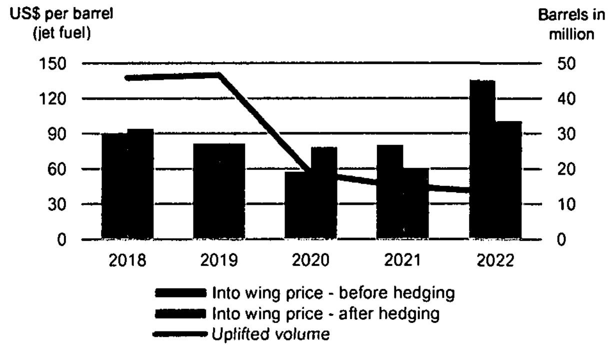
	Group			Cathay Pacific		
	2022 HK$M	2021 HK$M	**Change**	**2022 HK$M**	2021 HK$M	**Change**
Staff	**10,571**	11,298	**-6.4%**	**8,733**	9,542	**-8.5%**
Inflight service and passenger expenses	**694**	366	**+89.6%**	**690**	365	**+89.0%**
Landing, parking and route expenses	**5,590**	5,743	**-2.7%**	**5,068**	5,315	**-4.6%**
Fuel, including hedging gains	**10,488**	7,031	**+49.2%**	**9,301**	6,388	**+45.6%**
Aircraft maintenance	**3,206**	5,152	**-37.8%**	**2,447**	4,261	**-42.6%**
Aircraft depreciation and rentals	**9,884**	10,444	**-5.4%**	**9,156**	9,670	**-5.3%**
Other depreciation, amortisation and rentals	**2,544**	2,381	**+6.8%**	**1,825**	1,675	**+9.0%**
Others	**4,513**	3,622	**+24.6%**	**4,689**	3,956	**+18.5%**
Operating expenses	**47,490**	46,037	**+3.2%**	**41,909**	41,172	**+1.8%**
Net finance charges	**2,909**	2,629	**+10.7%**	**1,991**	1,972	**+1.0%**
Total operating expenses	**50,399**	48,666	**+3.6%**	**43,900**	43,144	**+1.8%**

- The Group's and Cathay Pacific's total operating expenses increased by 3.6% and 1.8% respectively.
- Cathay Pacific's ATK reduced 11% from 11,354 million to 10,100 million.
- The cost per ATK (with fuel) of Cathay Pacific increased from HK$3.88 to HK$4.35, an increase of 12.1%.
- The cost per ATK (without fuel) of Cathay Pacific increased from HK$3.32 to HK$3.43, an increase of 3.3%.
- The underlying cost per ATK (without fuel), which excludes impairment and related charges and restructuring costs, increased from HK$3.24 to HK$3.43, an increase of 5.9%.

Group total operating expenses



Group fuel price and consumption



Data in 2018-2020 included Cathay Dragon.

Operating Results Analysis

	1st half 2022 HK$M	2nd half 2022 HK$M	Full year 2022 HK$M	1st half 2021 HK$M	2nd half 2021 HK$M	Full year 2021 HK$M
Cathay Pacific's (loss)/profit before exceptionals and taxation	**(1,544)**	**4,026**	**2,482**	(4,545)	3,585	(960)
Taxation	**43**	**(1,065)**	**(1,022)**	377	(193)	184
Cathay Pacific's (loss)/profit after taxation and before exceptionals	**(1,501)**	**2,961**	**1,460**	(4,168)	3,392	(776)
Subsidiaries' results before exceptionals	**(1,015)**	**(700)**	**(1,715)**	(1,183)	(865)	(2,048)
Cathay Pacific and subsidiaries' (loss)/profit after taxation and before exceptionals	**(2,516)**	**2,261**	**(255)**	(5,351)	2,527	(2,824)
Share of losses from associates	**(2,483)**	**(3,810)**	**(6,293)**	(1,310)	(400)	(1,710)
Adjusted (loss)/profit attributable to the shareholders of the Cathay Pacific Group (note 1)	**(4,999)**	**(1,549)**	**(6,548)**	(6,661)	2,127	(4,534)
Impairment and related charges (note 2)	**-**	**-**	**-**	(501)	(317)	(818)
Restructuring costs (note 3)	**-**	**-**	**-**	(403)	18	(385)
Non-recurring item (note 4)	**-**	**-**	**-**	-	210	210
(Loss)/profit attributable to the shareholders of the Cathay Pacific Group	**(4,999)**	**(1,549)**	**(6,548)**	(7,565)	2,038	(5,527)

Notes:
1) The adjusted loss attributable to the shareholders of Cathay Pacific was arrived at after excluding impairment and related charges and restructuring costs.
2) Impairment and related charges of HK$777 million in 2021 under Cathay Pacific mainly in connection with nine aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors. Impairment and related charges of HK$41 million in 2021 under HK Express in connection with three aircraft that are unlikely to re-enter meaningful economic service again before they are returned to lessors.
3) Redundancy and related costs of HK$385 million in 2021.
4) The non-recurring item in 2021 reflected a gain on the deemed disposal of an associate.

The movement in Cathay Pacific's loss before impairment and related charges, restructuring costs and taxation can be analysed as follows:

	HK$M	
2021 Cathay Pacific's loss before taxation	**(960)**	
Increase of revenue:		
- Passenger and cargo revenue	**3,953**	- Passenger revenue increased by 214.9% primarily due to a 258.3% increase in passenger traffic, partially offset by a 12.1% decrease in yield. - Cargo revenue decreased by 16.6% due to a 29.8% decrease in cargo traffic, partially offset by a 18.5% increase in yield.
- Other services and recoveries	**245**	- Increase in loyalty programme revenues, partially offset by reduction in cargo ancillary income and COVID-19 related government grants.
Decrease/(increase) of costs:		
- Staff	**809**	- Lower headcount.
- Inflight service and passenger expenses	**(325)**	- Increased on higher passenger volumes.
- Landing, parking and route expenses	**247**	- Lower cargo handling costs and route expenses as a result of reduced cargo traffic, partially offset by increased crew outstation expenses.
- Fuel, including hedging gains	**(2,913)**	- Increased fuel prices were partially offset by fuel hedging gains and lower fuel consumption.
- Aircraft maintenance	**1,814**	- Lower due to reduced aircraft flying hours.
- Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	**345**	- Fewer aircraft leased and lower depreciation.
- Other items (including commissions)	**(733)**	- Higher sales and marketing costs, loyalty programme expenses due to more redemptions, exchange losses and increased commissions.
2022 Cathay Pacific's profit before taxation	**2,482**	

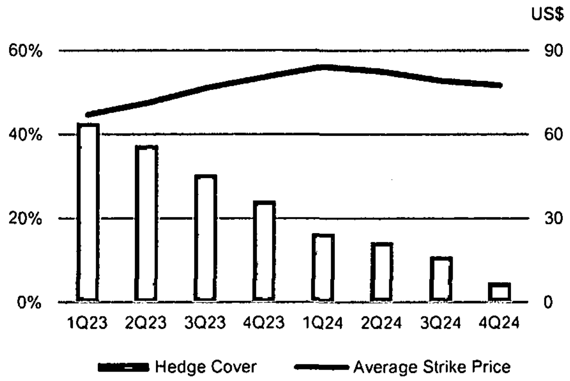
Fuel Expenditure and Hedging

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

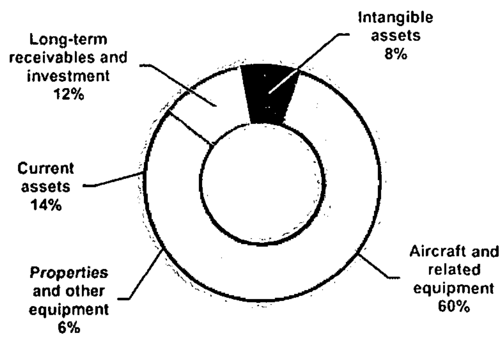
	2022	*2021*
	HK$M	HK$M
Gross fuel cost	**14,127**	9,367
Fuel hedging gains	**(3,639)**	(2,336)
Net fuel cost	**10,488**	7,031

- Fuel consumption in 2022 was 13.3 million barrels (2021: 15.0 million barrels), a decrease of 11.3% compared with a decrease in capacity of 11.0%.
- The Group's fuel hedging cover at 31st December 2022 is set out in the chart below.
- 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 below indicates the estimated percentage of projected consumption by year covered by hedging transactions at various Brent strike prices.
- The Group does not speculate on oil prices but uses hedging to manage short to medium term volatility in oil prices and therefore its fuel costs. Hedging is not risk free.

Projected fuel hedging cover



Total assets



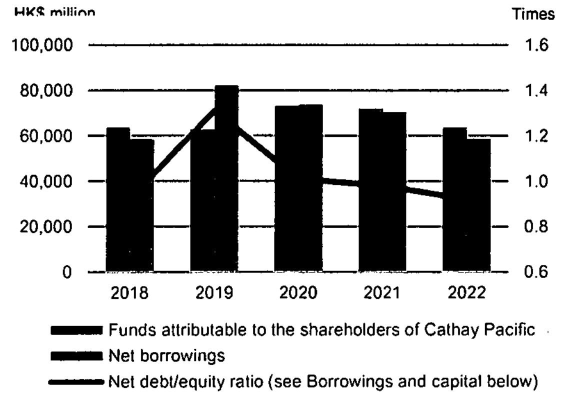
Dividends

- The semi-annual payment of preference share dividends, most recently due on 13th February 2023, was deferred. Such dividends shall accumulate and constitute arrears (and such arrears shall be entitled to dividends at the prevailing dividend rate).
- The terms of the preference shares provide that, for as long as such arrears are outstanding, the Company shall not distribute any dividend on, nor buy-back any of, its ordinary shares. Consequently no ordinary share dividends were paid or proposed for 2022.

Assets

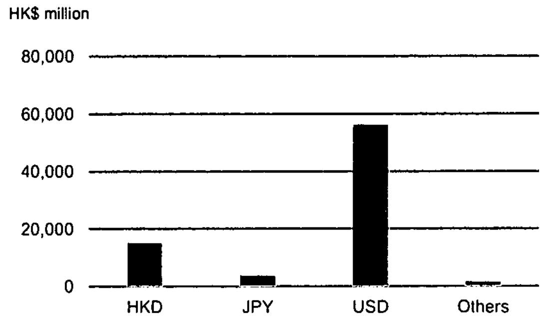
- Total assets at 31st December 2022 were HK$180,914 million.
- During the year, additions to property, plant and equipment were HK$6,678 million, comprising HK$6,420 million in respect of aircraft and related equipment, HK$210 million in respect of land and buildings and HK$48 million in respect of other equipment.

Net debt and equity



Data in 2018-2020 included Cathay Dragon.

Borrowings in key currencies

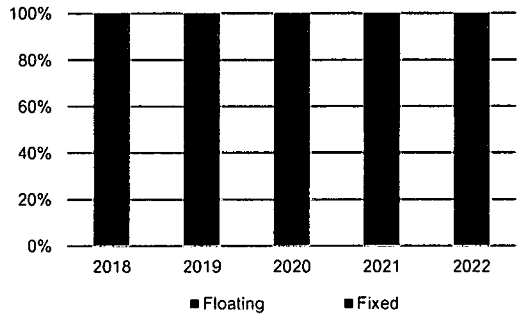


Others include RMB and SGD.

Borrowings and Capital

- Borrowings decreased by 14.2% to HK$77,106 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 13.5% to HK$63,341 million, which are fully repayable by 2035, with 43% at fixed rates of interest after taking into account derivative transactions.
- Available unrestricted liquidity at 31st December 2022 totalled HK$27,188 million, comprising liquid funds of HK$18,277 million and committed undrawn facilities of HK$9,030 million, less pledged funds of HK$119 million.
- Net borrowings (after deducting liquid funds) decreased by 16.6% to HK$58,829 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 16.5% to HK$45,064 million.

Interest rate profile: borrowings (after derivatives)



Data in 2018-2020 included Cathay Dragon.

- Funds attributable to the shareholders of Cathay Pacific decreased by 11.6% to HK$63,878 million. This was due to the Group's losses of HK$6,548 million, and a decrease in other comprehensive income of HK$1,818 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.75 times to 0.71 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.92 and 0.98 times at 31st December 2022 and 31st December 2021 respectively.
- Unused proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
  - *HK$31.1 billion rights issue and preference shares and warrants issue in 2020. HK$9.6 billion unused proceeds were brought forward on 1st January 2022 and remains unused as at 31st December 2022. The Group intends to apply the HK$9.6 billion for general corporate purposes in accordance with the intentions previously disclosed by the Company.*

Directors and Officers

Executive Directors

HEALY, Patrick#, aged 57, has been Chair and a Director of the Company since 6th November 2019. He is also Chairman of Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Air China Limited. He was a Director of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1988 and has worked with the group in the Hong Kong SAR, Germany and the Chinese Mainland. He is the Director responsible for the Swire Pacific Limited group's sustainability strategy and the sustainable development office.

HUGHES, Gregory Thomas Forrest#, aged 61, has been Chief Operations and Service Delivery Officer and a Director of the Company since 1st June 2017. He is also a Director of Hong Kong Express Airways Limited since 19th July 2019 and Chair of AHK Air Hong Kong Limited since 1st January 2019. He was previously a Director and Group Director Components & Engine Services of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1987 and has worked with the group in the Hong Kong SAR, Korea, Indonesia, Japan and Australia. He has resigned from all of these positions with effect from 1st April 2023.

LAM, Siu Por Ronald#, aged 50, has been a Director of the Company since 19th August 2019 and Chief Executive Officer since 1st January 2023. He was Chief Customer and Commercial Officer of the Company from August 2019 to December 2022. He was Director and General Manager, Hong Kong Operations of Hong Kong Aircraft Engineering Company Limited from July 2013 to May 2017 and Director Commercial and Cargo of the Company from June 2017 to July 2019. He is also Chair of Hong Kong Express Airways Limited since 20th August 2019 and will become a Director of John Swire & Sons (H.K.) Limited with effect from xx. He joined the Swire group in 1996 and has worked with the Company in the Hong Kong SAR, Japan and Sri Lanka.

LAU, Hoi Zee Lavinia, aged 52, has been Chief Customer and Commercial Officer and a Director of the Company since 1st January 2023. She was Director Customer Travel of the Company from August 2021 to December 2022. She was Director Commercial of the Company from July 2019 to July 2021, General Manager Planning from August 2015 to July 2019, and General Manager Sales, Pearl River Delta and Hong Kong from July 2012 to August 2015. She joined the Swire group in 1992.

MCGOWAN, Alexander James John, aged 50, has been appointed Chief Operations and Service Delivery Officer and a Director of the Company with effect from 1st April 2023. He has been Director Service Delivery of the Company since 1st September 2020. He was General Manager Aircrew, Flight Operations of the Company from July 2018 to August 2020. He joined the Company in 2005 and has led a number of departments across the airline. Before joining the Company, he had worked for an international airline based in London and a technology start up in Seattle.

SHARPE, Rebecca Jane# (formerly known as WALLACE, Rebecca Jane), aged 51, has been Chief Financial Officer and a Director of the Company since 25th January 2021. She is also a Director of Hong Kong Express Airways Limited with effect from 15th March 2021 and AHK Air Hong Kong Limited with effect from 25th January 2021. She was a Director and Group Director Finance of Hong Kong Aircraft Engineering Company Limited from October 2017 to January 2021 and, Finance Director of Swire Shipping Pte. Ltd. (formerly known as The China Navigation Company Pte. Limited) from January 2013 to August 2017. She joined the Swire group in 2008 and has worked with the group in the Hong Kong SAR, the Chinese Mainland and Singapore. She is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Non-Executive Directors

BRADLEY, Guy Martin Coutts#, aged 57, has been a Director of the Company since 25th August 2021. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He was a Director of Swire Pacific Limited from January 2015 to May 2017 and Chief Executive of Swire Properties Limited from January 2015 to August 2021. He joined the Swire group in 1987 and has worked with the Swire group in the Hong Kong SAR, Papua New Guinea, Japan, the United States, Vietnam, the Chinese Mainland, the Taiwan region and the Middle East. He is a chartered surveyor, a fellow of The Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. He is also Vice Chairman of General Committee of The Hong Kong General Chamber of Commerce and Vice-President of The Real Estate Developers Association of Hong Kong.

MA, Chongxian, aged 57, has been a Director of the Company since 11th June 2021 and Deputy Chair since 3rd November 2022. He is Chairman and Secretary of the Communist Party Group of the China National Aviation Holding Corporation Limited, and concurrently Chairman and Secretary of the Communist Party Committee of Air China Limited.

MCCALLUM, Gordon Douglas#+&, aged 62, has been a Director of the Company since 12th January 2023. He is also a director of John Swire & Sons Limited and Swire Pacific Limited. He is chairman of Argent Energy Holdings Limited, a wholly-owned subsidiary of John Swire & Sons Limited, and of Zopa Group Limited. He is also a director of Zopa Bank Limited, and a senior advisor to Searchlight Capital Partners. He was a non-executive director of Virgin Atlantic Airways Limited and associated companies from 2013 to 2022, also serving as chairman of the audit committee during this period. He was also a director of Global Risk Partners Limited from 2020 to 2022.

SUN, Yuquan, aged 49, has been a Director of the Company since 12th May 2022. He has served as the chief accountant and a member of the Communist Party Group of China National Aviation Holding Corporation Limited, and a member of the Standing Committee of the Communist Party Committee of Air China Limited since March 2022. He has also been a Director and the Chairman of China National Aviation Capital Holding Co., Ltd., and a Director and the Chairman of China National Aviation Media Co., Ltd. since April 2022.

SWIRE, Merlin Bingham#, aged 49, has been a Director of the Company since 1st June 2010. He is also a Director of Swire Pacific Limited and Swire Properties Limited. He was Chairman of Swire Pacific Limited and Swire Properties Limited from July 2018 to August 2021. He is also Deputy Chairman, Chief Executive and a shareholder of John Swire & Sons Limited. He joined the Swire group in 1997 and has worked with the group in the Hong Kong SAR, Australia, the Chinese Mainland and London.

XIAO, Feng*@, aged 54, has been a Director of the Company since 1st January 2017. He is Chief Financial Officer of Air China Limited.

ZHANG, Zhuo Ping#, aged 51, has been a Director of the Company since 14th April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese Mainland, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he founded a bioengineering company in Beijing.

Independent Non-Executive Directors

CHAN, Bernard Charnwut[+&] (formerly known as CHAN, Chi Sze Bernard), aged 58, has been a Director of the Company since 1st December 2018. He is Chairman, President and an Executive Director of Asia Financial Holdings Limited and Chairman of its wholly owned subsidiary, Asia Insurance Company, Limited and an advisor to Bangkok Bank (China) Company Limited. He is also an Independent Non-Executive Director of Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited, CLP Holdings Limited and Yau Lee Holdings Limited and a Director of Bumrungrad Hospital Public Company Limited. He is a Steward of The Hong Kong Jockey Club. He is a former Convenor of the Non-Official Members of the Executive Council and a former member of the Legislative Council of the Hong Kong SAR.

HARRISON, John Barrie[*@], aged 66, has been a Director of the Company since 20th May 2015. He is an Independent Non-Executive Director of AIA Group Limited. He was Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific from 2003 to 2009 and was Deputy Chairman of KPMG International from 2008 until his retirement from KPMG in September 2010.

MUELLER, Christoph Romanus[*@], aged 61, has been a Director of the Company since 12th May 2022. He is a Non-Executive Director of WestJet Airlines Limited and Inmarsat. He was Group Chief Financial Officer of DHL from 2002 to 2005, and Group Chief Executive Officer of Sabena SA from 2000 to 2001, Hapag-Lloyd Airlines from 2006 to 2009, Aer Lingus from 2009 to 2015 and Malaysia Airlines from 2015 to 2016. He was the Chairman of An Post, Ireland from 2014 to 2016 and Swissport International Limited from 2020 to 2022. He was also the President of the International Air Carrier Association (IACA) from 2010 to 2015 and Chairman of the Advisory Board of the European Organisation for the Safety of Air Navigation (Eurocontrol) from 2012 to 2015. He was the founding Chairman of Brussels Airlines and Chairman of various airlines. He had also served as a Non-Executive Director in various companies including LOT Polish Airlines.

TUNG, Lieh Cheung Andrew[+*&], aged 58, has been a Director of the Company since 20th May 2015. He is Managing Partner of QBN Management Limited and a Non-Executive Director of Orient Overseas (International) Limited. He is also an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

Company Secretary

LAI, Joanna, aged 38, has been Company Secretary of the Company since 19th April 2021. She joined the Company as Group General Counsel and Company Secretary on 19th April 2021 and before then, she was Head of Legal of Swire Properties Limited. She is qualified to practise law in the Hong Kong SAR and in the State of New York.

\# *Employees of the John Swire & Sons Limited group*
\+ *Member of the Remuneration Committee*
* *Member of the Audit Committee*
@ *Member of the Board Risk Committee*
& *Member of the Nomination Committee*

Directors' Report

We submit our report and the audited financial statements for the year ended 31st December 2022 which are on pages 73 to 139.

Principal Activities

Cathay Pacific Airways Limited (the "Company" or "Cathay Pacific") is managed and controlled in Hong Kong. As well as operating scheduled airline services, the Company and its subsidiaries (collectively referred to as the "Group") are engaged in other related areas including airline catering, aircraft handling, cargo terminal operations and loyalty and reward programmes. The airline operations are principally to and from Hong Kong, which is where most of the Group's other activities are also carried out.

Details of principal subsidiaries, their main areas of operation and particulars of their issued capital, and details of principal associates are listed on pages 127 and 128.

Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Group together with the Group's interests in associates. The financial performance of the Group for the year ended 31st December 2022 and the financial position of the Group and the Company at that date are set out in the financial statements on pages 73 to 139. Details of the associates are provided under note 9 to the financial statements.

Dividends

The Directors did not recommend the payment of any dividend for the year ended 31st December 2022.

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

Closure of Register of Members

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2023, the register of members will be closed from 5th May 2023 to 10th May 2023, 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, 4th May 2023.

Business Review and Performance

A fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the sections of this annual report headed Chair's Statement, Chief Executive Officer's Review and Outlook, Review of Operations, Financial Review, Risk Management and in the notes to the financial statements. Principal risks and uncertainties facing the Group are discussed in the Risk Management section. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section of this annual report headed Review of Operations and Sustainable Development Review. To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group is provided in the sections of this annual report headed Review of Operations, Corporate Governance Report and Directors' Report.

Reserves
Movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 76 and in note 21 to the financial statements, respectively.

Accounting Policies
The principal accounting policies are set out on pages 129 to 139.

Environmental, Social and Governance
The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance ("ESG") Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report. Detailed information on the Company's ESG performance is provided in the Sustainable Development Report 2022 of the Company and in the sections of this annual report headed Corporate Governance Report and Sustainable Development Review.

Donations
During the year, the Group made charitable donations amounting to HK$2.1 million in direct payments and a further HK$4.2 million in the form of discounts on airline travel, food and other in-kind donations.

Property, Plant and Equipment
Movements of property, plant and equipment are shown in note 7 to the financial statements. Details of aircraft acquisitions are set out on page 17.

Bank and Other Borrowings
The net bank loans and other borrowings, including lease liabilities, of the Group are shown in note 11 to the financial statements.

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

At 31st December 2022, 6,437,200,203 ordinary shares, 195,000,000 preference shares and 416,666,666 warrants were in issue (31st December 2021: 6,437,200,203 ordinary shares, 195,000,000 preference shares and 416,666,666 warrants). Details of the movement of share capital are set out in note 19 to the financial statements.

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

Assuming full conversion of the Bonds at the initial conversion price of HK$8.57 per ordinary share, the Bonds will be convertible into 786,464,410 conversion shares, representing approximately 12.22% of the total issued share capital of the Company as at 28th January 2021 (the date of the Company's announcement), and approximately 10.89% of the enlarged total issued share capital of the Company resulting from the full conversion of the Bonds (assuming that there is no other change to the issued share capital of the Company and prior to the exercise of any detachable warrants that were issued in 2020 as part of the recapitalisation plan).

As of the date of this report, no conversion of the Bonds had been exercised by any holders of the Bonds.

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

Capital Commitments and Contingencies
The details of capital commitments and contingent liabilities of the Group at 31st December 2022 are set out in note 27 to the financial statements.

Agreement for Services
The Company has an agreement for services with John Swire & Sons (H.K.) Limited ("JS&SHK"), the particulars of which are set out in the section on continuing connected transactions.

As directors and/or employees of the John Swire & Sons Limited ("Swire") group, Patrick Healy, Guy Bradley, Gregory Hughes (until his resignation as a Director of the Company with effect from 1st April 2023), Ronald Lam, Gordon McCallum, Rebecca Sharpe, Merlin Swire and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement (as defined below). Augustus Tang was so interested until his resignation as a Director of the Company with effect from 1st January 2023. Gordon McCallum and Merlin Swire are also so interested as shareholders, directors and employees of the Swire group. Samuel Swire was so interested until his resignation as a Director of the Company with effect from 12th January 2023.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2022 are set out below and also given in note 26 to the financial statements.

Significant Contracts
Contracts between the Group and Hong Kong Aircraft Engineering Company Limited ("HAECO") and its subsidiary, Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO"), for the maintenance and overhaul of aircraft and related equipment accounted for approximately 4.4% of the Group's operating expenses in 2022. HAECO is a wholly owned subsidiary of Swire Pacific Limited ("Swire Pacific"); all contracts have been concluded on normal commercial terms in the ordinary course of the business of both parties.

Continuing Connected Transactions
During the year ended 31st December 2022, the Group had the following continuing connected transactions, details of which are set out below:

(a) Pursuant to an agreement ("JS&SHK Services Agreement") dated 1st December 2004, as amended and restated on 18th September 2008 and 9th August 2019, with JS&SHK, JS&SHK provides services to the Company and its subsidiaries. The services comprise advice and expertise of the directors and senior officers of the Swire group including (but not limited to) assistance in negotiating with regulatory and other governmental or official bodies, certain staff services (including full or part time services of members of the staff of the Swire group), certain central services and such other services as may be agreed from time to time, and procuring for the Company and its subsidiary, joint venture and associated companies the use of relevant trademarks owned by the Swire group. No fee is payable in consideration of such procuration obligation or such use.

    In return for these services, JS&SHK receives annual service fees calculated as 2.5% of the Group's consolidated profit before taxation and non-controlling interests after certain adjustments. The fees for each year are payable in cash in two instalments, an interim payment by the end of October and a final payment by the end of April of the following year, adjusted to take account of the interim payment. The Group also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

    The current term of the JS&SHK Services Agreement is from 1st January 2023 to 31st December 2025 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Swire is the holding company of Swire Pacific which owns approximately 45% of the number of issued ordinary shares of the Company, and JS&SHK, a wholly owned subsidiary of Swire, is therefore a connected person of the Company under the Listing Rules. The transactions under the JS&SHK Services Agreement are continuing connected transactions in respect of which announcements dated 1st December 2004, 1st October 2007, 1st October 2010, 14th November 2013, 19th August 2016, 9th August 2019 and 11th August 2022 were published.

For the year ended 31st December 2022 and under the JS&SHK Services Agreement, the amounts paid/payable by the Company to JS&SHK totalled HK$23 million.

(b) Pursuant to a framework agreement dated 13th November 2013 ("HAECO 2013 Framework Agreement") with HAECO and HAECO ITM Limited ("HXITM"), services (being maintenance and related services in respect of aircraft, aircraft engines and aircraft parts and components and including inventory technical management services and the secondment of personnel) were provided by HAECO and its subsidiaries (the "HAECO group") to the Group and vice versa and by HXITM to the HAECO group and vice versa. Payment was made in cash within 30 days of receipt of invoices. The term of the HAECO 2013 Framework Agreement was for 10 years which ended on 31st December 2022.

HAECO and HXITM are connected persons of the Company by virtue of them being subsidiaries of Swire Pacific, one of the Company's substantial shareholders. The transactions under the HAECO 2013 Framework Agreement were continuing connected transactions in respect of which an announcement dated 13th November 2013 was published, a circular dated 3rd December 2013 was sent to shareholders and an extraordinary general meeting of the Company was held on 31st December 2013.

For the year ended 31st December 2022 and under the HAECO 2013 Framework Agreement, the amounts paid/payable by the Group to the HAECO group totalled HK$2,082 million; and the amounts payable by the HAECO group to the Group totalled HK$26 million.

(c) The Company entered into a framework agreement dated 26th June 2008 ("Air China Framework Agreement") with Air China Limited ("Air China") in respect of transactions between the Group on the one hand and Air China and its subsidiaries (the "Air China group") on the other hand arising from joint venture arrangements for the operation of passenger air transportation, code sharing arrangements, interline arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services agreed to be provided and other transactions agreed to be undertaken under the Air China Framework Agreement.

The current term of the Air China Framework Agreement is for three years ending on 31st December 2025 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

Air China, by virtue of its 29.99% shareholding in Cathay Pacific, is a substantial shareholder and therefore a connected person of Cathay Pacific under the Listing Rules. The transactions under the Air China Framework Agreement are continuing connected transactions in respect of which announcements dated 26th June 2008, 10th September 2010, 26th September 2013, 30th August 2016, 28th August 2019 and 30th August 2022 were published.

For the year ended 31st December 2022 and under the Air China Framework Agreement, the amounts paid/payable by the Group to the Air China group totalled HK$35 million; and the amounts payable by the Air China group to the Group totalled HK$26 million.

The Independent Non-Executive Directors, who are not interested in any connected transactions with the Group, have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group:

(a) in the ordinary and usual course of business of the Group;
(b) on normal commercial terms or better; and
(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Chapter 14A of the Listing Rules, which states that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;
(b) nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
(d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual caps.

Major Customers and Suppliers

23.4% of sales and 39.7% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 13.1% of sales were made to the Group's largest customer and 16.0% of purchases were made from the Group's largest supplier, Petrochina International (Hong Kong) Corporation Limited.

No Director, any of their close associates or any shareholder who, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company has an interest in the Group's five largest suppliers.

Directors

Christoph Mueller and Sun Yuquan were appointed as Directors with effect from 12th May 2022. Robert Milton and Zhao Xiaohang resigned as Directors with effect from 12th May 2022 and Song Zhiyong resigned as a Director with effect from 3rd November 2022. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers (except Lavinia Lau and Alexander McGowan) served throughout the calendar year 2022. Augustus Tang resigned, and Lavinia Lau was appointed, as a Director with effect from 1st January 2023. Samuel Swire resigned, and Gordon McCallum was appointed, as a Director with effect from 12th January 2023. Gregory Hughes resigned, and Alexander McGowan was appointed, as a Director with effect from 1st April 2023.

Carlson Tong and Rimsky Yuen have been designated by the Government of HKSAR as observers to attend board meetings and have access to management and information of the Company as long as Aviation 2020 Limited remains a holder of any of the preference shares of the Company or any amount under the bridge loan provided by it remains outstanding.

Independence Confirmation

The Company has received from all of its Independent Non-Executive Directors confirmation of their independence pursuant to Listing Rule 3.13 and considers all of them to be independent.

The Company has been granted by the Stock Exchange a waiver from strict compliance with Rule 3.10A of the Listing Rules, which requires that an issuer must appoint Independent Non-Executive Directors representing at least one-third of the Board.

Term of Appointment

Article 93 of the Company's Articles of Association provides for all Directors to retire at the third annual general meeting following their election by ordinary resolution. In accordance therewith, Patrick Healy, Ronald Lam, Merlin Swire, Xiao Feng and Zhang Zhuo Ping retire this year and, being eligible, offer themselves for re-election. Lavinia Lau, Gordon McCallum, Alexander McGowan, Christoph Mueller and Sun Yuquan having been appointed as Directors of the Company under Article 91 since the last annual general meeting, also retire and, being eligible, offer themselves for election.

Each of the Directors has entered into a letter of appointment, which constitutes a service contract, with the Company for a term of up to three years until retirement under Article 91 or Article 93 of the Articles of Association of the Company, which will be renewed for a term of three years upon each election or re-election. No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Fees and Emoluments

Full details of Directors' fees and emoluments are set out in note 24 to the financial statements.

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$3.7 million. They received no other emoluments from the Group.

Directors' Interests

At 31st December 2022, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that no Director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or underlying shares (including options) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Neither during nor prior to the year under review has any right been granted to, or exercised by, any Director of the Company, or to or by the spouse or minor child of any Director, to subscribe for shares, warrants or debentures of the Company.
Other than as stated in this annual report, no transaction, arrangement or contract of significance to which the Group was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

At no time during the year was the Company, or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, Patrick Healy and Ma Chongxian disclosed that they were directors of Air China, and Xiao Feng and Sun Yuquan disclosed that they held positions in Air China during the year. Air China competes or is likely to compete, either directly or indirectly, with the businesses of the Company as it operates airline services to certain destinations which are also served by the Company.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31st December 2022 or during the period from 1st January 2023 to the date of this annual report are kept at the Company's registered office and are available for inspection by members of the Company in accordance with Section 390(6) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

Permitted Indemnity

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), every Director is entitled under the Company's Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by such Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

Substantial Shareholders

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st December 2022 the Company had been notified of the following interests in the shares of the Company held by substantial shareholders and other persons:

	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
Long position			
1. Air China Limited	4,827,269,423	74.99	Attributable interest (a)
2. China National Aviation Holding Corporation Limited	4,827,269,423	74.99	Attributable interest (b)
3. Swire Pacific Limited	4,827,269,423	74.99	Attributable interest (a)
4. John Swire & Sons Limited	4,827,269,423	74.99	Attributable interest (c)
5. Qatar Airways Group Q.C.S.C.	643,076,181	9.99	Beneficial interest (d)
6. The Financial Secretary Incorporated	416,666,666	6.47	Interest in controlled corporation (e)
7. HSBC Holdings plc	364,195,439	5.65	Interest in controlled corporation (f)
Short position			
1. HSBC Holdings plc	329,241,906	5.11	Interest in controlled corporation (f)

Note: At 31st December 2022:

(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 4,827,269,423 shares of the Company, comprising:

(i) 2,896,753,089 shares directly held by Swire Pacific;

(ii) 1,930,516,334 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: 472,248,545 shares held by Angel Paradise Ltd., 351,574,615 shares held by Custain Limited, 314,054,626 shares held by Easerich Investments Inc., 310,870,873 shares held by Grand Link Investments Holdings Ltd., 339,343,616 shares held by Motive Link Holdings Inc. and 142,424,059 shares held by Perfect Match Assets Holdings Ltd.

(b) China National Aviation Holding Corporation Limited was deemed to be interested in a total of 4,827,269,423 shares of the Company, in which its subsidiary Air China was deemed interested.

(c) Swire and its wholly owned subsidiary JS&SHK were deemed to be interested in a total of 4,827,269,423 shares of the Company by virtue of the Swire group being interested in 57.89% of the equity of Swire Pacific and controlling 66.24% of the voting rights attached to shares in Swire Pacific.

(d) Qatar Airways Group Q.C.S.C. held a total of 643,076,181 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 issue of such shares.

(f) These shares were held by The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a corporation controlled by HSBC Holdings plc, as borrower under the Global Master Securities Lending Agreement dated 27th January 2021 entered into between HSBC and Swire Pacific. The interests were disclosed based on the disclosure of interest filing made by HSBC Holdings plc on 23rd November 2022.

Public Float

From information that is publicly available to the Company and within the knowledge of its Directors at the date of this annual report, at least 25% of the Company's total number of issued shares were held by the public.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as Auditors to the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Patrick Healy
Chair
Hong Kong, 8th March 2023

Corporate Strategy, Governance and Culture

Cathay Pacific is committed to ensuring that its affairs are conducted in accordance with its corporate and governance culture and values of integrity, originality, excellence, humility, teamwork, continuity and high ethical standards, which form a coherent set of principles that are relevant across the Company's business and underpin everything it does. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, Cathay Pacific believes that shareholder value will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensure that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers
- that high standards of ethics are maintained
- a commitment to sustainable development which supports long-term growth.

The Board provides guidance to management by defining the purpose, values and strategic direction of the Group, and plays an important role in establishing and instilling a culture that reinforces the values of acting lawfully, ethically and responsibly. The Group's Code of Conduct ensures that the corporate culture and expected behaviours are clearly communicated to everyone in the Group. Appropriate policies and procedures are in place to promote and reinforce the need for employees and others who deal with the Company to act with honesty and integrity and to raise concerns about actual or suspected cases of impropriety. Indicators used for assessing and monitoring ESG related data are set out in the Sustainable Development Report 2022 of the Company. The Group offers competitive remuneration and benefits designed to attract, motivate and retain talented people at all levels. Having regard to the corporate culture reflected in the policies and practices of the Group, the Board is satisfied that the purpose, values and strategic directions of the Group are aligned with its culture.

Further information on the Company's strategy and culture is provided in the section of this annual reported headed Chief Executive Officer's Review and Outlook.

Corporate Governance Statement

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance and are broken down into two parts:

(a) mandatory disclosure requirements: the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and

(b) principles of good corporate governance (the "Principles"), code provisions and recommended best practices: The Principles set the overarching direction to achieving good corporate governance. The code provisions are aimed to help issuers apply the Principles. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and interim reports (and summary interim reports, if any). If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions but any deviation must be provided with considered reasons (including how good corporate governance was achieved by means other than strict compliance with the code provision). The recommended best practices are for guidance only, and issuers are encouraged, but not required, to state whether they have complied with the recommended best practices.

The Company supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Cathay Pacific has adopted its own corporate governance code which is available on its website (www.cathaypacific.com). Corporate governance does not stand still and it evolves with each business and operating environment. The Company is always ready to learn and adopt best practices.

The Company complied with all the code provisions set out in the CG Code contained in Part 2 of 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.

The Board of Directors

Role of the Board

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the interests of those with whom the Group does business and others.

Responsibility for achieving the Company's objectives and running the business on a day-to-day basis is delegated to management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including financial statements
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- reviewing the board diversity policy with a view to the Board having a balance of skills, experience and diversity of perspectives appropriate to the Company's businesses
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of the Group's risk management and internal control systems
- ensuring the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.
- overseeing ESG matters

To assist it in fulfilling its duties, the Board has established the Audit Committee, Board Risk Committee, Board Safety Review Committee, Executive Committee, Finance Committee, Investment Committee, Management Committee, Nomination Committee, Remuneration Committee and Sustainable Development Committee.

Chair and Chief Executive Officer

The CG Code requires that the roles of Chair and Chief Executive Officer be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

The Chair of the Board is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them

- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive in a timely manner, adequate information which is accurate, clear, complete and reliable
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed.

The Chief Executive Officer of the Company is responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's business.

Throughout the year, there was a clear division of responsibilities between the Chair and the Chief Executive Officer.

Board Composition

The Board is structured with a view to ensure it is of a high calibre and has a balance of skills, experience and diversity of perspectives appropriate to the Company's business so that it works effectively as a team and that individuals or groups do not dominate any decision-making.

At the date of this annual report, the Board comprised the Chair (Patrick Healy), four other Executive Directors (Ronald Lam, Gregory Hughes (who has resigned as a Director with effect from 1st April 2023), Lavinia Lau, Rebecca Sharpe, seven Non-Executive Directors (Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Xiao Feng and Zhang Zhuo Ping) and four Independent Non-Executive Directors (Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung). Their biographical details are set out in the section of this annual report headed Directors and Officers and are posted on the Company's website.

Patrick Healy, Guy Bradley, Gregory Hughes (who has resigned as a Director with effect from 1st April 2023), Ronald Lam, Rebecca Sharpe and Zhang Zhuo Ping are directors and/or employees of the Swire group. Gordon McCallum and Merlin Swire are shareholders, directors and employees of the Swire group.

The Non-Executive Directors and Independent Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit, Board Risk, Board Safety Review, Nomination and Remuneration Committees of the Board comprise Non-Executive Directors and Independent Non-Executive Directors.

The Board considers that four Independent Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmation has been received by the Company from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. None of the Independent Non-Executive Directors holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

The Independent Non-Executive Directors:

- provide open and objective challenge to management and other Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management.

The Company has been granted by the Stock Exchange a waiver from strict compliance with Rule 3.10A of the Listing Rules, which requires that an issuer must appoint Independent Non-Executive Directors representing at least one-third of the Board.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-Executive Directors to be independent.

Appointment and Re-election
The Nomination Committee will identify and consider potential new candidates for directorships, and any suitably qualified candidates will be nominated by the Nomination Committee for appointment as Directors by the Board. Directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) appointed by the Board are subject to election by shareholders at the first annual general meeting after their appointment, and all Directors are subject to re-election by shareholders every three years.

Potential new Directors are identified on the basis of relevant skills, knowledge, experience and diversity of perspectives which, in the opinion of the Nomination Committee and the Directors, will enable them to make a positive contribution to the performance of the Board.

On 27th February 2023, the Nomination Committee, having reviewed the Board's composition and after taking into account the requirement that all Directors are subject to election or re-election (as the case may be) in accordance with the Company's Articles of Association, nominated Patrick Healy, Ronald Lam, Lavinia Lau, Gordon McCallum, Alexander McGowan, Christoph Mueller, Sun Yuquan, Merlin Swire, Xiao Feng and Zhang Zhuo Ping for recommendation to shareholders for election or re-election (as the case may be) at the 2023 Annual General Meeting. The nominations were made in accordance with objective criteria (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, number of directorships of listed companies and the legitimate interests of the Company's principal shareholders), with due regard for the benefits of diversity, as set out in the Board Diversity Policy. The Nomination Committee is satisfied with the independence of Christoph Mueller having regard to the criteria set out in the Listing Rules.

On 8th March 2023, the Board, having considered the recommendation of the Nomination Committee and having taken into account the respective contributions of Patrick Healy, Ronald Lam, Lavinia Lau, Gordon McCallum, Alexander McGowan, Christoph Mueller, Sun Yuquan, Merlin Swire, Xiao Feng and Zhang Zhuo Ping to the Board and their firm commitment to their roles, recommended all of them for election or re-election (as the case may be) at the 2023 Annual General Meeting. The particulars of the Directors standing for election or re-election are set out in the section of this annual report headed Directors and Officers and will also be set out in the circular to shareholders to be distributed with this annual report and posted on the Company's website.

Full details of changes in the Board during the year and to the date of this annual report are provided in the section of this annual report headed Directors' Report.

Independent View Mechanisms
The Company has established mechanisms to ensure independent views and input are available to the Board from (a) Independent Non-executive Directors; (b) independent professional advisors; and (c) Company's shareholders (the "Mechanisms"). The Audit Committee has been delegated with the responsibilities of overseeing the implementation and reviewing the effectiveness of the Mechanisms at least annually. The Mechanisms currently in place include:

(a) Communication channels
Formal and informal communication channels have been established whereby Independent Non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require. These channels include periodic formal meeting sessions with the Chair, informal briefings provided by the Chair and interaction with management and other Board members including the Chair outside the boardroom. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors.

(b) Independence of Independent Non-executive Directors
The Nomination Committee identifies and reviews biographies of potential candidates for directorships (including potential candidates for independent non-executive directorships) and may conduct interviews with such candidates.

The Nomination Committee also reviews and assess the independence of the Independent Non-executive Directors according to Rule 3.13 of the Listing Rules.

(c) Consultation with independent professional advisors

Occasions may arise when Directors consider that they need professional advice in the furtherance of their duties as a director. Circumstances may occur when it will be appropriate for Directors to seek advice from independent professional advisers. Directors may seek such advice at the Company's expense upon reasonable request to the Chair.

(d) Communication with Company's shareholders

The Chief Financial Officer of the Company makes herself available for meetings with major shareholders and conducts investors and analysts briefings immediately after the announcement of the interim and annual results. In addition, the Chief Financial Officer attended meetings with analysts and investors during the year.

The Company has adopted a shareholders' communication policy (available on the Company's website) to encourage shareholders to provide their views on various matters affecting the Group through various channels, including through attending general meetings and/or sending enquiries and concerns to the Company. For further information, please see the section headed Communication with Shareholders and Investors and Shareholders' Communication Policy below.

Board Diversity

The Board has adopted a board diversity policy (available on the Company's website) and the Nomination Committee will review its implementation and effectiveness at least on an annual basis. The Board's composition reflects a balance of skills, experience and diversity of perspectives among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness. A summary is set out in the table below:

<table>
<tr><td>Age</td><td colspan="4">39-47 years (0%)</td><td colspan="4">48-56 years (44%)</td><td colspan="4">57-66 years (56%)</td></tr>
<tr><td>Gender</td><td colspan="6">Male (88%)</td><td colspan="6">Female (12%)</td></tr>
<tr><td>Ethnicity</td><td colspan="3">German (6%)</td><td colspan="3">Australian (6%)</td><td colspan="3">British (44%)</td><td colspan="3">Chinese (44%)</td></tr>
<tr><td>Years of service as Director</td><td colspan="4">1-5 years (69%)</td><td colspan="4">6-10 years (25%)</td><td colspan="4">over 10 years (6%)</td></tr>
<tr><td>Skills, expertise and experience</td><td colspan="5">company executive (69%)</td><td colspan="7">accounting, banking and finance (31%)</td></tr>
</table>

The Company's target for gender diversity on the Board is to have not more than 70% of Directors of the same gender by the end of 2027. In order to achieve such target and a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders.

The Company has adopted the following measures to develop a pipeline of potential successors to the Board:

- the Company keeps track of the tenure of Directors and the need for new or replacement directors to be appointed (as the case may be), and maintains a running list of candidates comprising internal and external candidates as may be identified from time to time
- [Principles and key criteria for evaluating candidates for directorship are set out in the Nomination Committee's terms of reference and the Company's Board Diversity Policy on]
- The skills and experience of existing Directors helps set the criteria for internal and external candidate search
- Executive search agencies may be engaged as appropriate to identify external candidates with the desirable skillsets.

For the gender ratio in the Group's workforce (including senior positions, which refer to the job levels of general managers or above at the Group but excluding the Directors), please refer to paragraph headed Performance Updates – Cathay Pacific under section headed Sustainable Development Review in this annual report. In 2022, the Group has set a new and more ambitious goal to not have more than 65% of the same gender at senior positions by 2025.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of reference of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management and
- the latest financial information.

Directors update their skills, knowledge and familiarity with the Group through their participation at meetings of the Board and its committees and through regular meetings with management. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training and advice.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies in the section of this annual report headed Directors and Officers.

Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2022 Board meetings were determined in 2021 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2022. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 45. Average attendance at Board meetings was 93%. All Directors attended Board meetings in person or through electronic means of communication during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings.

The Chair takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken and kept by the Company Secretary and, together with any supporting papers, are made available to all Directors. The minutes record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and records respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

- review of a report by the Chief Executive Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan

- review of reports by the Chair of each of the Audit Committee, Board Risk Committee, Board Safety Review Committee, Nomination Committee and Remuneration Committee
- the raising of new initiatives and ideas
- presentation of papers to support decisions requiring Board approval
- any declarations of interest.

The executive management provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility.

The Chair meets at least annually with the Independent Non-Executive Directors without the presence of other Directors. The table below sets out the attendance record of individual Directors at meetings of the Board and its committees (with Independent Non-Executive Directors as members) and of the shareholders in 2022.

	Meetings Attended /Held								
	Board	Audit Committee	Board Risk Committee	Nomination Committee (established on 9th March 2022)	Remuneration Committee	Board Safety Review Committee	2022 Annual General Meeting	2022 EGM	Training (Note)
Executive Directors									
Patrick Healy – Chair	6/6	3/4	3/4			3/4	√	√	√
Gregory Hughes	6/6					4/4	√	√	√
Ronald Lam	6/6						√	x	√
Rebecca Sharpe	6/6	4/4	4/4				√	√	√
Augustus Tang	6/6	4/4	4/4			4/4	√	√	√
Non-Executive Directors									
Ma Chongxian - Deputy Chair	6/6					0/4	√	x	√
Guy Bradley	6/6						√	x	√
Song Zhiyong (resigned with effect from 3rd November 2022)	3/6						√		
Sun Yuquan (appointed with effect from 12th May 2022)	3/6	1/2						x	√
Merlin Swire	6/6						√	x	√
Samuel Swire	6/6			2/2	2/2	3/4	√	x	√
Xiao Feng	3/6	1/4	1/4				x	x	√
Zhang Zhuo Ping	6/6						√	√	√
Zhao Xiaohang (resigned with effect from 12th May 2022)	2/2	0/2					x		
Independent Non-Executive Directors									
Bernard Chan	5/6			2/2	2/2		x	x	√
John Harrison	6/6	4/4	4/4				√	√	√
Robert Milton (resigned with effect from 12th May 2022)	3/3	2/2	2/2			2/2	√		
Christoph Mueller (appointed with effect from 12th May 2022)	3/3	2/2	2/2			2/2		√	√
Andrew Tung	6/6	3/4		2/2	2/2	4/4	√	√	√
Average attendance	93%	75%	81%	100%	100%	79%	88%	50%	

Note: Directors who had attended training sessions and/or received training materials about financial, commercial, economic, risk management, legal regulatory and/or business affairs.

Continuous Professional Development

The Company makes available continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

All Directors have been provided with training materials on various topics, including regulatory updates, corporate governance and ESG, issued by The Stock Exchange of Hong Kong Limited and external advisers. They were invited to attend seminars and conferences about financial, commercial, economic, risk management, legal, regulatory and/or business affairs.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Conflicts of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board

Responsibility for delivering the Company's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to the Chief Executive Officer. The Chief Executive Officer has been given clear guidelines and directions as to his powers and, in particular, the circumstances under which he should report back to, and obtain prior approval from, the Board before making commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of statements of profit or loss, financial position and cash flows compared to budget, together with forecasts
- internal and external audit reports
- feedback from external parties such as customers, others with whom the Group does business, trade associations and service providers.

Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Securities Code is available on the Company's website.

A copy of the Securities Code has been sent to each Director of the Company and will be sent to each Director twice annually, immediately before the two financial period ends, with a reminder that Directors cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors of the Company are required to notify the Chair and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chair himself, he must notify the Chair of the Audit Committee and receive a dated written acknowledgement before any dealing.

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

Directors' interests at 31st December 2022 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the section of this annual report headed Directors' Report.

The following committees have been established to assist the Board in discharging its responsibilities:

Audit Committee – see pages 51 and 52.

Board Risk Committee
The Board Risk Committee meets quarterly to review the Company's corporate risks which are not related to safety and security arising from the Group's flight operations. It comprises three Non-Executive Directors John Harrison, Robert Milton (from 1st January to 12th May 2022), Christoph Mueller (from 12th May 2022 to present), and Xiao Feng. Two of the Committee members are Independent Non-Executive Directors, one of whom, formerly Robert Milton and currently Christoph Mueller, is Chair. Regular attendees at the meetings were the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Group General Counsel, and the General Manager for Group Internal Audit.

Board Safety Review Committee
The Board Safety Review Committee reviews and reports to the Board on safety issues. It met four times during 2022 and comprised its Chair (Captain Timothy Jenkins), the Chief Executive Officer (Augustus Tang until his resignation, or Ronald Lam since his appointment, with effect from 1st January 2023), two Independent Non-Executive Directors (Christoph Mueller, Chair of the Board Risk Committee, and Andrew Tung), and two Non-Executive Directors (Ma Chongxian, and Samuel Swire until his resignation, or Gordon McCallum since his appointment, with effect from 12th January 2023). Regular attendees at the meetings included the Chair of the Board, the Chief Operations and Service Delivery Officer, the Director Service Delivery and the General Manager for Group Safety and Operational Risk Management of the Company, the Chief Executive Officer of Hong Kong Express Airways Limited and the Chief Operating Officer of AHK Air Hong Kong Limited.

Executive Committee
The Executive Committee comprised the Chief Executive Officer (Augustus Tang until his resignation, and Ronald Lam since his appointment, with effect from 1st January 2023) (Committee Chair), three other Executive Directors (Gregory Hughes, Lavinia Lau and Rebecca Sharpe) and four Non-Executive Directors (Ma Chongxian, Sun Yuquan, Xiao Feng, and Zhang Zhuoping). Alexander McGowan will succeed Gregory Hughes as a member of the Executive Committee on his becoming an Executive Director with effect from 1st April 2023. It is responsible for bringing matters which it considers to be of strategic importance to the attention of the Board.

Finance Committee
The Finance Committee met monthly during 2022 to review the financial position of the Company. It is responsible for establishing the financial risk management policies. It comprised the Chief Executive Officer (Augustus Tang until his resignation, or Ronald Lam since his appointment, with effect 1st January 2023), three other Executive Directors (Gregory Hughes, Lavinia Lau and Rebecca Sharpe), two Non-Executive Directors (Xiao Feng and Sun Yuquan), General Manager Financial Services, the Head of Treasury and an independent representative from the financial community. Alexander McGowan will succeed Gregory Hughes as a member of the Finance Committee on his becoming an Executive Director with effect from 1st April 2023.

Investment Committee
The Investment Committee was formed with effect from 11th January 2023. It comprises the Chief Financial Officer (Rebecca Sharpe (Committee Chair)) and two other Executive Directors (Gregory Hughes and Lavinia Lau). Alexander McGowan will succeed Gregory Hughes as a member of the Investment Committee on his becoming an Executive Director with effect from 1st April 2023. It is responsible for evaluating and approving certain capital expenditure, investments and asset disposals (excluding aircraft purchases and leasing) in accordance with the Delegations of Authority as approved by the Board.

Management Committee

The Management Committee meets monthly and is established to assist the Chief Executive Officer in delivering the Company's strategies and objectives. It comprises the Chief Executive Officer (Committee Chair), Chief Customer and Commercial Officer, Chief Financial Officer, Chief Operations and Service Delivery Officer, Director Cargo, Director Customer Lifestyle, Director Customer Travel, Director Digital and IT, Director Engineering, Director Flight Operations, Director People, Director Service Delivery, Chief Executive Officer of Hong Kong Express Airways Limited, Group General Counsel and Chief Risk Officer.

Nomination Committee

The Nomination Committee was formed with effect from 9th March 2022 and consists of three Non-Executive Directors, Bernard Chan, Samuel Swire (until his resignation, and Gordon McCallum since his appointment, with effect from 12th January 2023) and Andrew Tung. Two of the Committee members are Independent Non-Executive Directors, one of whom, Andrew Tung, is the Chair. Its terms of reference comply with the CG Code and are posted on the Company's website and the Stock Exchange's website.

The Nomination Committee met twice in 2022 and once in 2023 up to the date of this annual report. A summary of its work is as follows:

- it conducted (i) an annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board and considered that the Board's composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's strategy, governance and business and contributes to the Board's effectiveness; (ii) an annual assessment of the independence of each Independent Non-Executive Director and considered all of the Independent Non-Executive Directors to be independent; and (iii) an annual review of the implementation and effectiveness of the Company's Board Diversity Policy and considered it to be appropriate;
- it endorsed for approval by the Board the proposal to set a target of having not more than 70% of Directors of the same gender by the end of 2027;
- it made recommendations to the Board in respect of the election of Deputy Chair, and appointments of one Independent Non-Executive Director, two Non-Executive Directors, Chief Executive Officer, Chief Customer and Commercial Officer (also an Executive Director), Chief Operations and Service Delivery Officer (also an Executive Director) to the Board; and
- it made recommendations to the Board in respect of the proposed election and re-election of the Directors retiring at the 2023 Annual General Meeting.

Remuneration Committee

The Remuneration Committee comprised one Non-Executive Director (Samuel Swire until his resignation, and Gordon McCallum since his appointment, with effect from 12th January 2023) and two Independent Non-Executive Directors (Andrew Tung (Committee Chair) and Bernard Chan).

The Remuneration Committee reviews and approves remuneration proposals with respect to Executive Directors and senior management of the Company with reference to the Board's corporate goals and objectives and the Group's remuneration policy (which is available on the Company's website) (see further under the paragraph headed Remuneration Policy). Fees (if any) payable to Non-executive Directors are subject to an annual cap approved by shareholders at general meetings. The Remuneration Committee will assess the performance of Executive Directors and consider market data and peer comparison based on reports prepared by independent external consultants, which will review and confirm that the remuneration of the Company's Executive Directors and senior management is comparable with that paid to equivalent directors and senior executives in peer companies. Neither the Directors nor senior management of the Company will take part in any discussion about his or her own remuneration.

The Remuneration Committee exercises the powers of the Board to determine the remuneration packages of individual Executive Directors (including salaries, bonuses, benefits in kind and the terms on which they participate in any provident fund or other retirement benefit scheme), taking into consideration salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the group. Full details of the remuneration of the Directors are provided in note 24 to the financial statements.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Company's website and the Stock Exchange's website.

A services agreement exists between the Company and JS&SHK, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group.

In order to be able to attract and retain staff with the appropriate skills, experience and of suitable calibre, the Swire group provides a competitive remuneration package to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement benefits, leave passage and education allowances and, after three years' service, a discretionary bonus related to the overall profit of the Swire Pacific group. The provision of housing facilitates relocation either within Hong Kong or elsewhere in accordance with the needs of the business and as part of the training process whereby managers gain practical experience in various businesses within the Swire group, and payment of bonuses on a group-wide basis enables postings to be made to group companies with very different profitability profiles. Whilst bonuses are calculated by reference to the profits of Swire Pacific overall, those profits are influenced to a significant extent by the results of the Company.

Although the remuneration of these executives is not entirely linked to the profits of the Company, it is considered that, given the volatility of the aviation business, this has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company. Furthermore, given its substantial equity interest in the Company, it is in the best interest of Swire to see that executives of high quality are seconded to and retained within the Company.

A number of Executive Directors and senior staff with specialist skills are employed directly by the Company on terms similar to those applicable to the staff referred to above.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors at its meeting in November 2022. At the meeting held in November 2022, the Committee considered a report prepared for it by Mercer Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors, as disclosed in note 24 to the financial statements, was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

The following table set out the fees paid to the Independent Non-executive Directors and certain Non-executive Directors (Ma Chongxian, Sun Yuquan and Xiao Feng), which were approved by the Board and were below the total maximum amount approved by the shareholders at the general meeting held on 18th May 2011:

Fee	**2022 HK$**	2021 HK$
Director's Fee	**575,000**	575,000
Fee for Audit Committee Chair	**268,000**	268,000
Fee for Audit Committee Member	**186,000**	186,000
Fee for Board Risk Committee Chair	**268,000**	268,000
Fee for Board Risk Committee Member	**186,000**	186,000
Fee for Remuneration Committee Chair	**83,000**	83,000
Fee for Remuneration Committee Member	**60,000**	60,000
Fee for Nomination Committee Chair	**83,000**	83,000
Fee for Nomination Committee Member	**60,000**	60,000

Sustainable Development Committee

The Sustainable Development Committee meets at least three times a year to review, evaluate and make recommendations to the Board on the strategy, policy, target and investment in major initiatives related to the sustainable and ESG development of the Group. It comprises four Executive Directors (Chief Executive Officer (Committee Chair), Chief Customer and Commercial Officer, Chief Operations and Service Delivery Officer and Chief Financial Officer), Director People, Group General Counsel and Chief Risk Officer. Regular attendees at the meetings were General Manager of Corporate Affairs and Group Head of Sustainability & Corporate Responsibility.

Accountability and Audit

(a) Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim financial statements and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate.

(b) Risk Management

It is the responsibility of the Board to ensure that the Group establishes, maintains and reviews the effectiveness of the risk management and internal control systems. Details of the Group's Risk Governance and Risk Management Framework, Risk Management Processes, Areas of Focus in 2022 and Principal Risks and Uncertainties facing the Group are included in the Risk Management section.

(c) Internal Control

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's internal control systems. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 51 and 52.

The foundation of internal control systems is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

The key components of the Group's internal control structure are as follows:

Culture: The Board believes that good corporate governance reflects the culture of an organisation. This is more significant than any written procedures.

The Group aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by example from the Board down. The Group has a Code of Conduct, which is posted on its internal intranet site.

The Group is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Group's ways of thinking and acting.

Channels of communication are clearly established, allowing employees a means of communicating their views upwards with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Group's Code of Conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Controls and review: A control self-assessment (CSA) process requires management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over financial and other areas, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. The results are reviewed by the Audit Committee as part of their annual assessment of control effectiveness.

The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be catagorised into operational, financial and compliance, although there may, on occasion, be some overlap between them. The typical control activities include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports
- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

The Group has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Detailed control guidelines have been set and made available to all relevant employees of the Company about the handling of corporate data which may be price sensitive.

Systems and procedures are in place to identify, control and report on major risks, including business, safety, legal, financial, environmental and reputational risks. Exposures to these risks are monitored by the Board with the assistance of various committees and management.

Group Internal Audit Department

The Group Internal Audit Department assists the Audit Committee in carrying out the analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. It performs regular reviews of key risk areas and monitors compliance with Group financial, operational and compliance procedures. The Group internal audit plan, which is prepared using a risk based methodology, is discussed and agreed every year with the Audit Committee, together with the required resources. In addition to its agreed annual schedule of work, the Department conducts other special reviews as required. The General Manager, Group Internal Audit has direct access to the Audit Committee. Audit reports are sent to the Chief Executive Officer, the Chief Financial Officer, external auditors and the relevant management of audited departments. A summary of major audit findings and recommendations aimed at resolving material internal control deficiencies is reported regularly to the Audit Committee, and the Chair of the Audit Committee will regularly report any such material audit findings to the Board. As a key criterion of assessing the adequacy and effectiveness of the Group's risk management and internal control systems, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the Group Internal Audit Department and also the corrective actions taken by relevant departments.

Audit Committee

The Audit Committee, consisting of one Non-Executive Director (Xiao Feng) and three Independent Non-Executive Directors (John Harrison (Committee Chair), Christoph Mueller and Andrew Tung), assists the Board in discharging its responsibilities for internal control and other matters.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Company's website and the Stock Exchange's website.

The Audit Committee met four times in 2022. Regular attendees at the meetings are the Chief Executive Officer, Chief Financial Officer, Group General Counsel, General Manager, Group Internal Audit and representatives of the external auditor. The Audit Committee meets at least twice a year with the external auditors without the presence of management. Each meeting receives written reports from the external auditors and Group Internal Audit.

The work of the Committee during 2022 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2021 annual and 2022 interim reports and announcements, with recommendations to the Board for approval
- the plans, cash flows and liquidity, going concern and 2023 Budget of the Group
- the Group's compliance with certain regulatory and statutory requirements
- the Group's internal control systems
- the approval of the 2023 annual Internal Audit programme and review of progress on the 2022 programme
- periodic reports from Group Internal Audit and progress in resolving any matters identified in them
- significant accounting and audit issues
- the Company's policy regarding connected transactions and the nature of such transactions
- the relationship with the external auditors as discussed on pages 53 and 54
- the Company's compliance with the CG Code
- the Company's fuel hedging policy, data governance monitoring plan, data incident escalation matrix, and competition law compliance policy.

In 2023, the Committee has reviewed, and recommended to the Board for approval, the 2022 financial statements.

Assessing the Effectiveness of Risk Management and Internal Control Systems

On behalf of the Board, the Audit Committee and the Board Risk Committee (in relation to risk management) oversee the Group's risk management and internal control systems on an ongoing basis and review annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the risk management and internal control systems, the work and effectiveness of Group Internal Audit and the assurances provided by the Chief Risk Officer
- the changes in the nature and extent of significant risks (including ESG risks) since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed

- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Group Internal Audit and Board Risk Committee
- work programmes proposed by both Group Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's control self-assessment exercise.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the CG Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). The auditors have direct access to the Chair of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual financial statements
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity are not, and are not seen to be, compromised
- approval of audit and non-audit fees.

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants in accordance with the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit services and the nature of the non-audit services) at a meeting of the Audit Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service.

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

The Non-Assurance Services (NAS) Pre-approval Policy was adopted by the Audit Committee on 7th November 2022 for complying with the new requirement of the Hong Kong Institute of Chartered Public Accountants Code of Ethics. Pursuant to the NAS Pre-approval Policy, pre-approval of non-audit services to be provided by the auditor for the following year should be sought annually at the last Audit Committee meeting of the calendar year. The pre-approval would then apply up until the end of the following calendar year, unless an alternative timeline is approved by the Audit Committee. Services not approved through the annual process would be subject to pre-approval from the Audit Committee Chair and be ratified at the next Audit Committee meeting.

Auditors' Remuneration

In 2022 the total remuneration paid to the external auditors was HK$23 million, being HK$16 million for audit, HK$3 million for tax advice and HK$4 million for other professional services.

Other Matters

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update her skills and knowledge.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in the Group's Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by senior staff, the appropriate handling and dissemination of inside information
- has adopted an inside information policy which provides a framework for escalating inside information matters to the Board.

Remuneration Policy

The Group has adopted the remuneration policy for employees at all levels of the Group with the following key principles:

- total compensation should be competitive with the market – market competitiveness is assessed by benchmarking against a predetermined target market positioning for comparable jobs on total compensation, including base salary, allowances, bonus and retirement benefits.
- differentiation of pay based on individual performance – all staff will have performance goals that are agreed with their direct appraiser each year and their performance will be assessed against these goals and how they measure up to the required competencies for each role. The performance rating will be a key factor in determining their pay.
- internal equity – the Company ensures that its staff are paid equitably and fairly, in line with the size of the job, their individual skills match and performance, and free from gender bias, racism or other forms of bias.
- transparency - all staff will be given honest and comprehensive feedback on their performance and how they are viewed by the Company.

- affordability - the Company's ability to pay will be taken into account in the annual pay review.
- bonus – the award of a bonus is made at the Company's discretion. The amount of bonus awarded each year will vary depending on the Company's financial performance and individual performance.
- retirement benefit – all staff are offered the opportunity to participate in a suitable pension scheme to provide for their retirement. There are a range of schemes applicable depending on the employee's terms and conditions of employment.

Whistleblowing Policy

The Group has adopted a whistleblowing policy (which is available on the Company's website) for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns (which will be escalated to Audit Committee where appropriate), in confidence and anonymity, about possible improprieties in any matter related to the Group. [The whistleblowing policy sets out a reporting mechanism which is designed to help mitigate legal, financial, operational and reputational risks to the Group. The primary objectives of this policy are (i) to encourage employees, third parties who deal with the Group (e.g. customers and suppliers), as well as individuals and entities acting for or on behalf of the Group, to report suspected wrongdoing with confidence that their concerns will be given serious, prompt and appropriate attention; (ii) to provide guidance on how to report suspected wrongdoing; (iii) to provide assurance to anyone who makes a report in good faith that they will not be subjected to retaliation of any kind. Any reporting under this policy can be done confidentially through multiple channels as stated in this policy.]

Anti-bribery Policy

The Group has adopted anti-bribery policy to reaffirm its commitment as part of a comprehensive and robust anti-corruption and anti-bribery compliance programme to provide guidance to all relevant parties about compliance with global anti-bribery laws. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in our business dealings and relationships wherever it operates. Its personnel must comply with applicable anti-bribery and anti-corruption laws of all countries in which the Group does business.

Shareholders

Communication with Shareholders and Investors and Shareholders' Communication Policy

The Board and management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company. The Company shall maintain regular dialogue with shareholders and will review the Shareholders' Communication Policy (available on the Company's website) at least annually to ensure its effectiveness. The Audit Committee has reviewed the implementation and effectiveness of the Shareholders' Communication Policy in 2022.

The methods used to communicate with shareholders include the following:

- the Chief Financial Officer makes herself available for meetings with major shareholders and conducts investors and analysts briefings immediately after the announcement of the interim and annual results. In addition, the Chief Financial Officer attended meetings with analysts and investors during the year.
- through financial reports (interim and annual reports), sustainable development reports, circulars or other regulatory disclosures as may be required through the websites of the Company and/or the Stock Exchange.
- through audio webcasts of analyst presentations, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses through the Company's website.
- through the Annual General Meeting as discussed below and other general meetings that may be convened.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@cathaypacific.com, and such letter should be marked "Shareholders' Communications"). The relevant contact details are set out in the section of this annual report headed Corporate and Shareholder Information. In addition, there are different engagement channels to solicit and understand the views of the Company's shareholders and stakeholders. Details of the channels can be found on the Company's website: https://www.cathaypacific.com/cx/en_HK/contact-us.html.

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 11th May 2022. The meeting was open to all shareholders. The Directors who attended the meeting are shown in the table on page 45.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited financial statements for the year ended 31st December 2021
- electing/re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share buy-backs
- a general mandate authorising the Directors to allot and issue shares up to 20% of the number of shares then in issue.

Minutes of the meeting together with voting results are available on the Company's website.

Dividend Policy

Cathay Pacific has a policy on the payment of dividends, which is set out in the section of this annual report headed Directors' Report.

Shareholder engagement

Pursuant to Article 95 of the Company's Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, he or she should deposit a written notice of nomination at the registered office of the Company within the 7-day period commencing on and including the day after the despatch of the notice of the meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in the Company's Corporate Governance Code which is available on the Company's website.

If they wish to propose a resolution or put forward a proposal relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Company's Corporate Governance Code which is available on the Company's website.

Shareholder(s) representing at least 5% of the total voting rights of all members may request the Board to convene a general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office. Detailed requirements and procedures are set out in the Corporate Governance Section of the Company's website.

Other information for shareholders

Key shareholder dates for 2023 are set out in the section of this annual report headed Corporate and Shareholder Information.

Constitutional Documents

At the Extraordinary General Meeting held on 23rd December 2022, amendment made to the previous articles of association of the Company to promote gender equality was approved by the shareholders of the Company. Details of the amendment ("New Articles") were set out in the circular to the shareholders dated 30th November 2022. The New Articles (in both English and Chinese) is available on the websites of both the Company and the Stock Exchange.

Risk Management

Risk Governance and Risk Management Framework

It is the responsibility of the Board to ensure that the Cathay Pacific Group establishes, maintains and reviews the effectiveness of the risk management and internal control systems. In this endeavour it is supported and advised by the Board Risk Committee, the Board Safety Review Committee and the Audit Committee. The Group Risk Management Policy outlines the Group's approach to risk management, the key roles and responsibilities and the main reporting procedures.

The Group's risk management framework is founded on the principle of "three lines of defence", a commonly used model, and one that is designed to avoid conflict of interest whereby managers review or oversee their own activities. The three lines of defence operate as follows:

- Business or specialist functions that are directly involved in business management activities or executive decision making are classified as First Line.
- Functions that oversee, advise and support the First Line in managing the risks associated with those activities are considered Second Line.
- Group Internal Audit, which provides independent and objective assurance and advice to the Board as to the effectiveness of the Group's risk management and internal controls, is classified as Third Line.

The two core principles of the risk management framework are:

(a) The Board has overall responsibility for the systems, processes and conduct of risk management. The Board's responsibilities in this regard have been defined as ensuring that: material risks have been identified, defined and prioritised; reasonable steps have been taken or plans are in place to mitigate these risks and their impacts to an acceptable level; and that a sound risk culture is in place.

(b) The First Line is responsible for managing risks. The risk management function is expected to engage fully to support them, providing ideas, expertise and advice and in particular, to ensure that the First Line takes decisions objectively and in full possession of all relevant information.

The application of the three lines of defence model within the Group's risk governance framework is shown in Fig. 1 below.

Risk Governance Overview

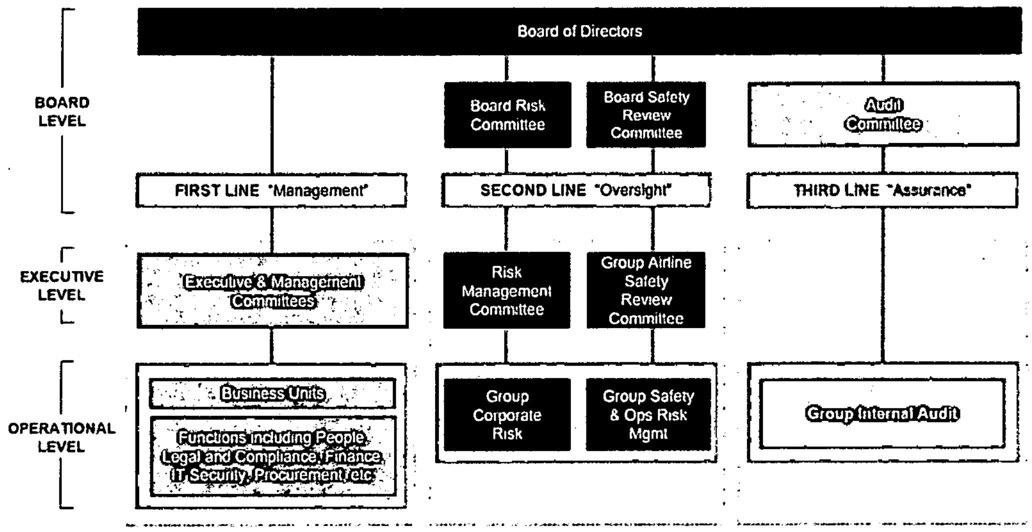


Fig.1

Note: It is recognised that Legal and Compliance sits between first and second lines; for practical purposes they are included in the first line.

The Group's risk management function sits in the Second Line and comprises two parallel pillars focusing on safety and security risks in operations, and corporate risks.

Safety and Security Risks	Corporate Risks
• **Board Safety Review Committee (BSRC)** is charged with keeping under review all matters concerned with the safe operation, in the aircraft and on the ground, of any aircraft of which Cathay Pacific or an airline subsidiary is the operator. The BSRC considers reports of significant incidents concerning safety (including people safety) or security. They also make sure that appropriate remedial action is taken or appropriate recommendations implemented where required. Each quarter, the Chair of the BSRC provides the Board with a report on the state of the safety management systems operating across the Group. • **Group Airline Safety Review Committee (GASRC),** chaired by the Chief Executive Officer, sits four times per year, and reports to the BSRC. The GASRC reviews all matters concerned with the safe operation of Cathay Pacific, its airline subsidiaries and operational subsidiaries. The GASRC is supported by the Airline Safety Review Committee (ASRC). The ASRC is chaired by the Chief Operations and Service Delivery Officer and meets monthly. It is responsible to the Chief Executive Officer for ensuring that appropriate group-wide safety, health and security related risk management strategies, systems, policies, processes and controls are implemented, managed, monitored and maintained at all times. • **Group Safety & Operational Risk Management (GSORM) department** is headed by the General Manager GSORM, who reports directly to the Chief Executive Officer. GSORM is responsible for maintaining an effective Safety Management System ("SMS"), facilitating operational and people safety risk identification and analysis activities, and monitoring mitigation actions. GSORM provides oversight of the safety, security, and audit programmes of Cathay Pacific.	• **Board Risk Committee (BRC)** is charged with supporting the Board in its responsibility for risk management within the Group, focusing on risks not related to safety and security arising from the operations of the Group. In particular, the BRC is responsible for overseeing the ongoing implementation and development of the Group's risk management framework and ensuring its effectiveness. Each quarter, the Chair of the BRC provides the Board with a report on the state of the risk management framework and the general activities of the BRC and the RMC (as defined below). • **Risk Management Committee (RMC),** an executive committee chaired by the Chief Executive Officer, meets four times per year. It reviews risk reports provided by Group Corporate Risk, and the Chair provides a report to the BRC at each of its meeting on the risk management activities. The RMC is responsible for developing, delivering and maintaining the risk management framework of the Group. It reviews the status of all major risks, assesses changes in the risk profile of the Group and monitors the extent to which the First Line is mitigating top risks to acceptable target levels. The RMC is also responsible for monitoring emerging and strategic risks facing the Group, and promoting the development of risk culture across the organisation. • **Group Corporate Risk (GCR) department** is headed by the Chief Risk Officer reporting to the Chief Executive Officer. GCR's function is to facilitate the implementation of the Group Risk Management Policy and acts as an independent oversight function on its effectiveness. It has specific responsibility for developing, maintaining and ensuring the effectiveness of the risk management framework.

Risk Management Processes

(a) Safety and Security Risks

The safety risk management process involves the identification of hazards or threats (including risk associated with changes to the organisation or operations), the adverse events they may lead to, their potential consequences (expressed as risk, in terms of severity and likelihood), and the implementation of risk controls or mitigations to reduce risk to as low as reasonably practicable. This process includes input from various stakeholders and a plan or schedule for the implementation of further risk controls, mitigations and/or monitoring intervals to assess ongoing efficacy.

A risk rating is assigned to identified risks, signalling the degree of urgency required to address the risk and the subsequent level of management or governance responsibility.

A fundamental component of the SMS are the eight Safety Actions Groups (including Review Committees) which meet on a monthly basis. They report to the ASRC on matters regarding operational and people safety, including identified risks and escalation items. During regular operational safety risk reviews, each operational Safety Action Group conducts a full risk review of their respective areas and presents these risks directly to the ASRC. In addition to this continuous review, a consolidated operational & occupational safety risk summary is presented to the GASRC and BSRC on a quarterly basis, this summary details top safety and security risks, their mitigation actions, ownership and governance processes.

This ensures that significant hazards and risks arising from the Safety Action Groups and the SMS are subject to regular review by senior operations and airline management. Such reviews ensure that appropriate corrective and preventive actions are implemented and monitored for effectiveness in preventing safety occurrences from taking place.

(b) Corporate Risks

The management of corporate risks is conducted in three stages: identification, assessment and mitigation.

Identification: Risk identification is undertaken through a combination of top-down and bottom-up assessments. To assist with the risk identification process, a risk taxonomy, which is a generic set of risk categories, is developed to act as foundation for a holistic review of the different corporate risks that may occur.

Top-down assessment seeks to identify the biggest risks facing the Group and normally takes the form of cross-departmental risk identification workshops and regular discussions with management of the business. Through the top-down assessment, with the support of and oversight from GCR, the Group's risk register for its top 30 risks is drawn up which is used by management to prioritise risk management activities The risk register is regularly monitored by GCR, and is updated and reported to the RMC and BRC quarterly.

Bottom-up assessment seeks to identify risks facing each of Cathay Pacific's lines of business, operational and service delivery departments, corporate functions, regions and subsidiaries that may impact the ability of the business units to achieve their goals and targets. With GCR's facilitation, bottom-up risk registers are developed and monitored by the respective business units, and oversight of these risk registers lies with the respective business units and are only reported to the BRC and RMC as necessary.

Assessment: Each of the top 30 corporate risks are evaluated and assessed by subject matter experts within the First Line business units through risk deep dives supported by GCR. The deep dive process includes determining the root causes and consequences of the risk, its impact on the Group's strategic objectives, the Group's vulnerability to the risk, the existing controls in place to manage the risk and management's assessment over their effectiveness.

Each top corporate risk has a "risk owner" from the First Line who has overall accountability for managing the risk. GCR monitors the top corporate risks regularly and engages with the risk owners as appropriate to ensure the risks are reviewed and assessed dynamically.

Mitigation: As part of the risk deep dive exercise, mitigation measures are also considered that might reduce either impact and/or vulnerability. A programme of mitigation measures are agreed and packaged into a recommended action plan which is put to management for approval. The action plan is monitored as part of the risk management process with progress reported to the RMC. Through this approach the Board and management can see tangible improvements in systems and processes resulting from this process. Improvements are also reflected in risk scores as action plans are delivered.

Areas of the business particularly susceptible to top corporate risks, and controls which are considered critical to the mitigation of these major risks, are also prioritised for review as part of the Group's internal audit plan which is prepared in conjunction with the Group's risk management activities.

Environmental Social and Governance ("ESG") risks: A specific taxonomy has been developed to holistically identify and manage ESG risks across the Group. The assessment of ESG risks is integrated with the wider top-down and bottom-up risk identification and management processes as described above. A formal assessment on ESG risks is performed at least once a year and reported to the RMC and BRC. Further details can be found in the Our Performance section of the Group's Sustainable Development Report 2022.

Oversight and Reporting of the Risk Management Framework
The structure, conduct and conclusions of the Group's risk management activities including mitigation measures and action plans are subject to review by both the RMC and BRC. The Chair of the BRC reports on these activities to the Board as a standing agenda item.

Areas of Focus in 2022

(a) Safety and Security Risks

During this year the focus remained on the continuous improvement of risk identification, analysis and mitigation strategies. This included activities associated with the complex environment of the local COVID-19 ecosystem and the emerging operational risks associated with the global recovery and conflict in Ukraine. Risk mitigation activities were wide in scope and continue to include a strong focus on the wellbeing of employees.

With the number of routes suspended during the pandemic, comprehensive safety risk assessments for individual port re-starts were completed. These assessments ensure all safety, security and health risks are identified and appropriate risk controls are in place prior to the resumption of operations.

(b) Corporate Risks

In 2022, focus was on understanding and mitigating the top 30 corporate risks, and monitoring of risk mitigation actions. Under the extended COVID-19 pandemic situation, there has been continuous monitoring and assessment of related risks, as well as the Group's preparedness in managing changes during the resumption and revamp of operations.

Scenario planning for the COVID-19 pandemic was conducted in early 2022 and a cross-functional assessment on rebuild and ramp-up later in the year, have informed the Group on an agile operational planning throughout 2022. Deep dives on workforce planning, employee and industrial relations with flight crew groups, IT service resilience and availability and brand management were conducted, which are all key topics as the Group progressively emerges from the pandemic. Workshops were also conducted to identify risks and mitigations in relation to the Group's key strategic focuses.

Concerted efforts with key internal stakeholders were made to enhance the supplier risk management framework, focusing on developing a holistic supplier risk universe, and assessing and monitoring supplier risks throughout the supplier lifecycle consistently across the company. In addition, Cathay Pacific issued a request for information in mid-2022 across the market to explore how it may incorporate best practices into Cathay Pacific's supply chain risk management and further improve due diligence and value chain risk management mechanisms.

Top corporate risks and the progress of related mitigations were closely tracked, and a risk tool is being developed to facilitate management and monitoring of mitigation progress.

Key Risk Management Areas

The Group is exposed to a broad range of risks. The following deals with the current and emerging key risk areas facing the Group.

(a) Risks arising from prolonged disruption events, such as a pandemic

Prolonged global or regional disruption events have the potential to create operational challenges and put strain on the balance sheet. The outbreak of the COVID-19 pandemic, for example, posed several challenges for the Group. Strict travel restrictions and quarantine constraints around the world resulted in travel demand declining to an unprecedented level. Cathay Pacific and HK Express were particularly impacted by such constraints as they have no domestic network and rely on cross-border travel.

An effective risk management framework has been established to respond to disruption events and sustain operations in the event of a significant drop in revenue over a prolonged period. The Group maintains and adheres strictly to an established Cash Management Policy, which includes a target liquidity balance. The Group has continued to maintain a healthy cash position. This is continuously monitored by the Finance Committee and the Board.

(b) Risks arising from the rapid ramp-up of operations

As the business emerges from the COVID-19 pandemic, it is subject to risks relating to the ramp-up of operations in Hong Kong and around the world. These may stem from sources such as internal workforce capacity, timely reactivation of aircraft, and management of third parties across the supply chain globally to deliver services. The materialisation of these risks could potentially slow the ramp-up efforts, thereby affecting future business performance.

The Group is prepared for business opportunities presented by the lifting of border restrictions. Flight capacity is being resumed in a measured and responsible manner, supported by a robust plan and ongoing recruitment efforts. Agility and flexibility have been built into internal processes to enable timely adjustments as the external business environment evolves. Safety assessment continues to remain the cornerstone of the reactivation and ramp-up efforts.

(c) Risks arising from workforce capacity and capability

Aviation is a very specialised industry. The Group requires experts and highly-trained professionals, both in the front line and in the back office, to support the airlines' business and operations. Fierce competition for talent, especially with global labour shortage in the aviation and travel sector, could negatively impact the Group's long term growth plans.

The Group monitors its workforce capacity and capability requirements on an ongoing basis. Established workforce and succession plans and employee wellbeing strategies are in place. Workforce-related issues are being monitored by the management team.

(d) Risks arising from changes in macroeconomic conditions

The Group's business is dependent on global economic conditions. Periods of significantly reduced economic activity, increased unemployment and reduced consumer spending could result in passengers choosing to reduce travel. The economic environment could also create volatility in foreign exchange and interest rates.

The Group maintains a diverse portfolio of businesses which includes premium service Cathay Pacific, low-cost carrier HK Express, Cargo and Lifestyle, each with specialised teams to maximise business opportunities at any given time. Global economic conditions and their potential impact on demand are considered by the management team in determining future plans for the business.

For financial and market risks relating to currency and interest rates, please refer to the Financial Risk Management section under the Notes to the Financial Statements.

(e) Risks arising from the geopolitical, legal and regulatory environment

As an international airline, the business is subject to risk from any actual or potential political events (including war, terrorism, social unrest etc.). These may lead to closure or restriction of access to airspace or airports, and cause a reduction in passenger and cargo traffic. For example, the conflict between Russia and Ukraine contributes to an increase in the price of commodities and volatility in the global economy and financial markets. The Group's operations are also affected by ongoing trade discussions, developments and tensions between major economies. This in turn affects revenue and may adversely affect financial performance.

The aviation industry is highly regulated. Failure to comply with applicable laws or regulations may result in loss, penalty and reputational damage to the Group.

The geopolitical environment and its potential impacts on the business continues to be closely monitored by the management team. Overflying risk is closely monitored across all regions in which the Group flies and conservative safety margins are factored into day-to-day flight planning.

Changes in the legal and regulatory environment within which the business operates are tracked and programmes are in place to comply with relevant obligations.

(f) Risks arising from the competitive environment

The airline business is highly competitive, especially in Cathay Pacific's home base of Hong Kong. Competition for passengers and cargo impacts yields, puts pressure on revenues and may adversely affect financial performance. As an aviation hub, Hong Kong International Airport competes for traffic with other airports, particularly in Asia and the Middle East, and the loss of traffic to those airports may adversely affect the Group's business.

The Group continues to invest in all its lines of business to differentiate itself as one of the world's greatest service brands. These include initiatives to invest in products to enhance customer experience, manage the cost base to remain competitive, and improve agility in responding to changes in the external business environment.

(g) Risks arising from climate change

Airlines are more exposed to transition risk, which refers to the potential financial impacts on companies as a result of the shift towards a low-carbon economy and the implementation of policies and regulations to address climate change. Impact of physical risk to airlines is mainly related to effect on its operation as a result of potential damage to property and infrastructure from extreme weather events and sea level rise caused by climate change.

At Cathay Group, a sustainable development strategy is in place and climate change considerations are incorporated in key business decisions. The Group has committed to achieve net zero carbon emissions by 2050, supported with a near term target to use 10% Sustainable Aviation Fuel by 2030. Meeting these targets would help reduce our impact on the environment while mitigating our transition risk. The Group also conducts an ongoing review on climate resilience to understand and manage the associated physical risks.

(h) Risks arising from a significant movement in jet fuel prices

Higher jet fuel prices would result in a higher overall cost base as fuel is one of the key components of the operating expenses for the Group. As such, a spike in the cost of fuel could translate into higher airfares which would impact travel and cargo demand. Further details about fuel price risk and the Group's approach to monitoring and mitigating the risk can be found in the Financial Risk Management section under the Notes to the Financial Statements.

(i) Risks arising from disruption of IT services

Reliance on IT services for core operational and customer processes continues to increase throughout the business. As such, core business operations could be at risk of disruption if IT services are not adequately resilient.

Programmes are in place to continually review and improve the IT infrastructure. Business Continuity and Disaster Recovery plans are in place to make sure resilience controls continue to operate effectively. The business also works closely with third party suppliers who provide infrastructure that are critical to the business to make sure resilience arrangements are adequate.

(j) Risks arising from unauthorised access to IT systems

Risks from cyber attacks continue to be on the increase globally and across all industries as malicious actors seek to exploit any weaknesses in the IT security environment. The Group's operations rely on sophisticated IT systems, and its business carries a significant volume of customer and employee data within its systems. Any unauthorised access to these systems could cause disruptions to operations or put such personal data at risk.

The Group continues to enhance its cyber security maturity by investing in people, processes and technologies that strengthens its detection and response capabilities to these new threats from cyber criminals, third parties and hackers. A robust Privacy & Data Protection programme is in place that includes policies, procedures, manuals, guides and controls to protect personal data.

Sustainable Development Review

We endeavour to operate in a sustainable manner, embedding sustainable development principles and practices into all aspects of our business. We map our progress against six strategic areas of focus – safety, carbon, sustainability in operations, biodiversity, our people and community – that guide our sustainable development efforts. We encourage our people to mitigate or reduce the environmental and social impact of the decisions that they make, especially as we recover from the effects of the global pandemic.

Climate change and reducing carbon emissions are where we have directed our most significant efforts from an environmental perspective. The use of more sustainable materials and the reduction of waste are other important focus areas for us on the environmental front. We operate an environmental management system that is based on ISO14001-2015 certification. The system is audited once a year externally and internally. Opportunities for improvement are identified during these audits.

On the social aspect, the safety of our operations, our people and our customers is of paramount importance to the Group. Our people are one of our greatest assets. We are committed to providing them with the best possible working and career environment. This enables us to attract, develop and retain the best people. We engage with the communities in which we operate and involve our employees in doing so. We prioritise our community activities but maintain flexibility in order to respond to specific local needs.

Our Sustainable Development Report for 2022 will be published in April 2023. It will be available at https://www.cathaypacific.com/cx/en_HK/about-us/environment/overview/introduction.html

Performance Updates – Cathay Pacific

		2022	2021	Change
Environment				
GHG emissions	*Million tonnes of CO_2e*	**4.9**	5.6	**-12.5%**
GHG emissions per ATK	*Grammes of CO_2e*	**481**	491	**-2.0%**
GHG emissions per RTK	*Grammes of CO_2e*	**676**	650	**+4.0%**
Electricity consumption	*MWh*	**28,375**	28,078	**+1.1%**
Paper consumption (office)	*Tonnes*	**21**	26	**-19.2%**
Paper recycled (office and inflight)	*Tonnes*	**61**	86	**-29.1%**
Metal recycled (office and inflight)	*Kg*	**21,016**	1,685	**+1,147.2%**
Plastic recycled (office and inflight)	*Kg*	**1,133**	1,318	**-14.0%**
People				
Total workforce	*Number*	**16,462**	16,721	**-1.5%**
By location				
Hong Kong	*%*	**77.3**	76.7	**+0.6%pt**
Outport	*%*	**22.7**	23.3	**-0.6%pt**
By employment type				
Flight crew	*%*	**16.3**	16.3	**-**
Cabin crew	*%*	**38.4**	39.9	**-1.5%pt**
Ground staff	*%*	**45.3**	43.8	**+1.5%pt**
Gender diversity				
Workforce composition - female	*%*	**56.1**	54.4	**+1.7%pt**
Workforce composition - male	*%*	**43.9**	45.6	**-1.7%pt**
Female representation in senior positions	*%*	**25.4**	28.3	**-2.9%pt**

Data for Cathay Pacific is presented.

Full indicator tables for the Cathay Pacific Group will be provided in Cathay Pacific's Sustainable Development Report at https://www.cathaypacific.com/cx/en_HK/about-us/environment/overview/introduction.html

Awards and Recognitions in 2022

- Cathay Pacific has been a constituent of the FTSE4Good Index, the Hang Seng Corporate Sustainability Index, the Hang Seng ESG 50 Index, and the Hang Seng (Mainland and HK) Corporate Sustainability Index. We also attained the "Achiever" ranking and were listed among the top 20 companies in the 3rd Greater Bay Area Business Sustainability Index (GBABSI). The inclusion in these external indexes demonstrates Cathay Pacific's strong ESG performance and practices relative to other companies in Hong Kong and around the world.

- In 2022, we responded to the Carbon Disclosure Project (CDP) climate change questionnaire and received a B rating. It indicates and reflects our sound environmental management to address climate impacts. We have also attained Level 4, the highest level rating, in the Transition Pathway Initiative (TPI), which assesses companies' preparedness for transition to a low-carbon economy.
- Cathay Pacific received the Sustainable Corporate (Environmental) – Leadership Award from Standard Chartered and The Hong Kong Economic Journal in recognition of its strong leadership in sustainability strategy and performance.
- Cathay Pacific has received the Caring Company status from the Hong Kong Council of Social Service every year since the programme was launched in 2003 in recognition of its good corporate citizenship.
- We also secured our first sustainability-linked aircraft financing in Asia-Pacific in June 2022 for a brand new Airbus A321neo aircraft.

2022 Highlights

Environment

- In 2022, Cathay Pacific launched the Corporate Sustainable Aviation Fuel (SAF) Programme as part of our ongoing commitment to combat climate change. With financial support from eight corporate launch customers in our pilot phase, we are scaling up the use of SAF and for the first time we can supply SAF to flights departing from our home base at Hong Kong International Airport. This is in support of the commitments Cathay Pacific has made previously to achieving net-zero carbon emissions by 2050 with a mid-term target to use 10% SAF for the jet fuel consumption of all Cathay Pacific operating flights by 2030.
- In 2022, Cathay Pacific signed an offtake agreement with Aemetis for the supply of blended SAF to be delivered from San Francisco International Airport from 2025 onwards.
- The Cathay Pacific Group also supported Hong Kong International Airport's (HKIA) long-term carbon pledge to achieve Net Zero Carbon by 2050, with a midpoint target of 55% reduction of absolute ground emissions by 2035 from the 2018 baseline. This pledge would cover the Group's carbon emissions from its ground operations at its home base.
- Cathay Pacific continues to take part in various industry groups who share our view in support of the development of a science-based climate change target and corresponding sustainable decarbonisation actions for the aviation industry. This includes the IATA Sustainability and Environment Advisory Committee, the International Civil Aviation Organization (ICAO) Fuels Task Group under the Committee of Aviation Environmental Protection, the Clean Skies for Tomorrow Coalition, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials, and the Environmental Working Group of the Association of Asia Pacific Airlines.
- We have completed all the applicable requirements, including submission and verification of our emissions data, in accordance with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the European Union's Emissions Trading Scheme (EU ETS), and also the United Kingdom Emissions Trading Scheme (UK ETS).
- We conducted a Scope 3 indirect emissions mapping exercise to identify the Group's carbon inventory and started reporting our Scope 3 emissions which will be detailed in the Sustainable Development Report.
- In 2022, we offset 38,399 tonnes of CO_2 through our voluntary offset programme Fly Greener. All our Fly Greener projects have achieved Gold Standard accreditation for maximum positive impact in climate and development. This offset programme has now been extended to our cargo customers. Utilising an integrated carbon emissions calculator, we have provided them with accurate certificates of total emissions offset for their sustainability auditing purposes. Since its launch in 2007, we have purchased over 300,000 tonnes of CO_2 offsets.
- In 2019, Cathay Pacific announced its target to reduce its single-use plastic (SUP) footprint by half by the end of 2022 from the 2018 baseline, both in terms of absolute consumption amount and on a per passenger level. As of 2022, we have gone beyond this target and cut our SUP usage by 56%. We are also in the process of reviewing other SUP items to set a new reduction target.
- In 2022, Cathay Pacific conducted energy and waste audit exercises at various sites to inform our initiatives and retro-commissioning implementation processes. Audit findings will support our reduction roadmap and trajectory development.

Social

Our People

- At 31st December 2022, the Cathay Pacific Group employed more than 21,200 people worldwide. Around 17,400 of these people are based in Hong Kong. Cathay Pacific employed more than 16,400 permanent employees worldwide. Around 77% of these people are based in Hong Kong.
- We upgraded Work Your Way, Cathay Pacific's flexible working programme that enables our employees to take part in remote work days or staggered working hours, so that they can manage their work schedule with even greater flexibility.
- We launched several policies that respond to employee needs, such as vaccination leave and grievance policy for employees.
- We enhanced our Flexible Benefits offering for employees with improved Travel Insurance and Medical Plan.
- We introduced "The Future Leader Series", a new training and development programme focused on preparing leaders for tomorrow, today. Additional details of training programmes are provided in the Sustainable Development Report.
- As part of our efforts to rebuild our business, we are committed to continuing to build an inclusive and supportive work environment for all of our people, regardless of their sex, sexual orientation, gender identity, disability, family status, marital status, race, nationality, ethnic origin or religion. We are very proud of our diverse workforce at Cathay Pacific and believe it is this diversity that makes us so unique in our ability to deliver great service to our customers.
- We have set a new and more ambitious goal to not have more than 65% of the same gender at senior positions by 2025.
- 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.

Our Community

- COVID-19 has severely hit many disadvantaged and low-income families in Hong Kong especially in the first half of 2022. To meet their different needs, we have worked with over 20 different non-profit organisations, making in-kind donations close to 390,000 different items in 2022, including blankets, sanitisers, infant kits, children kits, catering equipment, and refurbished tablet computers to support their online learning needs.
- The Cathay Pacific Group has been working with local non-profit organisations Feeding Hong Kong, Food Angel and Foodlink Foundation to help us channel surplus food to people in need. More than 110 tonnes of surplus food and around 7,000 pieces of mooncakes were donated in 2022.
- Our employees were also involved in various types of volunteer work during COVID-19, including meeting with the down syndrome communities; packing food and providing online storytelling for the underprivileged children; and preparing and distributing emergency food parcels to community members in need. This year, our people have contributed nearly 1,720 hours of volunteer work to support our NGO partners and to give back to the community during this challenging time.
- Our Cathay Hackathon returned in-person in November 2022 for the first time since the pandemic outbreak. The signature 24-hour event saw 80 young innovators team up to develop and share creative tech solutions.
- Cathay Pacific supported the Hong Kong SAR Government's "Life Buddies Mentoring Program" by connecting our employee volunteers with secondary-school student mentees to inspire students towards a positive life trajectory through advice-giving and coaching. 20 colleagues took part providing 5 mentoring sessions for 22 students.
- Cathay Pacific also supported the Hong Kong SAR Government's "Strive and Rise Programme" to support the underprivileged secondary-school students and help them to broaden their horizons, reinforce their self-confidence, strive for upward mobility, and eventually lift them out of intergenerational poverty. Visits to our facilities will be arranged for over 1,600 participants during the programme period, supported by Cathay Volunteers.
- Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. Since its introduction in 1991, over HK$200 million has been raised through the programme. In 2021, the latest audited year, around HK$810,000 was raised.

Independent Auditor's Report

KPMG

To the members of Cathay Pacific Airways Limited
(Incorporated in Hong Kong with limited liability)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Cathay Pacific Airways Limited and its subsidiaries (together "the Group") set out on pages 73 to 139, which comprise the consolidated statement of financial position as at 31st December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing impairment of property, plant and equipment and intangible assets	
Refer to accounting policies 2, 5, 6 and 7 and notes 7 and 8 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The carrying values of the Group's property, plant and equipment and intangible assets were HK$118,855 million and HK$14,800 million respectively as at 31st December 2022. At the end of each reporting period, management identifies assets which are unlikely to be deployed in economic service in the future, and impairment losses are recorded based on the assets' estimated fair value less costs of disposal. The remaining items of property, plant and equipment and intangible assets are allocated to cash-generating units ("CGUs"). Where indicators of impairment of a CGU are identified, management performs an impairment assessment of the CGU by comparing its carrying value with its recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cash flow forecasts. In addition, for CGUs containing goodwill, an impairment assessment is performed at least annually even if there is no indicator of impairment. The Group has reassessed its operating plans, including the expected timing of retirement of aircraft, based on forecast passenger travel demands. Based on such reassessment, no impairment loss was recognised on property, plant and equipment or intangible assets for the year ended 31st December 2022. We identified the assessment of impairment of property, plant and equipment and intangible assets as a key audit matter because of the significance of the carrying value of such assets to the consolidated financial statements and because the preparation of discounted cash flow forecasts for the purpose of impairment assessments involves identifying assets which are unlikely to be deployed in economic service in the future, and estimating future cash flows, growth rates and discount rates, which are subject to a significant degree of judgement and could be subject to management bias.	Our audit procedures to assess the impairment of property, plant and equipment and intangible assets included the following: • meeting with management and reviewing board minutes and other papers to understand the Group's latest operating plans; • assessing management's identification of assets which are unlikely to be deployed in economic service in the future, and evaluating their recoverable amount; • assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purpose of impairment assessment; • discussing indicators of impairment of property, plant and equipment and intangible assets with management, and for CGUs where such indicators were identified and CGUs with goodwill, assessing whether management had performed impairment testing in accordance with the requirements of the prevailing accounting standards; • involving our internal valuation specialists to assess the methodology and significant assumptions including discount rates adopted by management in its impairment assessments; • evaluating the assumptions adopted in the preparation of the discounted cash flow forecasts, including projected future growth rates for income and expenses and discount rates; • performing sensitivity analyses on the key assumptions, including projected profitability, expected growth rates and discount rates adopted in the discounted cash flow forecasts and assessing whether there were any indicators of management bias in the selection of these assumptions.

Revenue recognition	
Refer to accounting policies 18 and 19 and notes 1 and 18 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
Passenger and cargo sales are recognised as revenue when the related transportation service is provided. The value of the sales for which the related transportation service has not yet been provided at the end of the reporting period, adjusted for breakage, is recorded as a contract liability. The value attributed to programme awards under the Group's customer loyalty programme, Asia Miles, is recognised as a contract liability. This arises as members of the programme accumulate Asia Miles by travelling on the Group's flights or when the Group sells Asia Miles to participating partners in the programme. The amount is subsequently recognised as income when the related goods or services are provided subsequent to the redemption of the Asia Miles. Management allocates the amount received in relation to mileage earning flights, based on stand-alone selling price, between the flight and Asia Miles earned by members of the programme. The Group maintains sophisticated information technology ("IT") systems in order to track the point of service provision for each sale and also to track the issuance and subsequent redemption and utilisation of Asia Miles. We identified revenue recognition as a key audit matter because revenue is one of the Group's key performance indicators and it involves complicated IT systems and allocation of revenue between flights and Asia Miles, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess revenue recognition included the following: • assessing the design, implementation and operating effectiveness of management's general IT controls and key application controls over the Group's IT systems which govern revenue recognition, including access controls, controls over programme changes, interfaces between different systems and key manual internal controls over revenue recognition; • performing substantive analytical procedures on passenger and cargo revenue by developing an expectation using independent inputs and information generated from the Group's IT systems and comparing such expectations with recorded revenue; • inspecting underlying documentation for revenue related journal entries which met specified risk-based criteria; • assessing management's estimate of the unit stand-alone selling price of Asia Miles and the allocation of the amount received in relation to mileage earning flights between the flight and contract liability attributable to Asia Miles earned by members; • inspecting contracts with major partners of the Asia Miles programme to assess if there were any terms and conditions that may have affected the accounting treatment of the related Asia Miles.

Hedge accounting	
Refer to accounting policy 10 and notes 10, 12, 15, 17, 21 and 28 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group enters into derivative financial instrument contracts in order to manage its exposure to fuel price risk, foreign currency risk and interest rate risk, which arise during the normal course of its business. Hedge accounting under HKFRS 9 is applied to a majority of these arrangements, and related contracts gave rise to derivative financial assets of HK$1,157 million and derivative financial liabilities of HK$358 million as at 31st December 2022. We identified hedge accounting (including the valuation of hedging instruments) as a key audit matter because hedge accounting can be complex and the Group has entered into a large number of derivative contracts and designated them as hedging instruments, necessitating a sophisticated system to record and track each hedging relationship. In addition, the valuation of hedging instruments can involve a significant degree of both complexity and management judgement, and hence is subject to an inherent risk of error. Furthermore, economic uncertainties caused by the COVID-19 pandemic have resulted in increased judgement being required for forecasting travel demand and fuel consumption for the purpose of hedge designation and evaluating whether a hedging relationship continues to meet the qualifying criteria.	Our audit procedures to assess hedge accounting included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over derivative financial instruments and the application of hedge accounting; • obtaining written confirmations from contract counterparties for derivative financial instruments that existed at the reporting date on a sample basis; • inspecting management's hedge documentation and contracts, on a sample basis, for the purpose of assessing whether the designation of hedging relationships was in accordance with the requirements of the prevailing accounting standards; • discussing with management the assumptions used in forecasting flying activity and fuel consumption, and challenging and performing sensitivity analysis on these estimates based on different possible COVID-19 recovery scenarios; • re-performing calculations of hedge ineffectiveness on a sample basis and testing the discontinuation of hedging relationships where the hedging instrument is terminated or the hedged forecast transaction is no longer considered to be highly probable; • engaging our financial instruments valuation specialists to re-perform year end valuations of derivative financial instruments on a sample basis and compare these valuations with those recorded by the Group.

Information other than the consolidated financial statements and auditor's report thereon
The Directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements
The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit Roy.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
8th March 2023

Schedule L1

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2022

	Note	2022 HK$M	2021 HK$M	2022 US$M	2021 US$M
Revenue					
Passenger services		**14,333**	4,357	**1,838**	558
Cargo services		**30,554**	35,814	**3,917**	4,592
Other services and recoveries		**6,149**	5,416	**788**	694
Total revenue		**51,036**	45,587	**6,543**	5,844
Expenses					
Staff		**(10,571)**	(11,298)	**(1,355)**	(1,449)
Inflight service and passenger expenses		**(694)**	(366)	**(89)**	(47)
Landing, parking and route expenses		**(5,590)**	(5,743)	**(717)**	(736)
Fuel, including hedging gains		**(10,488)**	(7,031)	**(1,345)**	(901)
Aircraft maintenance		**(3,206)**	(5,152)	**(411)**	(661)
Aircraft depreciation and rentals		**(9,884)**	(10,444)	**(1,267)**	(1,339)
Other depreciation, amortisation and rentals		**(2,544)**	(2,381)	**(326)**	(305)
Others		**(4,513)**	(3,622)	**(578)**	(464)
Operating expenses		**(47,490)**	(46,037)	**(6,088)**	(5,902)
Operating profit/(loss) before non-recurring items		**3,546**	(450)	**455**	(58)
Restructuring costs		**-**	(385)	**-**	(49)
Impairment and related charges		**-**	(818)	**-**	(105)
Gain on deemed partial disposal of an associate		**-**	210	**-**	27
Operating profit/(loss)	*2*	**3,546**	(1,443)	**455**	(185)
Finance charges		**(3,074)**	(2,704)	**(394)**	(347)
Finance income		**165**	75	**21**	10
Net finance charges	*3*	**(2,909)**	(2,629)	**(373)**	(337)
Share of losses of associates		**(6,677)**	(1,985)	**(856)**	(254)
Loss before taxation		**(6,040)**	(6,057)	**(774)**	(776)
Taxation	*4*	**(507)**	531	**(65)**	68
Loss for the year		**(6,547)**	(5,526)	**(839)**	(708)
Attributable to					
Ordinary shareholders of Cathay Pacific		**(7,162)**	(6,123)	**(918)**	(785)
Preference shareholder of Cathay Pacific	*20*	**614**	596	**79**	77
Non-controlling interests		**1**	1	**-**	-
Loss for the year		**(6,547)**	(5,526)	**(839)**	(708)
Loss per ordinary share					
Basic and diluted	*5*	**(111.3)¢**	(95.1)¢	**(14.3)¢**	(12.2)¢
Loss for the year		**(6,547)**	(5,526)	**(839)**	(708)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Cash flow hedges		**(707)**	2,581	**(90)**	331
Share of other comprehensive income of associates		**227**	211	**29**	27
Exchange differences on translation of foreign operations		**(1,442)**	691	**(185)**	89
Items that are or may not be reclassified subsequently to profit or loss:					
Defined benefit plans		**108**	510	**14**	65
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**(4)**	(5)	**(1)**	(1)
Other comprehensive income for the year, net of taxation	*6*	**(1,818)**	3,988	**(233)**	511
Total comprehensive income for the year		**(8,365)**	(1,538)	**(1,072)**	(197)
Total comprehensive income attributable to					
Ordinary shareholders of Cathay Pacific		**(8,980)**	(2,135)	**(1,151)**	(274)
Preference shareholder of Cathay Pacific	*20*	**614**	596	**79**	77
Non-controlling interests		**1**	1	**-**	-
		(8,365)	(1,538)	**(1,072)**	(197)

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

The notes on pages 77 to 128 and the principal accounting policies on pages 129 to 139 form part of these financial statements.

Schedule L2

Consolidated Statement of Financial Position

at 31st December 2022

	Note	2022 HK$M	2021 HK$M	2022 US$M	2021 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	7	**118,855**	123,990	**15,238**	15,896
Intangible assets	8	**14,800**	15,035	**1,898**	1,928
Investments in associates	9	**16,492**	24,532	**2,114**	3,145
Other long-term receivables and investments	10	**3,297**	3,327	**423**	427
Deferred tax assets	14	**1,134**	846	**145**	108
		154,578	167,730	**19,818**	21,504
Interest-bearing liabilities	11	**(62,463)**	(67,504)	**(8,008)**	(8,655)
Other long-term payables	12	**(2,766)**	(3,441)	**(355)**	(441)
Other long-term contract liabilities	18	**(282)**	(478)	**(36)**	(61)
Deferred tax liabilities	14	**(8,117)**	(9,820)	**(1,041)**	(1,259)
		(73,628)	(81,243)	**(9,440)**	(10,416)
Net non-current assets		**80,950**	86,487	**10,378**	11,088
Current assets and liabilities					
Stock		**1,137**	1,269	**146**	163
Trade and other receivables	15	**6,921**	8,296	**887**	1,064
Assets held for sale		**1**	48	**-**	6
Liquid funds	16	**18,277**	19,284	**2,343**	2,472
		26,336	28,897	**3,376**	3,705
Interest-bearing liabilities	11	**(14,643)**	(22,350)	**(1,877)**	(2,865)
Trade and other payables	17	**(11,199)**	(10,095)	**(1,436)**	(1,294)
Contract liabilities	18	**(13,537)**	(7,925)	**(1,735)**	(1,016)
Taxation		**(4,023)**	(2,765)	**(516)**	(355)
		(43,402)	(43,135)	**(5,564)**	(5,530)
Net current liabilities		**(17,066)**	(14,238)	**(2,188)**	(1,825)
Total assets less current liabilities		**137,512**	153,492	**17,630**	19,679
Net assets		**63,884**	72,249	**8,190**	9,263
CAPITAL AND RESERVES					
Share capital	19	**48,322**	48,322	**6,195**	6,195
Reserves	21	**15,556**	23,922	**1,994**	3,067
Funds attributable to the shareholders of Cathay Pacific		**63,878**	72,244	**8,189**	9,262
Non-controlling interests		**6**	5	**1**	1
Total equity		**63,884**	72,249	**8,190**	9,263

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

The notes on pages 77 to 128 and the principal accounting policies on pages 129 to 139 form part of these financial statements.

Patrick Healy
Director

John Harrison
Director

Hong Kong, 8th March 2023

Consolidated Statement of Cash Flows

Schedule L3

for the year ended 31st December 2022

	Note	2022 HK$M	2021 HK$M	2022 US$M	2021 US$M
Operating activities					
Cash generated from operations	*22*	**21,386**	11,705	**2,742**	1,500
Interest received		**129**	67	**17**	9
Interest paid		**(2,432)**	(1,946)	**(313)**	(249)
Tax paid		**(1,247)**	(991)	**(160)**	(127)
Net cash inflow from operating activities		**17,836**	8,835	**2,286**	1,133
Investing activities					
Net (increase)/decrease in liquid funds other than cash and cash equivalents		**(183)**	2,464	**(23)**	316
Proceeds from sales of property, plant and equipment		**50**	112	**6**	14
Net increase in other long-term receivables and investments		**(17)**	(17)	**(2)**	(2)
Payments for property, plant and equipment and intangible assets		**(3,729)**	(2,276)	**(478)**	(292)
Dividends received		**1,096**	-	**140**	-
Net repayments of loans to associates		**23**	210	**3**	27
Net cash (outflow)/inflow from investing activities		**(2,760)**	493	**(354)**	63
Financing activities					
New financing	*11*	**6,115**	13,906	**784**	1,783
Loan and lease repayments	*11*	**(22,351)**	(20,838)	**(2,865)**	(2,672)
Net cash outflow from financing activities		**(16,236)**	(6,932)	**(2,081)**	(889)
Net (decrease)/increase in cash and cash equivalents		**(1,160)**	2,396	**(149)**	307
Cash and cash equivalents at 1st January		**8,573**	6,166	**1,099**	791
Effect of exchange differences		**(73)**	11	**(9)**	1
Cash and cash equivalents at 31st December	*16*	**7,340**	8,573	**941**	1,099

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

The notes on pages 77 to 128 and the principal accounting policies on pages 129 to 139 form part of these financial statements.

Schedule L4

Consolidated Statement of Changes in Equity

for the year ended 31st December 2022

	Attributable to the shareholders of Cathay Pacific								
	Share capital HK$M	Convertible bond reserve HK$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
At 1st January 2022	**48,322**	**526**	**19,724**	**(153)**	**2,174**	**1,651**	**72,244**	**5**	**72,249**
Loss for the year	**-**	**-**	**(6,548)**	**-**	**-**	**-**	**(6,548)**	**1**	**(6,547)**
Other comprehensive income	**-**	**-**	**108**	**(4)**	**(707)**	**(1,215)**	**(1,818)**	**-**	**(1,818)**
Total comprehensive income for the year	**-**	**-**	**(6,440)**	**(4)**	**(707)**	**(1,215)**	**(8,366)**	**1**	**(8,365)**
At 31st December 2022	**48,322**	**526**	**13,284**	**(157)**	**1,467**	**436**	**63,878**	**6**	**63,884**
At 1st January 2021	48,322	-	24,741	(148)	(407)	749	73,257	4	73,261
Loss for the year	-	-	(5,527)	-	-	-	(5,527)	1	(5,526)
Other comprehensive income	-	-	510	(5)	2,581	902	3,988	-	3,988
Total comprehensive income for the year	-	-	(5,017)	(5)	2,581	902	(1,539)	1	(1,538)
Equity component of convertible bonds issued	-	526	-	-	-	-	526	-	526
At 31st December 2021	48,322	526	19,724	(153)	2,174	1,651	72,244	5	72,249

The notes on pages 77 to 128 and the principal accounting policies on pages 129 to 139 form part of these financial statements.

Notes to the Financial Statements

1. Segment information

(a) Segment results

2022

	Cathay Pacific HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	45,899	692	3,541	904		51,036
Inter-segment sales	483	-	5	1,545		2,033
Segment revenue	46,382	692	3,546	2,449		53,069
Segment profit/(loss)	4,473	(1,241)	927	(613)	-	3,546
Net finance charges	(1,991)	(389)	2	(531)	-	(2,909)
	2,482	(1,630)	929	(1,144)	-	637
Share of losses of associates	-	-	-	-	(6,677)	(6,677)
Profit/(loss) before taxation	2,482	(1,630)	929	(1,144)	(6,677)	(6,040)
Taxation	(1,022)	271	(153)	13	384	(507)
Profit/(loss) for the year	1,460	(1,359)	776	(1,131)	(6,293)	(6,547)
Non-controlling interests	-	-	-	(1)	-	(1)
Profit/(loss) attributable to the shareholders of Cathay Pacific	1,460	(1,359)	776	(1,132)	(6,293)	(6,548)
Other segment information						
Depreciation and amortisation	10,755	744	5	685		12,189
Purchase of property, plant and equipment and intangible assets	6,958	64	2	60		7,084

2021

	Cathay Pacific HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	41,829	20	3,106	632		45,587
Inter-segment sales	355	-	57	1,718		2,130
Segment revenue	42,184	20	3,163	2,350		47,717
Segment profit/(loss), before restructuring costs, impairment and related charges	1,222	(1,806)	898	(554)	-	(240)
Restructuring costs	(385)	-	-	-	-	(385)
Impairment and related charges	(777)	(41)	-	-	-	(818)
Segment profit/(loss)	60	(1,847)	898	(554)	-	(1,443)
Net finance charges	(1,972)	(328)	(1)	(328)	-	(2,629)
	(1,912)	(2,175)	897	(882)	-	(4,072)
Share of losses of associates	-	-	-	-	(1,985)	(1,985)
(Loss)/profit before taxation	(1,912)	(2,175)	897	(882)	(1,985)	(6,057)
Taxation	184	197	(149)	24	275	531
(Loss)/profit for the year	(1,728)	(1,978)	748	(858)	(1,710)	(5,526)
Non-controlling interests	-	-	-	(1)	-	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(1,728)	(1,978)	748	(859)	(1,710)	(5,527)
Other segment information						
Depreciation and amortisation	11,219	869	5	693		12,786
Purchase of property, plant and equipment and intangible assets	5,938	430	-	63		6,431

1. Segment information (continued)

(i) Cathay Pacific provides full service international passenger and cargo air transportation. Management considers that there is no suitable basis for allocating operating results between passenger and cargo operations. Accordingly these 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 is determined according to the nature of the business, and is aligned with financial information provided regularly to the Group's executive management.

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

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

(b) Geographical information

	2022 HK$M	2021 HK$M
Revenue by origin of sale:		
North Asia		
- Hong Kong, Taiwan and the Chinese Mainland	**34,456**	31,974
- Japan and Korea	**2,538**	2,255
Americas	**4,476**	3,171
Europe	**2,836**	1,405
Southeast Asia	**4,135**	4,478
Southwest Pacific	**1,218**	812
South Asia, Middle East and Africa	**1,377**	1,492
	51,036	45,587

Analysis of net assets by geographical segment:

The major revenue earning asset is the aircraft fleet, which is registered in Hong Kong and is employed across the Group's worldwide route network. Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, analysis of the Group's assets by geographical regions is not disclosed.

2. Operating profit/(loss)

	2022 HK$M	2021 HK$M
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- right-of-use assets	**4,798**	5,284
- owned	**6,761**	6,941
Amortisation of intangible assets	**630**	561
Impairment		
- property, plant and equipment	**-**	1,010
- stock	**-**	110
Expenses relating to short-term leases and leases of low-value assets	**16**	27
COVID-19-related rent concessions recognised	**(108)**	(301)
Loss/(gain) on disposal of property, plant and equipment, net	**143**	(51)
Loss on disposal of intangible assets	**9**	5
Cost of stock expensed	**662**	711
Exchange differences, net	**293**	69
Auditors' remuneration	**16**	15
Government grants	**(1,454)**	(1,460)
Dividend income from unlisted equity investments	**(90)**	(29)

3. Net finance charges

	2022 HK$M	2021 HK$M
Net interest charges comprise:		
- lease liabilities stated at amortised cost	**1,084**	905
- bank loans and overdrafts		
- wholly repayable within five years	**622**	411
- not wholly repayable within five years	**342**	283
- other borrowings		
- wholly repayable within five years	**666**	546
- not wholly repayable within five years	**315**	341
	3,029	2,486
Income from liquid funds:		
- funds with investment managers and other liquid investments at fair value through profit or loss	**(30)**	(9)
- bank deposits and others	**(135)**	(66)
	(165)	(75)
Fair value change:		
- loss on financial derivatives	**45**	218
	2,909	2,629

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 gain from derivatives that are classified as fair value through profit or loss of HK$74 million (2021: net gain of HK$25 million).

4. Taxation

	2022 **HK$M**	2021 HK$M
Current tax expenses		
- Hong Kong profits tax	**143**	141
- overseas tax	**463**	142
- under provisions for prior years	**384**	17
Deferred tax		
- origination and reversal of temporary differences (note 14)	**(483)**	(831)
	507	(531)

Hong Kong profits tax is calculated at 16.5% (2021: 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 27(c) to the financial statements).

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

	2022 **HK$M**	2021 HK$M
Loss before taxation	**(6,040)**	(6,057)
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2021: 16.5%)	**997**	999
Expenses not deductible for tax purposes	**(420)**	(247)
Income not subject to tax	**73**	197
Effect of changes in effective tax rate and jurisdictional differences	**(849)**	(148)
Tax under provisions arising from prior years	**(384)**	(17)
Tax losses not recognised	**-**	(253)
Recognition of tax losses previously not recognised	**76**	-
Tax (charge)/credit	**(507)**	531

Further information on deferred taxation is shown in note 14 to the financial statements.

5. Loss per ordinary share

	2022			2021		
	Loss [a] HK$M	**Weighted average number of ordinary shares**	**Per share amount HK cents**	Loss [a] HK$M	Weighted average number of ordinary shares	Per share amount HK cents
Basic and diluted loss per ordinary share	**(7,162)**	**6,437,200,203**	**(111.3)**	(6,123)	6,437,200,203	(95.1)

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

(b) On 12th August 2020, the Company issued warrants which entitle the holder to subscribe for up to 416,666,666 ordinary shares. On 5th February 2021, the Company issued convertible bonds which entitle the holder to convert up to 786,464,410 ordinary shares. The Company's warrants and convertible bonds as at 31st December 2022 and 2021 have an anti-dilutive effect to the loss per ordinary share and there are no other dilutive potential ordinary shares in existence during the years ended 31st December 2022 and 2021, and hence diluted loss per ordinary share is the same as the basic loss per ordinary share.

6. Other comprehensive income

	2022 HK$M	2021 HK$M
Cash flow hedges		
- gain recognised during the year	**3,011**	4,684
- gain transferred to profit or loss (note 21)	**(3,792)**	(1,836)
- deferred taxation (note 14)	**74**	(267)
Share of other comprehensive income of associates		
- recognised during the year	**227**	211
Exchange differences on translation of foreign operations		
- (loss)/gain recognised during the year	**(1,442)**	724
- reclassified to profit or loss upon deemed partial disposal	**-**	(33)
Defined benefit plans		
- remeasurement gain recognised during the year (note 13)	**105**	561
- deferred taxation (note 14)	**3**	(51)
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		
- loss recognised during the year	**(4)**	(5)
Other comprehensive income for the year	**(1,818)**	3,988

7. 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 2022	**139,822**	**60,543**	**5,359**	**315**	**15,191**	**7,463**	**20**	**228,713**
Additions	**3,275**	**3,145**	**47**	**1**	**72**	**137**	**1**	**6,678**
Disposals	**(8,103)**	**(1,242)**	**(60)**	**(60)**	**(78)**	**(151)**	**-**	**(9,694)**
Reclassification to assets held for sale	**-**	**-**	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Transfers	**4,038**	**(4,038)**	**-**	**-**	**21**	**-**	**(21)**	**-**
Other right-of-use asset adjustments	**-**	**116**	**-**	**3**	**-**	**56**	**-**	**175**
At 31st December 2022	**139,032**	**58,524**	**5,339**	**259**	**15,206**	**7,505**	**-**	**225,865**
At 1st January 2021	135,383	63,236	5,474	312	15,404	8,119	20	227,948
Additions	1,429	4,245	72	4	38	103	-	5,891
Disposals	(2,076)	(1,820)	(153)	(3)	(251)	(1,188)	-	(5,491)
Reclassification to assets held for sale	-	-	(34)	-	-	-	-	(34)
Transfers	5,086	(5,086)	-	-	-	-	-	-
Other right-of-use asset adjustments	-	(32)	-	2	-	429	-	399
At 31st December 2021	139,822	60,543	5,359	315	15,191	7,463	20	228,713
Accumulated depreciation and impairment								
At 1st January 2022	**67,688**	**21,094**	**4,095**	**143**	**8,441**	**3,262**	**-**	**104,723**
Charge for the year	**5,937**	**3,930**	**186**	**46**	**638**	**822**	**-**	**11,559**
Disposals	**(7,717)**	**(1,242)**	**(57)**	**(32)**	**(75)**	**(142)**	**-**	**(9,265)**
Reclassification to assets held for sale	**-**	**-**	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Transfers	**2,338**	**(2,338)**	**-**	**-**	**-**	**-**	**-**	**-**
At 31st December 2022	**68,246**	**21,444**	**4,217**	**157**	**9,004**	**3,942**	**-**	**107,010**
At 1st January 2021	59,657	21,316	4,058	86	7,948	2,958	-	96,023
Charge for the year	6,034	4,303	212	60	695	921	-	12,225
Impairment	698	263	-	-	49	-	-	1,010
Disposals	(1,669)	(1,820)	(151)	(3)	(251)	(617)	-	(4,511)
Reclassification to assets held for sale	-	-	(24)	-	-	-	-	(24)
Transfers	2,968	(2,968)	-	-	-	-	-	-
At 31st December 2021	67,688	21,094	4,095	143	8,441	3,262	-	104,723
Net book value								
At 31st December 2022	**70,786**	**37,080**	**1,122**	**102**	**6,202**	**3,563**	**-**	**118,855**
At 31st December 2021	72,134	39,449	1,264	172	6,750	4,201	20	123,990

7. Property, plant and equipment (continued)

(a) Right-of-use assets

The Group is the lessee in respect of a number of aircraft and related equipment, land and buildings and other equipment held under leases. Future lease payments are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position in accordance with accounting policies 6 and 9 respectively.

During the year, additions to right-of-use assets were HK$3,283 million (2021: HK$4,352 million), a significant proportion of which is related to the delivery of leased aircraft.

Details of cash outflows and significant non-cash transactions for leases, and the maturity analysis of lease liabilities are set out in notes 23 and 11 to the financial statements, respectively.

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions were met. One of these conditions requires that the reduction in lease payments affect only payments due before 30th June 2022. The eligible rent concessions are accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

(i) Aircraft and related equipment

The Group has obtained the right to use aircraft and related equipment through lease arrangements.

The Group held 37 aircraft at 31st December 2022 (2021: 38) under lease arrangements which transfer ownership of the underlying asset to the Group by the end of the lease term or which contain a purchase option that the Group is reasonably certain to exercise. The remaining lease terms ranged from 2 months to 12 years.

The Group also held 49 aircraft at 31st December 2022 (2021: 58) of which 48 (2021: 58) under lease arrangements which either do not transfer ownership of the underlying asset to the Group by the end of the lease term or which do not contain a purchase option that the Group is reasonably certain to exercise. The remaining lease terms ranged from 3 months to 11 years. The lease of one aircraft was terminated before the year end but remained in the fleet profile as it had not been de-registered.

Some of the lease payments are partially fixed and partially floating that are generally linked to market rates of interest. The amounts of fixed and floating lease payments are included in the measurement of lease liabilities. There are no other variable lease payments that do not depend on an index or a rate.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2022	2021	**2022**	2021
	HK$M	HK$M	**HK$M**	HK$M
Aircraft and related equipment	**28,683**	30,887	**5,228**	5,719

7. Property, plant and equipment (continued)

(ii) Other equipment

The Group leases other equipment under leases expiring from 1 to 4 years. Some leases include an option to renew the lease and none of the leases includes variable lease payments.

(iii) Ownership interests in leasehold land held for own use

The Group holds several leasehold land for its airline and related businesses, where its airline-related facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of an undivided share in the underlying land. Lump sum payments were made upfront to acquire these land interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leases will expire within 25 years.

(iv) Properties leased for own use

The Group leases other properties under leases expiring from 1 to 11 years. Some leases include an option to renew the lease and some of the leases include insignificant amounts of variable lease payments.

(b) Advance payments are made to manufacturers for aircraft and related equipment to be delivered in future years. At 31st December 2022 advance payments included in owned aircraft and related equipment amounted to HK$2,964 million (2021: HK$2,799 million). No depreciation is provided on these advance payments.

(c) Security, including charges over the assets concerned, is provided to the leasing companies or other parties that provide the underlying finance. Further information is provided in note 11 to the financial statements.

(d) During the year ended 31st December 2022, no impairment was recognised for the Group's cash generating units and non-financial assets.

In the year ended 31st December 2021, impairment charges of HK$1,010 million were recognised to reduce the carrying values of certain property, plant and equipment resulting from COVID-19 conditions.

8. Intangible assets

	Goodwill HK$M	Computer software HK$M	Others HK$M	Total - Intangible assets HK$M	Prepayments HK$M	Total - Intangible assets and related prepayments HK$M
Cost						
At 1st January 2022	**11,654**	**8,425**	**39**	**20,118**	**8**	**20,126**
Additions	**-**	**390**	**-**	**390**	**16**	**406**
Disposals	**-**	**(64)**	**-**	**(64)**	**-**	**(64)**
At 31st December 2022	**11,654**	**8,751**	**39**	**20,444**	**24**	**20,468**
At 1st January 2021	11,654	7,898	39	19,591	-	19,591
Additions	-	532	-	532	8	540
Disposals	-	(5)	-	(5)	-	(5)
At 31st December 2021	11,654	8,425	39	20,118	8	20,126
Accumulated amortisation and impairment						
At 1st January 2022	**39**	**5,024**	**28**	**5,091**	**-**	**5,091**
Charge for the year	**-**	**626**	**4**	**630**	**2**	**632**
Disposal	**-**	**(55)**	**-**	**(55)**	**-**	**(55)**
At 31st December 2022	**39**	**5,595**	**32**	**5,666**	**2**	**5,668**
At 1st January 2021	39	4,467	24	4,530	-	4,530
Charge for the year	-	557	4	561	-	561
At 31st December 2021	39	5,024	28	5,091	-	5,091
Net book value						
At 31st December 2022	**11,615**	**3,156**	**7**	**14,778**	**22**	**14,800**
At 31st December 2021	11,615	3,401	11	15,027	8	15,035

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

	2022 HK$M	2021 HK$M
Cathay Pacific	**7,884**	7,884
HK Express	**3,616**	3,616
Others	**115**	115
	11,615	11,615

Goodwill attributable to Cathay Pacific relates primarily to the acquisition of Cathay Dragon, with a portion representing synergy benefits to the Cathay Pacific CGU resulting from the acquisition of HK Express. Despite the closure of Cathay Dragon in October 2020, the Group expects to preserve the value of its network (and therefore its goodwill) within the Cathay Pacific CGU through the continuation of the majority of its routes.

Goodwill attributable to HK Express relates to the acquisition of HK Express and arose from the synergies expected to be derived from resource optimisation, cost savings and improved services.

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

8. Intangible assets (continued)

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

For the Cathay Pacific CGU the assessment assumes that, due to the relaxation of COVID-19 related measures and recovery in passenger travel, passenger traffic is forecasted to return to pre-pandemic levels gradually by the end of 2024. A steadily growing momentum of passenger traffic is also considered from 2025 to 2032. However, the revenue efficiency in the ten-year forecast is considered weaker than historical levels owing to increased competition associated with the new Three Runway System at Hong Kong International Airport. Cash flows beyond the ten-year period are extrapolated with an estimated general annual growth rate of 3.0% (2021: 2.25%) which does not exceed the long-term average growth rate for the industry (IATA's most recent 20-year global forecast is 3.3%). Cash outflows include capital and maintenance expenditure including the purchase of aircraft and other property, plant and equipment. The discount rate used of 9.5% (2021: 7.3%) is pre-tax and reflects the specific risks related to the relevant segment. The assessment results in headroom over the carrying values of the CGU as at 31st December 2022 and consequently no impairment has been made.

For the HK Express CGU, the assessment reflects a faster recovery than Cathay Pacific due to an expected earlier resumption in demand for short haul and regional leisure travel, together with steady growth in the low cost carrier demand model, particularly with the opening of the Three Runway System. Like Cathay Pacific, a ten-year forecast is considered appropriate. Cash flows beyond the ten-year period are extrapolated with an estimated general annual growth rate of 3.0% (2021: 2.25%). The discount rate used of 11.3% (2021: 11.0%) is pre-tax and reflects the specific risks related to the HK Express segment. The assessment results in headroom over the carrying values of the CGU as at 31st December 2022 and consequently no impairment has been made.

Impairment testing of our Airline service CGUs adopts, to the extent relevant, consistent recovery assumptions as the Cathay Pacific CGU. The assessments result in headroom over the carrying values of the CGUs as at 31st December 2022 and consequently no impairment has been made.

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

9. Investments in associates

	2022 HK$M	2021 HK$M
Share of net assets		
- listed in Hong Kong	**7,718**	16,178
- unlisted	**5,435**	4,721
Goodwill	**3,317**	3,588
	16,470	24,487
Less: impairment loss	**(56)**	(56)
	16,414	24,431
Loans due from associates	**78**	101
	16,492	24,532

Principal associates are listed on page 128.

(a) Air China

At 31st December 2022, the market value of the shares in an associate, Air China, listed in Hong Kong is HK$18,304 million (2021: HK$14,327 million).

Air China is considered material to the Group and the share of assets and liabilities and results are summarised as below:

	2022 HK$M	2021 HK$M
Gross amounts of the associate's		
- current assets	**30,308**	27,510
- non-current assets	**305,869**	324,443
- current liabilities	**(102,810)**	(100,513)
- non-current liabilities	**(193,397)**	(161,862)
Revenue	**70,470**	101,042
Loss from continuing operations	**(44,663)**	(18,245)
Other comprehensive income	**1,810**	1,492
Total comprehensive income	**(42,853)**	(16,753)
Dividend received from the associate	**-**	-
Reconciled to the Group's interests in the associate		
- gross amounts of net assets of the associate	**39,970**	89,578
- Group's share of net assets of the associate at effective interest (2022: 18.13%; 2021: 18.13%)	**7,247**	16,240
- effect of cross shareholding and others	**471**	(62)
- goodwill	**3,317**	3,588
	11,035	19,766

Air China is a strategic partner for the Group and the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland.

Cathay Pacific held 2,634 million shares of Air China, representing a 18.13% interest at 31st December 2022 (2021: 18.13%) and had significant influence through its representation on the Board of Directors of Air China and therefore equity accounted for its share of Air China's results.

The Group accounts for Air China three months in arrears. The Group's 2022 results include Air China's results for the 12 months ended 30th September 2022.

9. Investments in associates (continued)

(b) Air China Cargo

Following the dilution of economic interest in Air China Cargo during the year ended 31st December 2021, the Group has recognised the share of results of Air China Cargo three months in arrear since September 2021. Accordingly, the Group's 2021 results included Air China Cargo's results for the nine months ended 30th September 2021. The Group's 2022 results include Air China Cargo's results for the 12 months ended 30th September 2022.

(c) Other associates

Aggregate information of associates that are not individually material, which includes Air China Cargo, is summarised as below:

	2022 HK$M	2021 HK$M
Aggregate carrying amount of individually immaterial associates	**5,457**	4,766
Aggregate amounts of the Group's share of those associates		
- profit from continuing operations	**1,249**	940
- other comprehensive income	**(402)**	136
- total comprehensive income	**847**	1,076

10. Other long-term receivables and investments

	2022 HK$M	2021 HK$M
Unlisted equity investments		
- designated at fair value through other comprehensive income (non-recycling)	**47**	51
- measured at fair value through profit or loss	**793**	705
Other long-term receivables measured at amortised cost	**934**	906
Derivative financial assets - long-term portion	**100**	243
Retirement benefit assets (note 13)	**1,423**	1,422
	3,297	3,327

11. Interest-bearing liabilities

		2022		2021	
	Note	**Current HK$M**	**Non-current HK$M**	Current HK$M	Non-current HK$M
Loans and other borrowings	(a)	**8,490**	**36,676**	16,061	39,061
Lease liabilities	(b)	**6,153**	**25,787**	6,289	28,443
		14,643	**62,463**	22,350	67,504

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

	2022 HK$M	2021 HK$M
Non-current liabilities:		
Loans and other borrowings	**36,676**	39,061
Lease liabilities	**25,787**	28,443
	62,463	67,504
Current liabilities:		
Loans and other borrowings	**8,490**	16,061
Lease liabilities	**6,153**	6,289
	14,643	22,350
Total borrowings	**77,106**	89,854
Liquid funds	**(18,277)**	(19,284)
Net borrowings	**58,829**	70,570
Funds attributable to the shareholders of Cathay Pacific	**63,878**	72,244
Net debt/equity ratio	**0.92**	0.98

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.

	2022 HK$M	2021 HK$M
Net borrowings	**58,829**	70,570
Less: lease liabilities without asset transfer components	**(13,765)**	(16,591)
Adjusted net borrowings, excluding leases without asset transfer components	**45,064**	53,979
Adjusted net debt/equity ratio, excluding leases without asset transfer components	**0.71**	0.75

11. Interest-bearing liabilities (continued)

(a) Loans and other borrowings

	2022 HK$M	2021 HK$M
Bank loans		
- secured	**23,821**	27,052
- unsecured	**2,210**	8,043
Other borrowings		
- secured	**5,534**	5,205
- unsecured	**13,601**	14,822
	45,166	55,122
Amount due within one year included in current liabilities	**(8,490)**	(16,061)
	36,676	39,061
Repayable as follows:		
Bank loans		
- within one year	**6,297**	13,772
- after one year but within two years	**5,076**	4,815
- after two years but within five years	**11,168**	11,480
- after five years	**3,490**	5,028
	26,031	35,095
Other borrowings		
- within one year	**2,193**	2,289
- after one year but within two years	**2,002**	2,188
- after two years but within five years	**13,048**	13,553
- after five years	**1,892**	1,997
	19,135	20,027
Amount due within one year included in current liabilities	**(8,490)**	(16,061)
	36,676	39,061

At 31st December 2022, aircraft and related equipment of HK$48,137 million and land and building of HK$2,130 million (2021: aircraft and related equipment of HK$53,495 million) are pledged as security for the secured loans and other borrowings.

Loans and other borrowings are repayable up to 2035 (2021: 2035).

Loans and other borrowings of the Group not wholly repayable within five years amounted to HK$16,406 million (2021: HK$22,278 million).

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed debt securities (2021: nil).

At 31st December 2022, the Group had loans totalling HK$26,038 million (2021: HK$32,235 million) which were defeased by funds and other investments. Accordingly, these loans and the related funds, as well as related expenses and income, have been defeased in the financial statements.

On 5th February 2021, the Group completed the issuance of HK$6,740 million guaranteed convertible bonds at a rate of 2.75%, with maturity in 2026. The bonds are convertible at a conversion price of HK$8.57 per share and entitle the holder to convert up to 786,464,410 ordinary shares of Cathay Pacific Airways Limited. The bonds are accounted for as compound financial instruments, with both a liability component and an equity component.

As at 31st December 2022, the liability component had a carrying value of HK$6,366 million (2021: HK$6,256 million).

11. Interest-bearing liabilities (continued)

(b) Lease liabilities

The Group has commitments under lease agreements in respect of aircraft and related equipment, other equipment and buildings. Lease liabilities are repayable on various dates up to 2033. The reconciliation of future lease payments and their carrying values at the end of the current and previous reporting periods is as follows:

	2022	2021
	HK$M	HK$M
Future payments	**37,819**	38,156
Interest charges relating to future periods	**(5,879)**	(3,424)
Present value of future payments	**31,940**	34,732
Amount due within one year included in current liabilities	**(6,153)**	(6,289)
	25,787	28,443

The present value of future payments is repayable as follows:

	2022	2021
	HK$M	HK$M
Within one year	**6,153**	6,289
After one year but within two years	**5,085**	6,011
After two years but within five years	**9,938**	10,572
After five years	**10,764**	11,860
	31,940	34,732

The undiscounted future payments are repayable as follows:

	2022	2021
	HK$M	HK$M
Within one year	**7,417**	7,038
After one year but within two years	**6,153**	6,635
After two years but within five years	**12,079**	11,717
After five years	**12,170**	12,766
	37,819	38,156

11. Interest-bearing liabilities (continued)

(c) Reconciliation of interest-bearing liabilities

	Loans and other borrowings HK$M	Lease liabilities HK$M	Total HK$M
At 1st January 2022	**55,122**	**34,732**	**89,854**
Changes from financing cash flows			
- new financing	**5,771**	**344**	**6,115**
- repayments	**(16,189)**	**(6,162)**	**(22,351)**
Other changes			
- exchange gain	**(45)**	**(464)**	**(509)**
- changes resulting from new leases	**-**	**3,350**	**3,350**
- changes resulting from lease modification	**-**	**175**	**175**
- changes resulting from lease termination	**-**	**(40)**	**(40)**
- COVID-19-related rent concessions received	**-**	**(108)**	**(108)**
- others	**507**	**113**	**620**
At 31st December 2022	**45,166**	**31,940**	**77,106**
At 1st January 2021	55,495	37,634	93,129
Changes from financing cash flows			
- new financing	13,291	615	13,906
- repayments	(13,842)	(6,996)	(20,838)
Other changes			
- exchange loss/(gain)	155	(274)	(119)
- changes resulting from new leases	-	4,157	4,157
- changes resulting from lease modification	-	399	399
- changes resulting from lease termination	-	(609)	(609)
- COVID-19-related rent concessions received	-	(301)	(301)
- equity component of convertible bonds issued	(526)	-	(526)
- others	549	107	656
At 31st December 2021	55,122	34,732	89,854

12. Other long-term payables

	2022 HK$M	2021 HK$M
Deferred liabilities	**2,625**	3,257
Derivative financial liabilities - long-term portion	**141**	184
	2,766	3,441

There are no derivative financial liabilities of the Group which did not qualify for hedge accounting (2021: HK$58 million, which is included in above, except HK$29 million which was included in trade and other payables).

The Group had a maintenance provision of HK$3,069 million (2021: HK$4,187 million) for returning the aircraft to lessors to certain maintenance conditions. The movements during the year are as follows:

	2022 HK$M	2021 HK$M
At 1st January	**4,187**	5,718
Additional provision made	**446**	445
Reversals	**(916)**	(190)
Provision utilised	**(648)**	(1,786)
At 31st December	**3,069**	4,187
Amount expected to be utilised within one year included in trade and other payables	**(499)**	(1,653)
Included in deferred liabilities above	**2,570**	2,534

13. Retirement benefits

The Group operates various defined benefit and defined contribution retirement schemes for its employees in Hong Kong and in certain overseas locations. The assets of these schemes are held in separate trustee-administered funds. The retirement schemes in Hong Kong are registered under and comply with the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Schemes Ordinance ("MPFSO"). Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements.

The Group operates the following principal schemes:

(a) Defined benefit retirement schemes

A defined benefit scheme is a retirement plan that defines the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has an obligation to provide participating employees with these benefits.

The principal schemes in Hong Kong comprise The Swire Group Retirement Benefits Scheme ("SGRBS"), the Cathay Pacific Airways Group Retirement Benefits Scheme ("CPAGRBS") and the Cathay Pacific Airways Limited Retirement Scheme ("CPALRS").

SGRBS, in which the Company, Cathay Pacific Catering Services (H.K.) Limited ("CPCS") and Vogue Laundry Service Limited ("VLS") are participating employers, and CPAGRBS in which Hong Kong Airport Services Limited ("HAS") is a participating employer, provide resignation and retirement benefits to its members, which include the Company's cabin attendants who joined before September 1996 and other locally engaged employees who joined before June 1997, upon their cessation of service. The Company, CPCS, VLS and HAS meet the full cost of all benefits due by SGRBS or CPAGRBS to their employee members, who are not required to contribute to the scheme.

Staff employed by the Company in Hong Kong on expatriate terms before April 1993 were eligible to join another scheme, the CPALRS. Both members and the Company contribute to CPALRS.

The majority of the Group's schemes are final salary guarantee lump sum defined benefit plans.

Contributions to the defined benefit retirement schemes are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates for the principal schemes in Hong Kong are subject to annual review and are determined by taking into consideration the difference between the market value of plan assets and the present value of accrued past service liabilities, on an on-going basis, as computed by reference to actuarial valuations. Such schemes in Hong Kong are valued annually by qualified actuaries for funding purposes.

The disclosures for schemes in Hong Kong are based on actuarial valuations prepared by an independent firm of actuaries, Mercer (Hong Kong) Limited ("Mercer"), every three years and as needed in accordance with Hong Kong's Occupational Retirement Schemes Ordinance. The disclosures and valuations are updated annually in the intervening years by Cannon Trustees Limited, the main administration manager of the Group's defined benefit schemes. The most recent valuations prepared by Mercer for schemes in Hong Kong were for the period ended 31st December 2021.

Through its defined benefit retirement schemes the Group is exposed to a number of risks, the most significant of which is market risk.

13. Retirement benefits (continued)

Market risk embodies the potential for losses and gains and includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of the investments by the investment managers appointed. Investment managers are governed by agreements that stipulate the performance objective of the investments, which is referenced to a recognised benchmark and the predicated tracking error around this benchmark. A committee monitors the overall market risk position of the Group's principal schemes in Hong Kong on a quarterly basis.

The Group's obligations are 136.5% (2021: 135.5%) covered by the plan assets held by the trustees at 31st December 2022.

	2022 HK$M	2021 HK$M
Net expenses recognised in the profit or loss:		
Current service cost	**122**	155
Net interest income	**(15)**	(14)
Total included in staff costs	**107**	141
Actual (loss)/return on plan assets	**(57)**	341

	2022 HK$M	2021 HK$M
Net assets recognised in the statement of financial position:		
Present value of funded obligations	**3,900**	4,002
Fair value of plan assets	**(5,323)**	(5,424)
Retirement benefit assets (note 10)	**(1,423)**	(1,422)

	2022 HK$M	2021 HK$M
Movements in present value of funded obligations comprise:		
At 1st January	**4,002**	4,991
Remeasurements		
- actuarial gains arising from changes in financial assumptions	**(294)**	(146)
- experience loss/(gains)	**27**	(163)
Movements for the year		
- current service cost	**122**	155
- interest expense	**90**	75
- employee contributions	**2**	3
- benefits paid	**(846)**	(954)
- transfer	**797**	41
At 31st December	**3,900**	4,002

The weighted average duration of the defined benefit obligations is seven years (2021: five years).

13. Retirement benefits (continued)

	2022 HK$M	2021 HK$M
Movements in fair value of plan assets comprise:		
At 1st January	**5,424**	5,986
Movements for the year		
- (loss)/return on plan assets excluding interest income	**(162)**	252
- interest income	**105**	89
- employee contributions	**2**	3
- employer contributions	**3**	7
- benefits paid	**(846)**	(954)
- transfer	**797**	41
At 31st December	**5,323**	5,424

No curtailment gain/loss was incurred in the year ended 31st December 2022 and 31st December 2021.

There were no plan amendments during the year.

	2022 HK$M	%	2021 HK$M	%
Fair value of plan assets comprises:				
Equities				
- Asia Pacific	**355**	**7**	252	5
- Europe	**238**	**4**	249	5
- Americas	**715**	**13**	764	14
- Emerging markets	**535**	**10**	750	14
Bonds				
- Global	**1,602**	**30**	893	16
- Emerging markets	**118**	**2**	128	2
Absolute return funds	**896**	**17**	1,073	20
Cash	**864**	**17**	1,315	24
	5,323	**100**	5,424	100

At 31st December 2022, the prices of 90% of equities and 43% of bonds were quoted on active markets (31st December 2021: 96% and 21% respectively). The remainder of the prices were not quoted on active markets.

The majority of plan assets are invested in the Swire Group Unitised Trust ("the Trust"). The Trust has three sub-funds in which the assets are invested in accordance with separate and distinct investment policies and objectives. The Trust and sub-funds are overseen by a committee, which meets four times a year.

The make-up of the Trust is the result of the asset allocation of each plan. The asset allocation of each plan targets a mix of equities, bonds and absolute return funds.

The management of the assets within the sub-funds is delegated by the committee to a number of reputable investment managers.

The contributions are calculated based upon funding recommendations arising from actuarial valuations. The Group expects to make contributions of HK$32 million to the schemes in 2023.

13. Retirement benefits (continued)

	2022	2021
The significant actuarial assumptions (expressed as weighted averages) are:		
Discount rate	**5.00%**	2.08%
Expected rate of future salary increases	**2.62%**	2.50%

The sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions are set out below. This shows how the defined benefit obligations at 31st December 2022 would have (increased)/decreased as a result of 0.5% change in the actuarial assumptions:

	Increase by 0.5%		Decrease by 0.5%	
	2022	2021	**2022**	2021
	HK$M	HK$M	**HK$M**	HK$M
Discount rate	**135**	83	**(141)**	(86)
Expected rate of future salary increases	**(94)**	(74)	**96**	71

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit liabilities recognised in the statement of financial position.

(b) Defined contribution retirement schemes

A defined contribution scheme is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions.

Staff employed by the Company in Hong Kong on expatriate terms are eligible to join a defined contribution retirement scheme, the CPA Provident Fund 1993. All staff employed in Hong Kong are eligible to join the CPA Provident Fund.

Under the terms of these schemes, other than the Company's contributions, staff may elect to contribute from 0% to 10% of their monthly salaries. Forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions may be used to reduce existing level of contributions. The amounts utilised in the course of the year amounted to HK$88 million (2021: HK$32 million). Amounts available at the year end for such use in future years amounted to HK$50 million (2021: HK$43 million).

A Mandatory Provident Fund ("MPF") scheme was established under the MPFSO in December 2000. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK$30,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

Contributions to defined contribution retirement schemes charged to profit or loss were HK$455 million (2021: HK$569 million).

14. Deferred taxation

	2022 HK$M	2021 HK$M
Deferred tax assets:		
- provisions	**(3)**	(53)
- tax losses	**(5,313)**	(4,738)
- right-of-use assets	**(182)**	(140)
Deferred tax liabilities:		
- accelerated tax depreciation	**5,214**	4,725
- investments in associates	**169**	566
- cash flow hedges	**149**	223
- retirement benefits	**131**	142
Provision in respect of certain lease arrangements	**6,818**	8,249
	6,983	8,974

The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position:

	2022 HK$M	2021 HK$M
Net deferred tax asset recognised in the statement of financial position	**(1,134)**	(846)
Net deferred tax liability recognised in the statement of financial position	**8,117**	9,820
	6,983	8,974

	2022 HK$M	2021 HK$M
Movements in deferred taxation comprise:		
At 1st January	**8,974**	10,872
Movements for the year		
- (credited)/charged to profit or loss		
- deferred tax credit (note 4)	**(483)**	(831)
- operating expenses	**84**	94
- (credited)/charged to other comprehensive income		
- transferred to cash flow hedge reserve (note 6)	**(74)**	267
- transferred to retained profit (note 6)	**(3)**	51
Current portion of provision in respect of certain lease arrangements included in current liabilities – taxation	**(1,515)**	(1,479)
At 31st December	**6,983**	8,974

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$30,125 million (2021: HK$31,363 million) to carry forward against future taxable profits. These amounts are analysed as follows:

	2022 HK$M	2021 HK$M
No expiry date	**20,692**	21,624
Expiring within 2023 to 2037 (2021: 2022 to 2037)	**9,433**	9,739
	30,125	31,363

14. Deferred taxation (continued)

The provision in respect of certain lease arrangements equates to payments which are expected to be made during the years 2023 to 2030 (2021: 2022 to 2030) as follows:

	2022 HK$M	2021 HK$M
After one year but within five years	**3,778**	4,333
After five years but within 10 years	**3,040**	3,916
	6,818	8,249

15. Trade and other receivables

	2022 HK$M	2021 HK$M
Trade debtors, net of loss allowances	**4,010**	3,919
Derivative financial assets - current portion	**1,085**	1,759
Other receivables and prepayments	**1,819**	2,615
Due from associates and other related companies	**7**	3
	6,921	8,296

At 31st December 2022, derivative financial assets – current portion which did not qualify for hedge accounting amounted to HK$28 million (2021: HK$290 million).

	2022 HK$M	2021 HK$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	**3,502**	3,441
One to three months	**485**	420
More than three months	**23**	58
	4,010	3,919

	2022 HK$M	2021 HK$M
Analysis of trade debtors (net of loss allowances) by age:		
Current	**3,754**	3,754
Within three months overdue	**233**	135
More than three months overdue	**23**	30
	4,010	3,919

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

	2022 HK$M	2021 HK$M
At 1st January	**100**	78
Expected credit loss (reversal)/recognised	**(64)**	22
At 31st December	**36**	100

16. Liquid funds

	2022 HK$M	2021 HK$M
Cash and cash equivalents		
Short-term deposits and bank balances	**7,340**	8,573
Other liquid funds		
Short-term deposits maturing beyond three months when placed	**215**	1
Funds with investment managers		
- debt securities listed outside Hong Kong	**10,572**	10,470
- bank deposits	**31**	101
Other liquid investments		
- debt securities listed outside Hong Kong	**5**	5
- bank deposits	**114**	134
Liquid funds	**18,277**	19,284

Included in other liquid investments are bank deposits of HK$114 million (2021: HK$134 million) and debt securities of HK$5 million (2021: 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:

	2022 HK$M	2021 HK$M
Liquid funds	**18,277**	19,284
Less: amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	**(5)**	(5)
- bank deposits	**(114)**	(134)
Committed undrawn facilities	**9,030**	11,105
Available unrestricted liquidity to the Group	**27,188**	30,250

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

17. Trade and other payables

	2022 HK$M	2021 HK$M
Trade creditors	**5,380**	4,327
Derivative financial liabilities - current portion	**217**	186
Other payables	**5,272**	5,311
Due to associates	**135**	55
Due to other related companies	**195**	216
	11,199	10,095

	2022 HK$M	2021 HK$M
Analysis of trade creditors by invoice date:		
Within one month	**4,895**	3,706
One to three months	**332**	328
More than three months	**153**	293
	5,380	4,327

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

17. Trade and other payables (continued)

Included in other payables above, the Group had a provision of HK$324 million (2021: HK$702 million) for possible or actual taxation (other than income tax), litigation and claims. The movements during the year are as follows:

	2022 HK$M	2021 HK$M
At 1st January	**702**	1,056
(Reversal)/addition of provision, net	**(288)**	83
Provision utilised	**(90)**	(437)
At 31st December	**324**	702

18. Contract liabilities

	2022 HK$M	2021 HK$M
Non-current	**282**	478
Current	**13,537**	7,925
	13,819	8,403

The Group had the following contract liabilities recognised in the consolidated statement of financial position:

		2022 HK$M	2021 HK$M
Passenger revenue, fuel and insurance surcharge	(a)	**9,028**	2,624
Loyalty programme	(b)	**4,584**	5,779
Cargo revenue	(c)	**207**	-
		13,819	8,403

The following table summarises the Group's revenue recognised during the year that was included in the contract liabilities at the beginning of the year:

		2022 HK$M	2021 HK$M
Passenger revenue, fuel and insurance surcharge	(a)	**249**	207

(a) The Group typically receives ticket fares from passengers in advance of carriage. The value of unflown passenger sales is recognised as a contract liability until the transportation service is provided.

(b) The value attributable to the award of programme miles as a part of an initial sales transaction is deferred until such time as the members redeem their programme miles or when they expire. Programme miles can be redeemed at any point prior to expiry. If miles are classified as activity based expiry (those issued from 1st January 2020), they do not expire as long as the member has any type of qualifying activity within any 18-month period. If miles are classified as time based expiry (those issued on or before 31st December 2019), they expire after three years of being issued. Programme miles are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of programme miles that were part of the loyalty programme deferred revenue balance at the beginning of the period, as well as miles that were issued during the period.

Changes in loyalty programme contract liabilities are as follows:

	2022 HK$M	2021 HK$M
At 1st January	**5,779**	5,473
Deferral of revenue - mileage credits issued through travel or sold to co-branded credit card and other partners	**2,089**	2,086
Recognition of revenue - mileage credits redeemed or expired	**(3,284)**	(1,780)
At 31st December	**4,584**	5,779

(c) The Group receives deposits from cargo customers. Revenue is recognised when the transportation service is provided.

19. Share capital

	2022		2021	
	Number of shares	**HK$M**	Number of shares	HK$M
Issued and fully paid				
Ordinary shares				
At 1st January / 31st December	**6,437,200,203**	**28,822**	6,437,200,203	28,822
Preference shares				
At 1st January / 31st December	**195,000,000**	**19,500**	195,000,000	19,500
		48,322		48,322

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares and no exercise of warrants during the year ended 2022 and 2021.

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

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

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

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

20. Dividends

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

The preference shares will accrue dividends at the rate of:

(i) 3% per annum from and including the Issue Date (i.e. 12th August 2020) to but excluding the date falling three years from the Issue Date (the "First Step-up Date");

(ii) 5% per annum from and including the First Step-up Date to but excluding the date falling four years from the Issue Date (the "Second Step-up Date");

(iii) 7% per annum from and including the Second Step-up Date to but excluding the date falling five years from the Issue Date (the "Third Step-up Date"); and

(iv) 9% per annum from and including the Third Step-up Date

Dividends on cumulative preference shares are paid semi-annually in arrears at the current rate of 3% per annum, compounding, and can be deferred in whole or in part at the Company's discretion.

The dividend attributable to the preference shareholder for the period ended 31st December 2022 was HK$614 million (31st December 2021: HK$596 million).

20. Dividends (continued)

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend". The accumulated Arrears of Dividend at 31st December 2022 was HK$1,438 million (31st December 2021: HK$824 million).

The dividends payable on 13th February 2023 have been deferred. The cumulative amount deferred of HK$1,507 million was in respect of dividends for the 30-month period from the Issue Date 12th August 2020 and the compounding effect of unpaid dividends.

(b) Dividends payable to ordinary shareholders

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

There remain Arrears of Dividend as at 31st December 2022 and 2021 and accordingly no dividends to ordinary equity shareholders were declared, approved nor paid during 2022 and 2021.

Note 20(a) details the cumulative Arrears of Dividend as at 31st December 2022.

21. Reserves

	2022 HK$M	2021 HK$M
Retained profit	**13,284**	19,724
Investment revaluation reserve (non-recycling)	**(157)**	(153)
Cash flow hedge reserve	**1,467**	2,174
Equity component of convertible bonds issued (note 11(a))	**526**	526
Others	**436**	1,651
	15,556	23,922

Investment revaluation reserve (non-recycling) of the Group comprises the cumulative net change in the fair values of equity investments designated at fair value through other comprehensive income that are held at the end of the reporting period.

Cash flow hedge reserve of the Group relates to the effective portion of the cumulative net change in the fair values of hedging instruments. Refer to note 28 to the financial statements for details of the Group's hedging instruments.

Other reserves of the Group comprise exchange gains arising from revaluation of foreign investments which amounted to HK$461 million (2021: exchange gains of HK$1,902 million) and share of associates' other negative reserves of HK$25 million (2021: negative reserves of HK$251 million).

21. Reserves (continued)

The gain/(loss) transferred from cash flow hedge reserve of the Group to profit or loss items was as follows:

	2022 HK$M	2021 HK$M
Revenue	**457**	50
Fuel	**3,444**	1,914
Net finance charges	**(119)**	(243)
Other expenses	**10**	115
Net gain transferred to profit or loss (note 6)	**3,792**	1,836

The cash flow hedge reserve of the Group is expected to be credited to profit or loss or transferred to relevant assets as noted below when the hedged transactions affect profit or loss or the relevant assets are recognised.

	Total HK$M
2023	**(1,105)**
2024	**(118)**
2025	**(20)**
2026	**(10)**
2027	**(134)**
Beyond 2027	**(80)**
	(1,467)

The actual amount ultimately recognised in profit or loss or transferred to relevant assets will depend upon the fair values of the hedging instruments at the time that the hedged transactions affect profit or loss or the relevant assets are recognised.

	Retained profit HK$M	Convertible bond reserve HK$M	Investment revaluation reserve (non-recycling) HK$M	Cash flow hedge reserve HK$M	Total HK$M
Company					
At 1st January 2022	**14,648**	**526**	**(109)**	**2,181**	**17,246**
Profit for the year	**4,215**	**-**	**-**	**-**	**4,215**
Other comprehensive income	**92**	**-**	**-**	**(713)**	**(621)**
Total comprehensive income for the year	**4,307**	**-**	**-**	**(713)**	**3,594**
At 31st December 2022	**18,955**	**526**	**(109)**	**1,468**	**20,840**
At 1st January 2021	15,969	-	(109)	(394)	15,466
Loss for the year	(1,775)	-	-	-	(1,775)
Other comprehensive income	454	-	-	2,575	3,029
Total comprehensive income for the year	(1,321)	-	-	2,575	1,254
Equity component of convertible bonds issued	-	526	-	-	526
At 31st December 2021	14,648	526	(109)	2,181	17,246

Distributable reserves of the Company at 31st December 2022 amounted to HK$18,955 million (2021: HK$14,648 million), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622).

22. Reconciliation of operating loss to cash generated from operations

	2022 HK$M	2021 HK$M
Operating profit/(loss)	**3,546**	(1,443)
Depreciation of property, plant and equipment	**11,559**	12,225
Amortisation of intangible assets	**630**	561
Impairment of property, plant and equipment	**-**	1,010
Impairment of stock	**-**	110
Loss/(gain) on disposal of property, plant and equipment, net	**143**	(51)
Loss on disposal of intangible assets	**9**	5
Gain on deemed partial disposal of an associate	**-**	(210)
Fair value (gain)/losses on equity investments measured at fair value through profit or loss	**(88)**	54
COVID-19-related rent concessions received	**(108)**	(301)
Gain from financial derivatives, cash flow hedge reserve and other items not involving cash flows	**(163)**	(96)
Decrease in stock	**132**	340
Decrease/(increase) in trade debtors and other receivables	**705**	(159)
Increase/(decrease) in net amounts due to associates and other related companies	**55**	(232)
Increase/(decrease) in trade creditors, other payables and deferred liabilities	**382**	(1,376)
Increase in contract liabilities	**5,416**	281
Non-operating movements in debtors and creditors	**(742)**	987
Dividend income from equity investments	**(90)**	-
Cash generated from operations	**21,386**	11,705

23. Total cash outflow for leases

Cash outflows for leases included in the consolidated statement of cash flows comprise the following:

	2022 HK$M	2021 HK$M
Within operating cash flows	**585**	637
Within investing cash flows	**9**	198
Within financing cash flows	**5,818**	6,381
	6,412	7,216

Significant non-cash transactions for leases:

During the year ended 31st December 2022, the Group entered into new lease arrangements in respect of property, plant and equipment with a total capitalised value at the inception of HK$3,269 million (2021: HK$4,141 million), a significant proportion of which is related to the delivery of leased aircraft.

24. Directors' remuneration

(a) Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation are:

	Cash			Non-cash					
	Basic salary/ Fees (note i) HK$'000	Bonus (in respect of 2021) HK$'000	Allowances & benefits HK$'000	Contributions to retirement schemes HK$'000	Bonus paid into retirement schemes HK$'000	Other benefits HK$'000	Housing benefits HK$'000	**2022 Total HK$'000**	2021 Total HK$'000
Executive Directors									
Healy, Patrick	2,596	933	954	571	933	264	-	**6,251**	2,961
Hughes, Gregory	2,851	1,737	543	627	-	254	2,765	**8,777**	7,088
Lam, Ronald	2,831	1,558	2,518	959	-	48	-	**7,914**	5,267
Murray, Martin (up to January 2021)	-	-	-	-	-	-	-	-	408
Sharpe, Rebecca (from January 2021)	2,735	757	2,232	602	747	84	-	**7,157**	4,793
Tang, Augustus	4,867	3,532	3,678	1,439	-	-	-	**13,516**	6,497
Non-Executive Directors									
Bradley, Guy (from August 2021)	-	-	-	-	-	-	-	-	-
Low, Michelle (up to March 2021)	-	-	-	-	-	-	-	-	-
Ma, Chongxian (from June 2021)	575	-	-	-	-	-	-	**575**	321
Murray, Martin (April 2021- August 2021)	-	-	-	-	-	-	-	-	-
Song, Zhiyong (up to November 2022)	482	-	-	-	-	-	-	**482**	575
Sun, Yuquan (from May 2022)	369	-	-	-	-	-	-	**369**	-
Swire, Merlin	-	-	-	-	-	-	-	-	-
Swire, Samuel	-	-	-	-	-	-	-	-	-
Xiao, Feng	947	-	-	-	-	-	-	**947**	947
Zhang, Zhuo Ping	-	-	-	-	-	-	-	-	-
Zhao, Xiaohang (up to May 2022)	206	-	-	-	-	-	-	**206**	575
Independent Non-Executive Directors									
Chan, Bernard	684	-	-	-	-	-	-	**684**	635
Harrison, John	1,029	-	-	-	-	-	-	**1,029**	1,029
Milton, Robert (up to May 2022)	369	-	-	-	-	-	-	**369**	1,029
Mueller, Christoph (from May 2022)	660	-	-	-	-	-	-	**660**	-
Tung, Andrew	912	-	-	-	-	-	-	**912**	844
2022 Total	**22,113**	**8,517**	**9,925**	**4,198**	**1,680**	**650**	**2,765**	**49,848**	
2021 Total	15,933	-	9,288	3,777	-	920	3,051		32,969

(i) Independent Non-Executive Directors receive fees as members of the Board and its committees. Executive Directors receive salaries. For Directors employed by the Swire group, the remuneration disclosed represents the amount charged to the Company.

(ii) The total emoluments of Executive Directors are charged to the Group in accordance with the amount of time spent on its affairs.

24. Directors' remuneration (continued)

(b) The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2022 and 2021 are as follows:

	2022	2021
Number of individuals:		
Executive Directors	4	2
Senior staff	1	3
	5	5

Details of their emoluments are as follows:

	Cash			Non-cash					
	Basic salary HK$'000	Bonus HK$'000	Allowances & benefits HK$'000	Contributions to retirement schemes HK$'000	Bonus paid into retirement schemes HK$'000	Other benefits HK$'000	Housing benefits HK$'000	**2022 Total HK$'000**	2021 Total HK$'000
2022 Total	**14,973**	**8,136**	**12,768**	**3,999**	**1,187**	**850**	**2,765**	**44,678**	
2021 Total	9,586	2,880	10,415	6,266	672	1,518	3,051		34,388

The bonuses disclosed above are related to services for the previous year.

The number of the above executive directors and senior staff whose emoluments fell within the following bands:

HK$	2022	2021
6,000,001 – 6,500,000	-	2
6,500,001 – 7,000,000	-	1
7,000,001 – 7,500,000	2	1
7,500,001 – 8,000,000	1	1
8,500,001 – 9,000,000	1	-
13,500,001 – 14,000,000	1	-
	5	5

25. Employee information – Cathay Pacific

The table below sets out the number of individuals, including those who have retired or resigned during the year, in each employment category whose total remuneration for the year fell into the following ranges:

	2022			2021		
HK$	Director	Flight staff	Other staff	Director	Flight staff	Other staff
0 – 1,000,000	13	8,297	7,980	12	9,044	8,295
1,000,001 – 1,500,000	1	743	288	2	967	248
1,500,001 – 2,000,000	-	338	130	-	481	88
2,000,001 – 2,500,000	-	315	37	-	400	59
2,500,001 – 3,000,000	-	181	19	1	214	10
3,000,001 – 3,500,000	-	71	9	-	73	6
3,500,001 – 4,000,000	-	26	4	-	32	3
4,000,001 – 4,500,000	-	8	3	-	11	1
4,500,001 – 5,000,000	-	4	3	1	2	1
5,000,001 – 5,500,000	-	5	1	1	1	-
5,500,001 – 6,000,000	-	2	-	-	-	-
6,000,001 – 6,500,000	1	1	-	1	-	1
6,500,001 – 7,000,000	-	-	-	-	-	1
7,000,001 – 7,500,000	1	-	2	1	-	-
7,500,001 – 8,000,000	1	-	-	-	-	1
8,500,001 – 9,000,000	1	-	-	-	-	-
13,500,001 – 14,000,000	1	-	-	-	-	-
	19	9,991	8,476	19	11,225	8,714

26. Related party transactions

(a) 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:

	2022		2021	
	Associates HK$M	**Other related parties HK$M**	Associates HK$M	Other related parties HK$M
Revenue	**44**	**17**	37	14
Aircraft maintenance	**779**	**1,318**	736	1,081
Other operating expenses	**159**	**268**	111	234
Dividend income	**133**	**89**	874	28
Finance income	**3**	**-**	4	-
Lease payments	**1**	**40**	1	55

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

(i) The Group entered into four leases expiring from two months to four years in respect of certain leasehold properties from a related party of the Group for storage of engines and inventories. Monthly rental is HK$4 million as at 31st December 2022, which was determined with reference to amounts charged by the related party to third parties. For the year ended 31st December 2022, lease payments of HK$40 million (2021: HK$55 million) were paid. The balances of right-of-use assets and lease liabilities as at 31st December 2022 were HK$103 million and HK$117 million respectively (2021: HK$158 million and HK$169 million respectively).

The lease payments are included in continuing connected transactions in note 26(a)(ii) below.

(ii) Continuing connected transactions

The Company has complied with the disclosure and shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. For a definition of terms, please refer to the section of this annual report headed Directors' Report.

HAECO

Under the HAECO 2013 Framework Agreement with HAECO and HXITM, the Group paid fees to, and received fees from, the HAECO group in respect of aircraft maintenance and related services. Such transactions constitute continuing connected transactions. The amounts paid/payable to the HAECO group for the year ended 31st December 2022 totalled HK$2,082 million (2021: HK$1,816 million). The amounts received/receivable from the HAECO group for the year ended 31st December 2022 totalled HK$26 million (2021: HK$19 million).

As a director of HAECO, Guy Bradley is interested in the HAECO 2013 Framework Agreement.

Air China

Under the Air China Framework Agreement with Air China dated 26th June 2008, the Group paid fees to, and received fees from, the Air China group in respect of transactions between the Group on the one hand and the Air China group on the other hand arising from joint venture arrangements for the operation of passenger air transportation, code sharing arrangements, interline arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services agreed to be provided and other transactions agreed to be undertaken under the Air China Framework Agreement. Such transactions constitute continuing connected transactions. The amounts paid/payable to the Air China group for the year ended 31st December 2022 totalled HK$35 million (2021: HK$39 million). The amounts received/receivable from the Air China group for the year ended 31st December 2022 totalled HK$26 million (2021: HK$21 million).

26. Related party transactions (continued)

As directors or employees of Air China, Patrick Healy, Ma Chongxian, Xiao Feng and Zhao Xiaohang are interested in the Air China Framework Agreement. Song Zhiyong was interested as a director of Air China until his resignation as a director of the Company with effect from 3rd November 2022.

JS&SHK

The Company has an agreement for services with JS&SHK ("JS&SHK Services Agreement"). Under the JS&SHK Services Agreement, the Group paid fees and reimbursed costs to JS&SHK in exchange for services provided. Service fees calculated at 2.5% of the Group's profit before taxation, results of associates, non-controlling interests, and any profits or losses on disposal of property, plant and equipment are paid annually. Such transactions constitute continuing connected transactions. For the year ended 31st December 2022, service fee paid/payable amounted HK$23 million (2021: nil)

As directors and/or employees of the Swire group, Patrick Healy, Guy Bradley, Ronald Lam, Gordon McCallum, Rebecca Sharpe, Merlin Swire, and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement. Gordon McCallum and Merlin Swire are also so interested as shareholders, directors and employees of the Swire group. Augustus Tang was interested as a director and an employee of the Swire group until his resignation with effect from 1st January 2023. Samuel Swire was also so interested as a shareholder, a director and an employee of the Swire group until his resignation with effect from 12th January 2023. Gregory Hughes is interested as a director and an employee of the Swire group until his resignation with effect from 1st April 2023.

(b) Amounts due from and due to associates and other related companies at 31st December 2022 are disclosed in notes 15 and 17 to the financial statements. These balances arising in the normal course of business are non-interest bearing and have no fixed repayment terms.

(c) Guarantees given by the Company in respect of bank loan facilities of an associate at 31st December 2022 are disclosed in note 27(b) to the financial statements.

(d) There were no material transactions with Directors except for those relating to shareholdings (as disclosed in the Directors' Report and the Corporate Governance Report). Remuneration of Directors is disclosed in note 24 to the financial statements.

27. Capital commitments and contingencies

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

	2022 HK$M	2021 HK$M
Authorised and contracted for	**47,951**	52,242
Authorised but not contracted for	**6,016**	3,469
	53,967	55,711

(b) Performance and financial guarantees outstanding at the year end:

	2022 HK$M	2021 HK$M
Associates	**209**	1,164

(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 outcome 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 22 on page 139.

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. The same 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 to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to the Company in June 2022. The Company filed an appeal to the European Court of Justice ("ECJ") in early June 2022 and a final ECJ judgment is expected by mid-2024.

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.

28. Financial risk management

In the normal course of business, the Group is exposed to credit, liquidity, currency, interest rate and fuel price volatility risks. These exposures are managed, sometimes with the use of derivative financial instruments, by the Group treasury function in accordance with the policies approved by the Board.

Derivative financial instruments are used solely for financial risk management purposes and the Group does not use derivative financial instruments for proprietary trading purposes. Derivative financial instruments which constitute an effective hedge do not expose the Group to market risk since any change in their market value will be offset by a compensating change in the market value of the hedged items. Exposure to foreign exchange rates, interest rates and jet fuel prices movements are regularly reviewed and positions are amended in compliance with internal guidelines and limits.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk for the Group arises from activities with treasury counterparties and trade debtors.

The Group's exposure to credit risk arising from treasury activities is limited. To manage credit risk in respect of treasury activities, derivative financial transactions, deposit placements and fund transactions are only carried out with financial institutions which have high credit ratings and all counterparties are subject to prescribed trading limits which are regularly reviewed. Risk exposures are monitored regularly by reference to market values.

The credit risk with regard to trade debtors is relatively low. Trade debtors mainly represent passenger and freight sales due from agents and amounts due from airlines for interline services provided. The majority of the agents are connected to the settlement systems operated by the International Air Transport Association ("IATA") which is responsible for assessing the credit worthiness of such agents and collecting bank guarantees or other monetary collateral according to local industry practice. In most cases amounts due from airlines are settled on net basis via an IATA clearing house.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantees or other monetary collateral.

The Group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix based on the Group's historical credit loss experience. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is assessed on a collective basis.

Expected loss rates are based on historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position and the amount of guarantees granted as disclosed in note 27(b) to the financial statements. Collateral and guarantees received in respect of credit terms granted at 31st December 2022 totalled HK$452 million (2021: HK$579 million).

The movement in the expected credit loss allowance in respect of trade debtors during the year is set out in note 15 to the financial statements.

28. Financial risk management (continued)

(b) 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.

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

At the end of the reporting period, the Group held liquid funds (note 16 to the financial statements) of HK$18,277 million (2021: HK$19,284 million) that is available for managing liquidity risk.

(i) Financial arrangements

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

	2022 HK$M	2021 HK$M
Liquid funds (note 16)	**18,277**	19,284
Less: amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	**(5)**	(5)
- bank deposits	**(114)**	(134)
Committed undrawn facilities	**9,030**	11,105
Available unrestricted liquidity to the Group	**27,188**	30,250

	2022 HK$M	2021 HK$M
Uncommitted bank overdraft facilities	**431**	461

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

28. Financial risk management (continued)

(ii) Payment profile of financial liabilities

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

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

	2021				
	Within one year HK$M	After one year but within two years HK$M	After two years but within five years HK$M	After five years HK$M	Total HK$M
Group					
Loans and other borrowings	(17,206)	(8,098)	(27,522)	(8,314)	(61,140)
Lease liabilities	(7,038)	(6,635)	(11,717)	(12,766)	(38,156)
Other long-term payables	-	(1,142)	(1,536)	(579)	(3,257)
Trade and other payables	(9,909)	-	-	-	(9,909)
Derivative financial liabilities, net	(205)	(152)	(137)	(5)	(499)
Total	(34,358)	(16,027)	(40,912)	(21,664)	(112,961)

(c) Market risk

(i) Foreign currency risk

The Group's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. The Group's policy is to reduce foreign currency exposure on currencies other than United States dollars. To manage this exposure, assets are, where possible, financed in those foreign currencies in which sales transactions are anticipated, thus establishing a natural hedge. In addition, the Group uses currency derivatives to reduce foreign currency exposure from highly probable forecast sales transactions in foreign currencies. The use of foreign currency borrowings and currency derivatives to hedge highly probable forecast sales transactions in foreign currencies is a key component of the financial risk management process, as the change in value of the highly probable forecast sales transactions in foreign currencies is effectively mitigated by the exchange differences realised on the repayment of foreign currency borrowings and the settlement of currency derivatives.

28. Financial risk management (continued)

Hedges of foreign currency risk

The following table details the carrying amount of foreign currency borrowings and the notional amount of currency derivative contracts that have been designated as cash flow hedges of the Group's highly probable forecast sales transactions at the end of the reporting period:

	2022 HK$M	2021 HK$M
Currency derivative contracts – outgoing currencies		
Renminbi	**2,409**	668
Euros	**743**	-
Australian dollars	**554**	51
Indian rupee	**477**	-
New Taiwan dollars	**431**	75
Pound sterling	**344**	-
Others	**472**	-
Foreign currency borrowings		
Japanese yen	**2,573**	3,719
Renminbi	**260**	-

	2022 HK$M	2021 HK$M
Carrying amount of currency derivative contracts		
Asset	**46**	2
Liability	**(91)**	(10)

Currency derivative assets are included in the "Other long-term receivables and investments" (note 10) and "Trade and other receivables" (note 15), and currency derivative liabilities are included in the "Other long-term payables" (note 12) and "Trade and other payables" (note 17) line items in the consolidated statement of financial position respectively.

The foreign currency borrowings designated as hedging instruments to hedge forecast sales transactions will mature over the next seven years (2021: eight years).

The Group considers the risk of movement in exchange rates between the Group's functional currency, which is Hong Kong dollars and the United States dollars to be insignificant under the existing currency peg. Correspondingly, the Group uses currency forward contracts to manage the fluctuation in exchange rates between foreign currencies and United States dollars. The currency forward contracts have a maturity of less than two years (2021: two years) from the reporting date and have a weighted average forward exchange rate between the respective foreign currencies and United States dollars as follows:

	2022 USD to	2021 USD to
Renminbi	**6.80**	6.54
Euros	**0.96**	-
Australian dollars	**1.49**	1.35
Indian rupee	**83.35**	-
New Taiwan dollars	**29.87**	27.59
Japanese yen	**126.26**	-
Pound sterling	**0.85**	-

The Group designates currency forward contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a currency forward contract but instead designates the currency forward contract in its entirety in a hedging relationship.

28. Financial risk management (continued)

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the foreign currency borrowings and currency derivative contracts, and the highly probable forecast sales transactions based on their currency types, currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the currency forward contracts which is not reflected in the fair value of the hedged cash flows attributable to the change in forward rates; and
- changes in the timing of the hedged transactions.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2022 HK$M	2021 HK$M
Balance at 1st January	665	418
Effective portion of the cash flow hedge recognised in other comprehensive income	523	436
Amounts reclassified to profit or loss*	(467)	(165)
Related tax	(5)	(24)
Balance at 31st December**	716	665
Change in fair value of the derivative instruments during the year	523	436
Hedge ineffectiveness recognised in profit or loss	-	-
Effective portion of the cash flow hedge recognised in other comprehensive income	523	436

* Amount reclassified to profit or loss are recognised in "Passenger services revenue" and "Cargo services revenue" in the consolidated statement of profit or loss. An insignificant amount is recognised in "Other expenses" in the consolidated statement of profit or loss as a result of discontinued hedge accounting relating to forecast sales transaction no longer expected to occur (2021: HK$115 million).

** At 31st December 2022, the Group had HK$127 million (net of deferred tax) in the hedging reserve from discontinued hedges (2021: HK$260 million, net of deferred tax).

Exposure to currency risk

The currencies giving rise to a risk of translation in the Group's financial statements in 2022 are primarily United States dollars, Euros, Australian dollars, Singapore dollars, Renminbi and Japanese yen (2021: United States dollars, Euros, Australian dollars, Singapore dollars, Renminbi and Japanese yen).

At the reporting date, the exposure to these currencies in relation to recognised assets and liabilities was as follows:

	2022					
	USD HK$M	EUR HK$M	AUD HK$M	SGD HK$M	RMB HK$M	JPY HK$M
Group						
Loans due from an associate	34	-	-	-	-	-
Trade debtors and other receivables	3,517	298	106	26	671	149
Liquid funds	13,416	86	19	27	248	38
Loans and other borrowings	(31,174)	-	-	(1,020)	(259)	(319)
Lease liabilities	(25,185)	(40)	(44)	(16)	(105)	(3,450)
Trade creditors and other payables	(3,713)	(155)	(82)	(62)	(309)	(109)
Net exposure	(43,105)	189	(1)	(1,045)	246	(3,691)

28. Financial risk management (continued)

	2021					
	USD HK$M	EUR HK$M	AUD HK$M	SGD HK$M	RMB HK$M	JPY HK$M
Group						
Loans due from an associate	81	-	-	-	-	-
Trade debtors and other receivables	4,348	217	73	19	1,721	201
Liquid funds	16,253	134	29	14	243	127
Loans and other borrowings	(39,323)	-	-	(1,008)	(279)	(755)
Lease liabilities	(26,698)	(28)	(48)	(16)	(113)	(3,928)
Trade creditors and other payables	(3,351)	(93)	(62)	(41)	(306)	(73)
Net exposure	(48,690)	230	(8)	(1,032)	1,266	(4,428)

Sensitivity analysis for foreign currency exposure

A five percent appreciation of the Hong Kong dollar against the following currencies at the reporting date would have resulted in a change in profit or loss and other equity components by the amounts shown below. It represents the translation of financial assets and liabilities and the change in fair value of currency derivatives at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. It has been performed on the same basis as for 2021.

	2022	
	Net increase/(decrease) in profit or loss HK$M	**Net increase/(decrease) in other equity components HK$M**
United States dollars*	**2,264**	**(275)**
Euros	**(10)**	**33**
Australian dollars	**(3)**	**24**
Singapore dollars	**34**	**2**
Renminbi	**(25)**	**102**
Japanese yen	**57**	**131**
Net increase	**2,317**	**17**

	2021	
	Net increase/(decrease) in profit or loss HK$M	Net increase/(decrease) in other equity components HK$M
United States dollars*	2,533	(109)
Euros	(11)	-
Australian dollars	(2)	2
Singapore dollars	52	-
Renminbi	(56)	29
Japanese yen	36	186
Net increase	2,552	108

* Hong Kong dollars is pegged with United States dollars between the range of 7.75 to 7.85 (US$: HK$). The above analysis on five percent appreciation of Hong Kong dollars against United States dollars is for illustrative purpose only.

28. Financial risk management (continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises primarily from long-term borrowings. Interest rate swaps are used to achieve an appropriate mix of fixed rate and floating rate exposure consistent with the Group's policy. Interest rate risk is measured by using sensitivity analysis on variable rate financial instruments.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The Group has financial instruments referenced to USD London Interbank Offered Rate (USD LIBOR), Hong Kong Interbank Offered Rate (HIBOR) and JPY Tokyo Interbank Offered Rate (Tokyo TIBOR).

In March 2021, the UK Financial Conduct Authority formally announced the cessation or non-representativeness of the following LIBOR benchmark settings:

- all Sterling, Euro, Swiss Franc, Japanese yen LIBOR after 31st December 2021;
- 1-week and 2-month USD LIBOR after 31st December 2021; and
- overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR after 30th June 2023.

In Hong Kong, the Hong Kong Monetary Authority still recognises HIBOR as a credible and reliable benchmark and confirms that there is no plan to discontinue HIBOR although an alternative, the Hong Kong Dollar Overnight Index Average (HONIA) has already been identified.

In Japan, the JPY TIBOR which has been reformed since 2017 continues to retain its importance as an alternative benchmark for JPY LIBOR, particularly in the loan market.

The Group does not hold any financial instruments referenced to 1-week and 2-month USD LIBOR and as such there are no contracts replaced. The Group's financial instruments referenced to HIBOR and JPY TIBOR are not expected to be impacted by the IBOR reform.

The Finance Committee monitors the Group's transition to alternative benchmark rates. The Group's treasury function is actively engaging its counterparties in discussion on contracts that need to be amended as a result of the reform, but specific changes have yet to be finalised.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have variable rate cash flows that are referenced to either USD LIBOR or HIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association's (ISDA) master agreements. The Group and all its contracted derivatives counterparties have adhered to the ISDA 2020 IBOR Fallbacks Protocol.

28. Financial risk management (continued)

As of 31st December 2022, the Group has not moved any existing contracts to alternative benchmark rates. The Group's USD LIBOR-linked financial instruments that need to be but have yet to transition to alternative benchmark rates as at 31st December 2022 are as below:

- a carrying amount of US$4,181 million (2021: US$5,476 million) of variable rate interest-bearing liabilities referenced to 1-month, 3-month and 6-month USD LIBOR;
- a nominal amount of US$659 million (2021: US$905 million) of interest rate swaps designated as hedging instruments and a nominal amount of US$140 million (2021: US$180 million) of interest rate swaps not designated as hedging instruments. These interest rate swaps are referenced to 1-month, 3-month and 6-month USD LIBOR.

Hedge accounting

The Group's evaluation of the extent to which its hedging relationships are subject to uncertainty as a result of IBOR reform is outlined below.

The Group has USD LIBOR cash flow hedging relationships which are referenced to 1-month, 3-month and 6-month LIBOR with maturities over the next five years, hence beyond the cessation date of 30th June 2023. The preferred alternative benchmark rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). The Group is in active discussion with its counterparties over the transition mechanism, however, there is still uncertainty about the timing and precise nature of changes with respect to the relevant hedged items and hedging instruments which hinges on the market pricing and the response of the contracted counterparties. The Group targets to finalise the amendments or restructure for its USD LIBOR contracts as soon as possible but in no event later than 30th June 2023.

As uncertainty on USD LIBOR transition is still present, the Group continues to apply the phase 1 amendments to HKFRS 9 which provide accounting reliefs to hedging relationships directly affected by uncertainties arising from IBOR reform. The accounting reliefs applied are outlined below:

- When considering the highly probable requirement, the Group has assumed that the USD LIBOR interest rates on which the Group's hedged items are based do not change as a result of IBOR reform.
- In assessing whether the hedging relationship is effective on a forward-looking basis the Group has assumed that the USD LIBOR interest rates on which the cash flows of the hedged items and the associated interest rate swaps are based are not altered by IBOR reform.

Hedges of interest rate risk

The following table details the interest rate swaps that have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate financing liabilities at the end of the reporting period:

	2022 HK$M	2021 HK$M
Notional amount		
United States dollars	**5,149**	7,062
Hong Kong dollars	**48**	657

	2022 HK$M	2021 HK$M
Carrying amount		
Asset	**163**	-
Liability	**-**	(268)

28. Financial risk management (continued)

Interest rate swap assets are included in the "Other long-term receivables and investments" (note 10) and "Trade and other receivables" (note 15), and interest rate swap liabilities are included in the "Other long-term payables" (note 12) and "Trade and other payables" (note 17) line items in the consolidated statement of financial position respectively.

The swaps will mature over the next five years matching the maturity of the related financing liabilities and have fixed swap rates ranging from 2.68% to 4.22% (2021: 2.68% to 4.29%).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment dates, the notional amounts of the swaps and the outstanding principal amounts of the financing liabilities.

The main source of ineffectiveness in these hedging relationships is the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2022 HK$M	2021 HK$M
Balance at 1st January	**(292)**	(613)
Effective portion of the cash flow hedge recognised in other comprehensive income	**334**	114
Amounts reclassified to profit or loss*	**119**	243
Related tax	**(43)**	(36)
Balance at 31st December**	**118**	(292)
Change in fair value of the derivative instruments during the year	**334**	114
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**334**	114

* Amounts reclassified to profit or loss are recognised in "Finance charges" in the consolidated statement of profit or loss.

** The entire balance in the hedging reserve relates to continuing hedges.

28. Financial risk management (continued)

Interest rate profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	2022 HK$M	2021 HK$M
Fixed rate instruments		
Loan due from an associate	**40**	16
Loans and other borrowings	**(18,638)**	(19,574)
Lease liabilities	**(16,500)**	(19,245)
Interest rate and cross currency interest rate swaps	**(6,306)**	(9,152)
Net exposure	**(41,404)**	(47,955)

	2022 HK$M	2021 HK$M
Variable rate instruments		
Loan due from an associate	**34**	81
Liquid funds	**18,277**	19,284
Loans and other borrowings	**(26,528)**	(35,548)
Lease liabilities	**(15,440)**	(15,487)
Interest rate and cross currency interest rate swaps	**6,289**	9,124
Net exposure	**(17,368)**	(22,546)

Sensitivity analysis for interest rate exposure

An increase of 25 basis points in interest rates at the reporting date would have decreased profit or loss and increased other equity components by the amounts shown below. It represents the change in fair value of interest rate swaps and financial liabilities designated at fair value through profit or loss at the reporting date and the increase in net finance charges on variable rate financial instruments. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. It has been performed on the same basis as for 2021.

	2022		2021	
	Net decrease in profit or loss HK$M	**Net increase in other equity components HK$M**	Net decrease in profit or loss HK$M	Net increase in other equity components HK$M
Variable rate instruments	**(50)**	**15**	(65)	31

28. Financial risk management (continued)

(iii) Fuel price risk

Jet fuel is a major component of the Group's operating expenses and the Group's results are significantly affected by the volatility in the price of jet fuel. The Group's policy is to reduce fuel price risk by hedging a percentage of its expected fuel consumption. Crude oil swaps which are economically equivalent to forward contracts are used to achieve the Group's desired hedging position.

Hedges of fuel price risk

The following table details the crude oil forward contracts that have been designated as cash flow hedges of the Group's highly probable forecast fuel purchase transactions at the end of the reporting period:

		2022	2021
Notional amount	*Barrel (million)*	**14.2**	15.2
Carrying amount			
Asset	*HK$M*	**932**	1,710
Liability	*HK$M*	**(267)**	(35)

Crude oil forward contract assets are included in the "Other long–term receivables and investments" (note 10) and "Trade and other receivables" (note 15), and crude oil forward contract liabilities are included in the "Other long-term payables" (note 12) and "Trade and other payables" (note 17) line items in the consolidated statement of financial position respectively.

The crude oil forward contracts have a maturity of less than two years (2021: two years) from the reporting date and have a weighted average strike price (Brent, US$/barrel) as follows:

	2022 US$/barrel	2021 US$/barrel
Within one year	**73.30**	52.82
After one year but within two years	**81.74**	66.76

The price risk of jet fuel purchases includes a crude oil price risk component, even though crude oil is not specified in any contractual arrangement. The Group considers the crude oil component to be a separately identifiable and reliably measureable component of jet fuel price. As such, crude oil forward contracts are designated as a hedge of the crude oil risk component of highly probable forecast fuel purchase transactions.

28. Financial risk management (continued)

The Group seeks to hedge the crude oil price risk component only and applies a hedge ratio of 1:1. The main source of ineffectiveness in these hedging relationships is the effect of the counterparty's and the Group's own credit risk on the fair value of the crude oil forward contracts which is not reflected in the fair value of the hedged cash flows attributable to the change in crude oil price.

The following table provides a reconciliation of the hedging reserve in respect of fuel price risk and shows the effectiveness of the hedging relationships:

	2022 HK$M	2021 HK$M
Balance at 1st January	**1,801**	(212)
Effective portion of the cash flow hedge recognised in other comprehensive income	**2,154**	4,134
Amounts reclassified to profit or loss*	**(3,444)**	(1,914)
Related tax	**122**	(207)
Balance at 31st December**	**633**	1,801
Change in fair value of the derivative instruments during the year	**2,154**	4,134
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**2,154**	4,134

* Amounts reclassified to profit or loss are recognised in "Fuel, including hedging gains" in the consolidated statement of profit or loss. Nil of the total amount are the result of discontinued hedge accounting relating to forecast fuel consumptions no longer expected to occur (2021: loss of HK$537 million).

** As at 31st December 2022, the Group had HK$26 million (net of deferred tax) in the hedging reserve from discontinued hedges (2021: HK$282 million, net of deferred tax).

Sensitivity analysis for fuel price exposures

An increase/(decrease) of five percent in the crude oil price at the reporting date would have resulted in a change in profit or loss and other equity components by the amounts shown below. It represents the change in fair value of crude oil forward contracts at the reporting date. The analysis assumes that all other variables remain constant and it has been performed on the same basis as for 2021.

	2022		2021	
	Net increase in profit or loss HK$M	**Net increase/ (decrease) in other equity components HK$M**	Net increase in profit or loss HK$M	Net increase/ (decrease) in other equity components HK$M
Increase in crude oil price by 5%	**-**	**414**	32	392
Decrease in crude oil price by 5%	**-**	**(414)**	(32)	(392)

28. Financial risk management (continued)

(d) 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 31st December 2022 and 2021 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

	2022		2021	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Loans and other borrowings	**(45,166)**	**(47,189)**	(55,122)	(59,730)

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.

(e) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31st December 2022 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.

28. Financial risk management (continued)

	2022				2021			
	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	-	-	**840**	**840**	-	-	756	756
Liquid funds								
- funds with investment managers	-	**10,572**	-	**10,572**	-	10,470	-	10,470
- other liquid investments	-	**5**	-	**5**	-	5	-	5
Derivative financial assets	-	**1,185**	-	**1,185**	-	2,002	-	2,002
	-	**11,762**	**840**	**12,602**	-	12,477	756	13,233
Liabilities								
Derivative financial liabilities	-	**(358)**	-	**(358)**	-	(370)	-	(370)
	-	**(358)**	-	**(358)**	-	(370)	-	(370)

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 discounted cash flow valuation techniques. The significant unobservable input used in the fair value measurement is the discount rate. At 31st December 2022 and 2021, 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	2022: 8.0-11.0% (2021: 7.9-10.0%)	The higher the discount rate, the lower the fair value	2022: +/- 0.5% (2021: +/- 0.5%)	2022: (29)/32 (2021: (26)/29)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2022 HK$M	2021 HK$M
Unlisted equity investments at fair value		
At 1st January	**756**	815
Unrealised losses recognised in other comprehensive income during the year	**(4)**	(5)
Fair value losses recognised in profit or loss during the year	**88**	(54)
At 31st December	**840**	756

Any gain or loss arising from the remeasurement of the Group's equity investments held for strategic purposes are recognised in the investment revaluation reserve (non-recycling) in other comprehensive income. Upon disposal of the equity investments, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

28. Financial risk management (continued)

Any gain or loss arising from the remeasurement of the Group's equity investments held for trading purposes are recognised in profit or loss as "Others".

(f) Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under ISDA master agreements, providing offsetting in the event of default. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The table below illustrates the net amounts of financial instruments with the same counterparty:

	2022		
	Amount of financial assets/(liabilities) presented in the statement of financial position HK\$M	**Financial instruments not offset in the statement of financial position HK\$M**	**Net amount HK\$M**
Group			
Derivative financial assets	**1,185**	**(312)**	**873**
Derivative financial liabilities	**(358)**	**312**	**(46)**
	827	**-**	**827**

	2021		
	Amount of financial assets/(liabilities) presented in the statement of financial position HK\$M	Financial instruments not offset in the statement of financial position HK\$M	Net amount HK\$M
Group			
Derivative financial assets	2,002	(106)	1,896
Derivative financial liabilities	(370)	106	(264)
	1,632	-	1,632

29. Capital risk management

The Group's objectives when managing capital are to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, whilst taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events, such as the COVID-19 pandemic, on cash flows.

The Group regards the net debt/equity ratio and adjusted net debt/equity ratio (excluding leases without assets transfer components) as the key measurements of capital risk management. The components and calculation of the net debt/equity ratio and adjusted net debt/equity ratio are shown in note 11 to the financial statements and a ten year history of net debt/equity ratio is included on pages 140 and 141 of the annual report. The Group's strategy is to maintain the adjusted net debt/equity ratio within its debt covenants of 2.

The Group is not subject to externally imposed capital requirements.

During the year ended 31st December 2022, no significant changes were made in the objectives, policies or processes relating to the management of the Group's capital risk management.

30. Company-level statement of financial position

	Note	2022 HK$M	2021 HK$M	2022 US$M	2021 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment		**101,357**	104,904	**12,994**	13,449
Intangible assets		**10,647**	10,856	**1,365**	1,392
Investments in subsidiaries		**31,204**	32,303	**4,001**	4,141
Investments in associates		**10,540**	10,587	**1,351**	1,357
Other long-term receivables and investments		**2,519**	2,573	**323**	330
		156,267	161,223	**20,034**	20,669
Interest-bearing liabilities		**(54,035)**	(60,565)	**(6,928)**	(7,765)
Other long-term payables		**(1,481)**	(2,245)	**(190)**	(288)
Other long-term contract liabilities		**(282)**	(478)	**(36)**	(61)
Deferred tax liabilities		**(7,723)**	(9,026)	**(990)**	(1,157)
		(63,521)	(72,314)	**(8,144)**	(9,271)
Net non-current assets		**92,746**	88,909	**11,890**	11,398
Current assets and liabilities					
Stock		**1,093**	1,220	**140**	156
Trade and other receivables		**6,308**	6,673	**809**	856
Liquid funds		**7,435**	7,418	**953**	951
		14,836	15,311	**1,902**	1,963
Interest-bearing liabilities		**(13,798)**	(21,469)	**(1,769)**	(2,752)
Trade and other payables		**(8,681)**	(7,411)	**(1,113)**	(950)
Contract liabilities		**(12,510)**	(7,688)	**(1,603)**	(986)
Taxation		**(3,431)**	(2,084)	**(440)**	(267)
		(38,420)	(38,652)	**(4,925)**	(4,955)
Net current liabilities		**(23,584)**	(23,341)	**(3,023)**	(2,992)
Total assets less current liabilities		**132,683**	137,882	**17,011**	17,677
Net assets		**69,162**	65,568	**8,867**	8,406
CAPITAL AND RESERVES					
Share capital	*19*	**48,322**	48,322	**6,195**	6,195
Reserves	*21*	**20,840**	17,246	**2,672**	2,211
Total equity		**69,162**	65,568	**8,867**	8,406

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.

Patrick Healy
Director
Hong Kong, 8th March 2023

John Harrison
Director

31. Non-adjusting events after the reporting period

On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2022, but is expected to result in a gain from deemed partial disposal in 2023.

As the Group applies the equity method to its interest in Air China three months in arrears and the financial information of Air China as at and up to 16th January 2023 is not available, the gain from deemed partial disposal cannot be determined on the date these financial statements are issued. The gain will primarily arise from the Group's share of proceeds from the share subscription (i.e. 16.26%* RMB15 billion = HK$2.8 billion) less the carrying value of interest deemed to be disposed, which represents approximately 10% (i.e. (18.13%-16.26%)/18.13%) of the carrying value of the Group's interest in Air China . The carrying value of the Group's interest in Air China as at 31st December 2022, which has accounted for Air China's results up to 30th September 2022, was HK$11.0 billion. The amount of the gain from deemed partial disposal will be finalised once Air China's financial information for relevant subsequent period is made available to the Group and recognised in the Group's first half results for 2023.

Schedule L6

Principal Subsidiaries and Associates

at 31st December 2022

Subsidiaries

	Place of incorporation/ establishment and operation	Principal activities	Percentage of issued capital owned	Issued and paid up share capital and debt securities
AHK Air Hong Kong Limited	Hong Kong	Cargo airline	100	1,000,000 shares
Airline Property Limited	Hong Kong	Property investment	100	2 shares
Airline Stores Property Limited	Hong Kong	Property investment	100	2 shares
Airline Training Property Limited	Hong Kong	Property investment	100	2 shares
Asia Miles Limited	Hong Kong	Travel reward programme	100	2 shares
Cathay Holidays Limited	Hong Kong	Travel tour operator	100	40,000 shares
Cathay Pacific Aircraft Leasing (H.K.) Limited	Hong Kong	Aircraft financing facilitator	100	1 share
Cathay Pacific Aircraft Services Limited	Isle of Man	Aircraft acquisition facilitator	100	10,000 shares of US$1 each
Cathay Pacific Catering Services (H.K.) Limited	Hong Kong	Airline catering	100	600 shares
Cathay Pacific Finance Limited	Hong Kong	Aircraft financing facilitator	100	1 share
Cathay Pacific Finance III Limited	Cayman Islands	Financial services	100	1 share of US$1: HK$6,740 million of convertible bonds in issue
Cathay Pacific MTN Financing Limited	Cayman Islands	Financial services	100	1 share of US$1
Cathay Pacific MTN Financing (HK) Limited	Hong Kong	Financial services	100	1 share: HK$888 million, US$650 million, RMB230 million and SGD175 million of medium term notes in issue
Cathay Pacific Services Limited	Hong Kong	Cargo terminal	100	1 share
Connaught Network Services Private Limited	India	Information processing	100*	90,000 shares
Guangzhou Guo Tai Information Processing Company Limited	People's Republic of China	Information processing	100*	Registered capital of HK$8,000,000 (wholly foreign owned enterprise)
Hong Kong Airport Services Limited	Hong Kong	Aircraft ramp handling	100	100 shares
Hong Kong Aviation and Airport Services Limited	Hong Kong	Property investment	100*	2 shares
Hong Kong Express Airways Limited	Hong Kong	Operation of scheduled airline services	100	1,000,000 shares
Troon Limited	Bermuda	Financial services	100	12,000 shares of US$1 each
Vogue Laundry Service Limited	Hong Kong	Laundry and dry cleaning	100	3,700 shares

Principal subsidiaries and associates are those which materially affect the results or assets of the Group.

All shares are ordinary shares unless otherwise stated.

* Shareholding held through subsidiaries.

Associates

	Place of incorporation/ establishment and operation	Principal activities	Percentage of issued capital owned
Air China Cargo Co., Ltd.	People's Republic of China	Cargo carriage service	24*
Air China Limited	People's Republic of China	Airline	18.13

* Shareholding held through subsidiaries.

Principal Accounting Policies

1. Basis of accounting

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

The measurement basis used is historical cost modified by the use of fair value for certain financial assets and liabilities as explained in accounting policies 8, 9, 10, 11 and 14 below.

The preparation of the financial statements in conformity with HKFRSs requires management to make certain estimates and assumptions which affect the amounts of property, plant and equipment, intangible assets, long-term investments, retirement benefit obligations and taxation included in the financial statements. These estimates and assumptions are continually re-evaluated and are based on management's expectations of future events which are considered to be reasonable. Further details on these estimates and assumptions are disclosed in notes 7, 8, 28(e), 13 and 14 to the financial statements, respectively.

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

Amendments to HKAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"

The amendments require that the recognition of expected losses on onerous contracts should include an assessment of both incremental costs and an allocation of direct costs. Previously, the standard only specified incremental costs. The amendments resulted in a change in accounting policy for performing an onerous contract assessment. The Group has assessed contracts existing at 1st January 2022 and determined this change would have no impact on opening equity balances as at 1st January 2022.

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

- HKFRS 17 "Insurance contracts"
- Amendments to HKAS 1 "Presentation of financial statements: Classification of liabilities as current or non-current"
- Amendments to HKAS 1 "Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies"
- Amendments to HKAS 8 "Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates"
- Amendments to HKAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"

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

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's share of the results and net assets of its associates. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income. Where interests have been bought or sold during the year, only those results relating to the period of control are included in the financial statements.

Goodwill represents the excess of the cost of subsidiaries and associates over the fair value of the Group's share of the net assets at the date of acquisition. Goodwill is recognised at cost less accumulated impairment losses. Goodwill arising from the acquisition of subsidiaries is allocated to cash-generating units and is tested annually for impairment.

On disposal of a subsidiary or an associate, goodwill is included in the calculation of any gain or loss.

Non-controlling interests in the consolidated statement of financial position comprise the outside shareholders' proportion of the net assets of subsidiaries and are treated as a part of equity. In the consolidated statement of profit or loss and other comprehensive income, non-controlling interests are disclosed as an allocation of the profit or loss and total comprehensive income for the year. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated statement of financial position in accordance with accounting policy 9.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment loss recognised and intra-Group balances with those companies. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Associates

Associates are those companies, not being subsidiaries, in which the Group holds a substantial long-term interest in the equity share capital and over which the Group is in a position to exercise significant influence.

The consolidated statement of profit or loss and other comprehensive income includes the Group's share of results of associates as reported in their financial statements made up to dates not earlier than three months prior to 31st December. In the consolidated statement of financial position, investments in associates represent the Group's share of net assets, goodwill arising on acquisition of the associates (less any impairment) and loans to those companies.

In the Company's statement of financial position, investments in associates are stated at cost less any impairment loss recognised and loans to those companies. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

4. Foreign currencies

Foreign currency transactions entered into during the year are translated into Hong Kong dollars at the market rates ruling at the relevant transaction dates whilst the following items are translated at the rates ruling at the reporting date:

(a) foreign currency denominated financial assets and liabilities.

(b) assets and liabilities of foreign subsidiaries and associates.

4. Foreign currencies (continued)

Exchange differences arising on the translation of foreign currencies into Hong Kong dollars are reflected in profit or loss except that:

(a) unrealised exchange differences on foreign currency denominated financial assets and liabilities, as described in accounting policies 8, 9 and 10 below, that qualify as effective cash flow hedge instruments under HKFRS 9 "Financial Instruments" are recognised in other comprehensive income and accumulated separately in equity via the statement of changes in equity. These exchange differences are included in profit or loss as an adjustment to the hedged item in the same period or periods during which the hedged item affects profit or loss.

(b) unrealised exchange differences on net investments in foreign subsidiaries and associates (including intra-Group balances of an equity nature) and related long-term liabilities are recognised in other comprehensive income and accumulated separately in equity via the statement of changes in equity.

5. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost relating to an acquired (owned or leased) aircraft reflects all components in its full service potential excluding the maintenance condition of its landing gear, airframe and engines. The cost relating to the maintenance element is identified on acquisition as a separate component and depreciated till its next major maintenance event. Expenditure for heavy maintenance visits on aircraft, engine overhauls and landing gear overhauls, is capitalised at cost and depreciated over the average expected life between major overhauls, estimated to be 4 to 10 years. Expenditure for engine overhaul costs covered by power-by-hour (fixed rate charged per hour) maintenance agreements is expensed by hours flown. Expenditure for other maintenance and repairs is charged to profit or loss.

Depreciation of owned property, plant and equipment is calculated on a straight line basis to write down cost over their anticipated useful lives to their estimated residual values as follows:

Aircraft	over 20-23 years to residual value of the lower of 1% of cost or expected realisable value
Aircraft product	over 5-10 years to nil residual value
Other equipment	over 3-25 years to nil residual value
Buildings	over the lease term of the leasehold land to nil residual value

Depreciation of right-of-use assets is calculated on a straight line basis to write down cost over the underlying lease term to nil residual value. However, if the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, depreciation is calculated on a straight line basis to write down cost over the anticipated useful life of the underlying asset to its estimated residual value in a similar manner as for an item of owned property, plant and equipment.

Major modifications to aircraft and reconfiguration costs are capitalised as part of aircraft cost and are depreciated over periods of up to 10 years.

The depreciation policy and the carrying amount of property, plant and equipment are reviewed annually taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which affect the life expectancy of the assets. Any impairment in value is recognised by writing down the carrying amount to estimated recoverable amount which is the higher of the value in use (the present value of future cash flows) and the fair value less costs of disposal.

6. Leased assets

The Group leases various aircraft, property facilities and offices and other equipment. Lease contracts are typically made for fixed periods of one to 50 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(a) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

With respect to lease agreements, where the Group is required to return the aircraft with adherence to certain maintenance conditions, a provision is made during the lease term. The provision is based on the present value of the expected future cost of meeting the maintenance and non-maintenance return condition, having regard to the current fleet plan and long-term maintenance schedules.

6. Leased assets (continued)

Where the lease is capitalised, the right-of-use asset recognised is initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses outlined in accounting policy 5.

The lease liability is remeasured under the following circumstances:

- a change in future lease payments arising from a change in an index or a rate;
- a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
- a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option; or
- a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification").

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification. Consequently, rent concessions received before 30th June 2022 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. Rent concessions received after 30th June 2022 have been accounted for as lease modifications.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is credited to profit or loss on a straight line basis over the life of the related lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in accounting policy 6(a), then the Group classifies the sub-lease as an operating lease.

7. Intangible assets

Intangible assets comprise mainly goodwill arising on consolidation and computer software licences. The accounting policy for goodwill is outlined in accounting policy 2.

Expenditure on computer software licences and others which gives rise to economic benefits is capitalised as part of intangible assets and is amortised on a straight line basis. The useful life of expenditure on computer software licences and others is four to twenty years.

8. Financial assets

Other long-term receivables, bank and security deposits, trade and other short-term receivables are stated at amortised cost less allowance for credit losses.

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out below.

The accounting policy for derivative financial assets is outlined in accounting policy 10.

Investments are recognised or derecognised by the Group on the date when the purchase or sale of the assets occurs. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows:

Non-equity investments held by the Group are classified into one of the following measurement categories:

a) amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
b) fair value through other comprehensive income - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
c) fair value through profit or loss, if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments are classified as fair value through profit or loss unless the equity investments are not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained profit. It is not recycled through profit or loss. Dividends from equity investments, irrespective of whether classified at fair value through profit or loss or fair value through other comprehensive income (non-recycling), are recognised in profit or loss as other income.

Funds with investment managers and other liquid investments which are managed and evaluated on a fair value basis are designated at fair value through profit or loss.

Expected credit losses

The Group applies the expected credit loss model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates).

Financial assets measured at fair value, including equity investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income (non-recycling) and derivative financial assets, are not subject to the expected credit loss assessment.

8. Financial assets (continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring expected credit losses, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured on either of the following bases:

i) 12-month expected credit losses: these are losses that are expected to result from possible default events within 12 months after the reporting date; or
ii) lifetime expected credit losses: these are losses that are expected to result from all possible default events over the expected lives of the items to which the expected credit loss model applies.

Loss allowances for trade debtors are always measured at an amount equal to lifetime expected credit losses. Expected credit losses on trade debtors are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For all other financial instruments, the Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

i) failure to make payments of principal or interest on their contractually due dates;
ii) an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
iii) an actual or expected significant deterioration in the operating results of the debtor; and
iv) existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Expected credit losses are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit losses amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for the financial instrument with a corresponding adjustment to its carrying amount through a loss allowance account.

8. Financial assets (continued)

Write-off policy

The gross carrying amount of a financial instrument is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of the financial instrument that was previously written off are recognised as a reversal of impairment in profit or loss in the periods in which the recoveries occur.

9. Financial liabilities

Loans and other borrowings, lease liabilities and trade and other payables are stated at amortised cost.

Where long-term loans have been defeased by funds and other investments, those loans and deposits (and income and charge arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements. Such netting off occurs where there is a current legally enforceable right to set off the loan and the deposit and the Group intends either to settle on a net basis or to realise the deposit and settle the loans simultaneously.

The accounting policy for derivative financial liabilities is outlined in accounting policy 10.

Financial liabilities are recognised or derecognised when the contracted obligations are incurred or extinguished.

Interest expenses incurred under financial liabilities are calculated and recognised using the effective interest method.

10. Derivative financial instruments

Derivative financial instruments are used solely to manage exposures to fluctuations in foreign currency rates, interest rates and jet fuel prices in accordance with the Group's risk management policies. The Group does not hold or issue derivative financial instruments for proprietary trading purposes.

All derivative financial instruments are recognised at fair value in the statement of financial position. Where derivative financial instruments are designated as hedging instruments in a cash flow hedge and hedge exposure to fluctuations in foreign currency rates, interest rates or jet fuel prices, any fair value change is accounted for as follows:

(a) the effective portion of the fair value change is recognised in other comprehensive income and accumulated separately in equity and is included in profit or loss as an adjustment to revenue, net finance charges or fuel expense in the same period or periods during which the hedged transaction affects profit or loss.

(b) the ineffective portion of the fair value change is recognised in profit or loss immediately.

Derivative financial instruments which do not qualify as hedging instruments are accounted for as fair value through profit or loss and any fair value change is recognised in profit or loss immediately.

11. Fair value measurement

Fair value of financial assets and financial liabilities is determined either by reference to quoted market values or by using discounted cash flow valuation techniques in which the significant inputs are based on observable market data where available.

12. Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

13. Warrants

Warrants in issue fulfill a fixed-for fixed criterion and are accounted for as equity instruments, with no subsequent fair value remeasurement. Upon the exercise of the warrants, the resulting ordinary shares issued are recorded as additional share capital.

14. Retirement benefits

For defined benefit schemes, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of profit or loss and other comprehensive income so as to spread the regular cost over the service lives of employees.

The asset or liability recognised in the statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligations) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligations are calculated every three years by independent actuaries and are determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and return on plan assets excluding interest income are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised in profit or loss immediately.

For defined contribution schemes, the Group's contributions are charged to profit or loss immediately in the period to which the contributions relate.

15. Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the recognition, has no impact on taxable nor accounting profit or loss, it is not recognised.

Deferred tax assets relating to unused tax losses and deductible temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which these unused tax losses and deductible temporary differences can be utilised.

In addition, where initial cash benefits have been received in respect of certain lease arrangements, provision is made for the future obligation to make tax payments.

16. Stock

Stock held for consumption is valued either at cost or weighted average cost less any applicable allowance for obsolescence. Stock held for sales is stated at the lower of cost and net realisable value. Net realisable value represents estimated resale price less any estimated costs necessary to make the sale.

17. Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

18. Revenue recognition

Passenger and cargo sales are recognised as revenue when the transportation service is provided. Revenue is allocated between passenger services revenue and loyalty programme revenue based on their relative stand-alone selling prices. Revenue from catering and other services is recognised when the services are rendered. Interest income is recognised as it accrues while dividend income is recognised when the right to receive payment is established.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as it is expected at contract inception that the period between the transfer of goods and services and customer payments will be one year or less.

Breakage on passenger revenue is recognised in proportion to the pattern of rights exercised by the customer as reflected by the point of flown to match the timing of revenue recognition with the underlying ticket performance obligations. This is based on historical experience. This estimation is made such that the revenue recognised from passenger ticket breakage is not expected to result in a significant reversal of cumulative revenue in the future.

The value of unflown passenger sales is recognised as a contract liability in the statement of financial position. It is expected to be recognised as passenger services revenue within 12 months when the transportation service is provided.

Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission.

The Group recognises the incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

19. Loyalty programme

The Company operates a customer loyalty programme called Asia Miles (the "programme"). As members accumulate miles by travelling on Cathay Pacific flights, or when the Company sells miles to participating partners in the programme, revenue from the initial sales transaction equal to the programme awards at their stand-alone selling price is deferred as a contract liability until the miles are redeemed or the passenger is uplifted in the case of the Group's flight redemptions. Breakage, the proportion of points that are expected to expire, is recognised to reduce stand-alone selling price, and is determined by a number of assumptions including historical experience, future redemption pattern and programme design.

Marketing revenue, associated with the sales of miles to participating partners is measured as the difference between the consideration received and the revenue deferred, and is recognised when the service is performed.

20. 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.

21. Maintenance and overhaul costs

Replacement spares and labour costs for maintenance and overhaul of aircraft are charged to profit or loss on consumption and as incurred respectively unless they are capitalised according to the accounting policy 5.

22. Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits is required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

23. Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

24. Related parties

Related parties are individuals and companies, including subsidiary, fellow subsidiary, jointly controlled and associated companies and key management (including close members of their families), where the individual, Company or Group has the ability, directly or indirectly, to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions.

25. Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the convertible bond reserve until the bonds are converted.

Schedule N

Statistics

		2022	2021	2020
Consolidated profit or loss summary	*HK$M*			
Passenger services		**14,333**	4,357	11,950
Cargo services		**30,554**	35,814	27,890
Other services and recoveries		**6,149**	5,416	7,094
Revenue		**51,036**	45,587	46,934
Operating expenses		**(47,490)**	(46,037)	(58,639)
Operating gain/(loss) before non-recurring items		**3,546**	(450)	(11,705)
Profit on disposal of investments		**-**	-	-
Gain on deemed partial disposal of associates		**-**	210	-
Restructuring costs		**-**	(385)	(2,383)
Impairment and related charges		**-**	(818)	(4,056)
Net finance charges		**(2,909)**	(2,629)	(2,895)
Share of (losses)/profits of associates		**(6,677)**	(1,985)	(1,282)
(Loss)/profit before taxation		**(6,040)**	(6,057)	(22,321)
Taxation		**(507)**	531	674
(Loss)/profit for the year		**(6,547)**	(5,526)	(21,647)
Attributable to				
Ordinary shareholders of Cathay Pacific		**(7,162)**	(6,123)	(21,876)
Preference shareholder of Cathay Pacific		**614**	596	228
Non-controlling interests		**1**	1	1
(Loss)/profit for the year		**(6,547)**	(5,526)	(21,647)
Dividends paid to ordinary shareholders		**-**	-	-
Consolidated statement of financial position summary	*HK$M*			
Property, plant and equipment and intangible assets		**133,655**	139,025	146,986
Long-term receivables and investments		**19,789**	27,859	29,394
Borrowings		**(77,106)**	(89,854)	(93,129)
Liquid funds less bank overdrafts		**18,277**	19,284	19,341
Net borrowings		**(58,829)**	(70,570)	(73,788)
Net current liabilities (excluding liquid funds, bank overdrafts and current portion of borrowings)		**(20,700)**	(11,172)	(14,249)
Other long-term payables and long-term contract liabilities		**(3,048)**	(3,919)	(4,210)
Deferred taxation		**(6,983)**	(8,974)	(10,872)
Net assets		**63,884**	72,249	73,261
Financed by:				
Funds attributable to the ordinary shareholders of Cathay Pacific**		**42,940**	51,920	53,529
Funds attributable to the preference shareholder of Cathay Pacific		**20,938**	20,324	19,728
Funds attributable to the shareholders of Cathay Pacific		**63,878**	72,244	73,257
Non-controlling interests		**6**	5	4
Total equity		**63,884**	72,249	73,261
Per ordinary share				
Ordinary shareholders' funds	*HK$*	**6.67**	8.07	8.32
EBITDA	*HK$*	**1.41**	1.45	(0.97)
(Loss)/earnings – basic and diluted	*HK cents*	**(111.3)**	(95.1)	(424.3)
Dividend	*HK$*	**-**	-	-
Ratios				
(Loss)/profit margin	*%*	**(12.8)**	(12.1)	(46.1)
Return on capital employed	*%*	**(2.7)**	(2.0)	(12.8)
Dividend cover	*Times*	**-**	-	-
Cash interest cover	*Times*	**9.3**	6.2	(5.3)
Gross debt/equity ratio	*Times*	**1.21**	1.24	1.27
Net debt/equity ratio	*Times*	**0.92**	0.98	1.01
Adjusted net debt/equity ratio (excludes leases without asset transfer components)*	*Times*	**0.71**	0.75	0.75

* On adoption of HKFRS 16 with effect from 1st January 2019, the Group recognised lease liabilities in relation to leases without asset transfer components. This resulted in a significant increase in the Group's total and net borrowings, and hence the Group's net debt/equity ratio. To allow for comparability of gearing ratios over time and against group borrowing covenants, the Group has chosen to present the adjusted net debt/equity ratio which excludes leases without asset transfer components.

** Funds attributable to the ordinary shareholders are arrived at after deducting preference share capital and unpaid cumulative dividends attributable to the preference shareholder as at 31st December of the respective reporting period.

2019	2018	2017	2016	2015	2014	2013
73,985	73,119	66,408	66,926	73,047	75,734	71,826
23,810	28,316	23,903	20,063	23,122	25,400	23,663
9,178	9,625	6,973	5,762	6,173	4,857	4,995
106,973	111,060	97,284	92,751	102,342	105,991	100,484
(103,646)	(107,465)	(99,563)	(93,276)	(95,678)	(101,556)	(96,724)
3,327	3,595	(2,279)	(525)	6,664	4,435	3,760
-	-	586	-	-	-	-
114	-	244	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,939)	(2,114)	(1,761)	(1,301)	(1,164)	(1,158)	(1,019)
1,643	1,762	2,630	2,049	1,965	772	838
2,145	3,243	(580)	223	7,465	4,049	3,579
(454)	(466)	(308)	(497)	(1,157)	(599)	(675)
1,691	2,777	(888)	(274)	6,308	3,450	2,904
1,691	2,345	(1,259)	(575)	6,000	3,150	2,620
-	-	-	-	-	-	-
-	432	371	301	308	300	284
1,691	2,777	(888)	(274)	6,308	3,450	2,904
(1,495)	(590)	-	(1,259)	(2,046)	(1,022)	(551)
155,265	128,298	122,403	117,390	111,158	108,789	104,737
30,878	31,585	32,212	27,902	27,947	29,290	27,449
(97,260)*	(73,877)	(78,394)	(70,169)	(63,105)	(65,096)	(67,052)
14,864	15,296	19,094	20,290	20,647	21,098	27,736
(82,396)*	(58,581)	(59,300)	(49,879)	(42,458)	(43,998)	(39,316)
(23,690)	(20,329)	(18,649)	(21,727)	(23,961)	(22,478)	(19,110)
(4,806)	(4,649)	(3,502)	(7,517)	(15,838)	(10,487)	(1,318)
(12,475)	(12,385)	(11,892)	(10,643)	(8,781)	(9,263)	(9,429)
62,776	63,939	61,272	55,526	48,067	51,853	63,013
62,773	63,936	61,101	55,365	47,927	51,722	62,888
-	-	-	-	-	-	-
62,773	63,936	61,101	55,365	47,927	51,722	62,888
3	3	171	161	140	131	125
62,776	63,939	61,272	55,526	48,067	51,853	63,013
15.96	16.25	15.53	14.07	12.18	13.15	15.99
4.91	3.85	2.68	2.56	4.45	3.44	3.04
39.1	54.2	(29.1)	(13.3)	138.7	72.8	60.6
0.18	0.30	0.05	0.05	0.53	0.36	0.22
1.6	2.1	(1.3)	(0.6)	5.9	3.0	2.6
3.5	4.0	0.8	1.0	8.0	4.7	4.0
2.4	2.0	(6.4)	(2.9)	2.9	2.2	3.0
6.5	10.4	4.9	9.1	25.5	20.7	23.8
1.55	1.16	1.28	1.27	1.32	1.26	1.07
1.31*	0.92	0.97	0.90	0.89	0.85	0.63
0.99	0.92	0.97	0.90	0.89	0.85	0.63

Note:

(1) The Group adopted HKFRS 16 with effect from 1st January 2019, and has changed its accounting policies in relation to lessee accounting. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1st January 2019. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.

(2) The Group adopted HKFRS 9 and HKFRS 15 with effect from 1st January 2018, and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1st January 2018. Comparative information in years earlier than 2018 is not restated and in accordance with the policies applicable in those years.

		2022	2021	2020
Cathay Pacific operating summary (and Cathay Dragon as at 31st December 2020 and previous years)				
Available tonne kilometres	*Million*	**10,100**	11,354	14,620
Revenue tonne kilometres	*Million*	**7,190**	8,615	10,220
Available seat kilometres	*Million*	**20,056**	13,228	34,609
Revenue passengers carried	*'000*	**2,804**	717	4,631
Revenue passenger kilometres	*Million*	**14,764**	4,120	20,079
Revenue load factor	*%*	**71.6**	68.4	67.7
Passenger load factor	*%*	**73.6**	31.1	58.0
Cargo carried	*'000 tonnes*	**1,154**	1,333	1,332
Cargo revenue tonne kilometres	*Million*	**5,774**	8,220	8,309
Cargo load factor	*%*	**70.6**	81.4	73.3
Excess baggage carried	*Tonnes*	**2,343**	607	563
Kilometres flown	*Million*	**147**	175	226
Block hours	*'000 hours*	**212**	237	304
Aircraft departures	*'000*	**42**	42	55
Length of scheduled routes network	*'000 kilometres*	**490**	504	622
Number of destinations at year end	*Destinations*	**255**	255	255
Staff number at year end	*Number*	**16,462**	16,721	19,452
ATK per employee	*'000*	**614**	679	752
On-time performance				
Departure (within 15 minutes)	*%*	**80.1**	86.2	86.7
Average aircraft utilisation	*Hours per day*			
A320-200		**-**	-	1.2
A321-200		**0.5**	-	1.1
A330-300		**1.4**	1.1	2.3
A340-300		**-**	-	-
A350-900		**2.6**	4.0	3.9
A350-1000		**10.1**	10.3	10.2
747-400		**-**	-	-
747-400F/BCF/ERF/8F		**10.4**	12.3	13.1
777-200/300		**0.4**	0.1	1.3
777-300ER		**1.8**	2.1	3.7
Fleet average		**3.3**	3.4	4.3
Fleet profile				
Cathay Pacific (and Cathay Dragon as at 31st December 2020)				
A320-200		**4**	7	11
A321-200		**3**	5	7
A321-200neo		**7**	5	2
A330-300		**43**	51	51
A340-300		**-**	-	-
A350-900		**28**	28	27
A350-1000		**18**	15	13
747-400		**-**	-	-
747-400F		**-**	-	-
747-400BCF		**-**	-	-
747-400ERF		**6**	6	6
747-8F		**14**	14	14
777-200		**-**	-	-
777-300		**17**	17	17
777-300ER		**41**	45	51
Total		**181**	193	199
Aircraft operated by Cathay Dragon (note 1):				
A320-200		**-**	-	-
A321-200		**-**	-	-
A330-300		**-**	-	-
Total		**-**	-	-

Note:

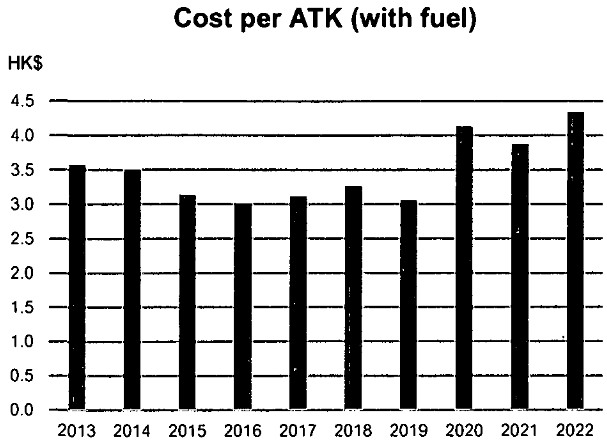
(1) Cathay Dragon's remaining aircraft will be transferred to Cathay Pacific and HK Express.

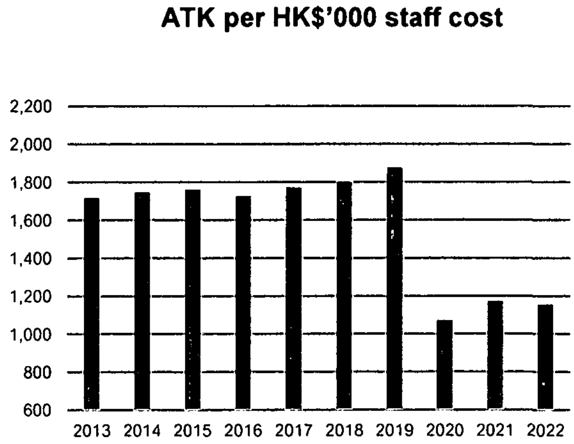
(2) The Group adopted HKFRS 16 with effect from 1st January 2019, and has changed its accounting policies in relation to lessee accounting. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1st January 2019. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.

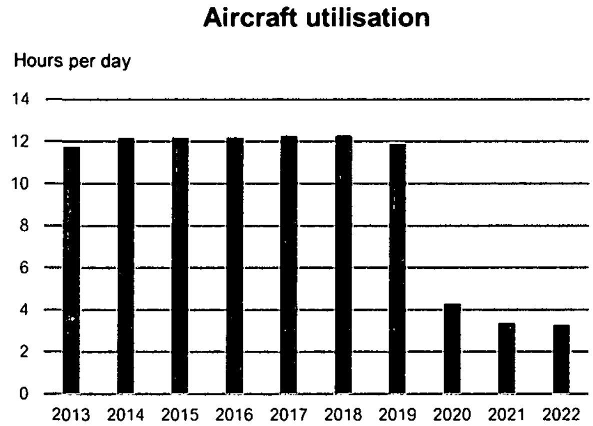
2019	2018	2017	2016	2015	2014	2013
33,077	32,387	31,439	30,462	30,048	28,440	26,259
24,090	24,543	23,679	22,418	22,220	20,722	18,696
163,244	155,362	150,138	146,086	142,680	134,711	127,215
35,233	35,468	34,820	34,323	34,065	31,570	29,920
134,397	130,630	126,663	123,478	122,330	112,257	104,571
77.4	79.6	79.7	79.5	79.9	78.1	76.6
82.3	84.1	84.4	84.5	85.7	83.3	82.2
2,022	2,152	2,056	1,854	1,798	1,723	1,539
11,311	12,122	11,633	10,675	10,586	10,044	8,750
64.4	68.8	67.8	64.4	64.2	64.3	61.8
2,179	2,329	2,449	2,471	2,596	2,699	2,599
618	611	596	579	576	550	512
880	877	857	826	823	789	735
175	177	175	172	173	167	160
670	715	653	636	620	586	576
255	232	200	182	179	210	190
27,342	26,623	26,029	26,674	26,833	25,755	24,572
1,256	1,217	1,208	1,142	1,120	1,104	1,069
76.3	72.7	71.2	72.1	64.7	70.1	75.5
8.9	8.8	9.3	9.3	9.4	9.2	9.1
9.1	10.1	9.4	9.4	9.8	9.9	8.8
9.8	10.4	10.7	11.4	12.1	12.4	12.0
-	-	3.8	8.3	8.5	11.6	13.3
14.6	15.0	14.1	12.7	-	-	-
14.6	12.6	-	-	-	-	-
-	-	-	5.2	5.7	8.2	10.9
12.4	12.8	12.5	11.7	11.9	11.8	10.9
8.0	8.6	8.8	9.4	8.6	8.8	8.3
14.9	15.6	16.0	16.0	15.9	16.1	15.8
11.9	12.3	12.3	12.2	12.2	12.2	11.8
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
29	33	37	41	42	40	35
-	-	-	4	7	11	11
24	22	22	10	-	-	-
12	8	-	-	-	-	-
-	-	-	-	3	7	13
-	-	-	-	4	5	6
1	1	-	1	1	1	1
6	6	6	6	6	6	6
14	14	14	14	13	13	13
1	4	5	5	5	5	5
17	14	12	12	12	12	12
51	52	53	53	53	47	38
155	154	149	146	146	147	140
15	15	15	15	15	15	15
8	8	8	8	8	8	6
25	25	24	20	19	18	20
48	48	47	43	42	41	41

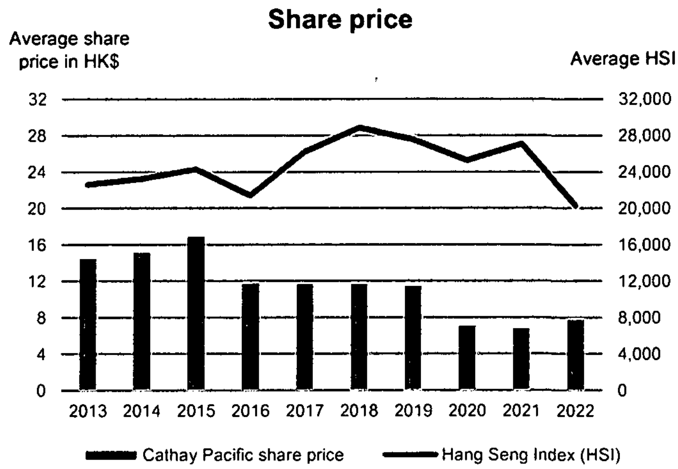
Note:

(3) The Group adopted HKFRS 9 and HKFRS 15 with effect from 1st January 2018, and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognised the cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1st January 2018. Comparative information in years earlier than 2018 is not restated and in accordance with the policies applicable in those years.









		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Productivity											
Cost per ATK (with fuel)	*HK$*	**4.35**	3.88	4.14	3.06	3.27	3.12	3.02	3.14	3.50	3.58
ATK per HK$'000 staff cost	*Unit*	**1,157**	1,174	1,074	1,879	1,801	1,775	1,730	1,764	1,750	1,720
Aircraft utilisation	*Hours per day*	**3.3**	3.4	4.3	11.9	12.3	12.3	12.2	12.2	12.2	11.8
Share prices	*HK$*										
High		**9.0**	7.9	10.0	13.9	14.7	13.4	14.0	20.6	17.7	16.8
Low		**6.3**	6.0	5.1	9.5	9.9	10.4	10.1	12.7	13.7	12.2
Year-end		**8.5**	6.4	7.2	11.5	11.1	12.1	10.2	13.4	16.9	16.4
Price ratios (Note)	*Times*										
Price/earnings		**(7.6)**	(6.7)	(1.7)	26.8	18.6	(37.8)	(69.8)	8.8	21.1	24.6
Market capitalisation/ funds attributable to the ordinary shareholders of Cathay Pacific		**1.3**	0.8	0.9	0.7	0.7	0.8	0.7	1.1	1.3	1.0
Price/cash flows		**2.6**	3.5	(3.3)	2.5	2.5	7.4	5.2	3.1	5.4	4.6

Note: Based on year end share price, where applicable.

Schedule O

Glossary

Terms

Borrowings	Total borrowings (loans, other borrowings and lease liabilities) less security deposits, notes and zero coupon bonds.
Net borrowings	Borrowings and bank overdrafts less liquid funds.
Available tonne kilometres ("ATK")	Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.
Available cargo tonne kilometres ("AFTK")	Cargo capacity, measured in tonnes available for the carriage of freight on each sector multiplied by the sector distance.
Available seat kilometres ("ASK")	Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.
Revenue passenger kilometres ("RPK")	Number of passengers carried on each sector multiplied by the sector distance.
Cargo revenue tonne kilometres ("RFTK")	Amount of cargo, measured in tonnes, carried on each sector multiplied by the sector distance.
Revenue tonne kilometres ("RTK")	Traffic volume, measured in tonnes from the carriage of passengers, excess baggage, cargo on each sector multiplied by the sector distance.
On-time performance	Departure within 15 minutes of scheduled departure time.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Recoveries	Cost recoveries from incidental activities.

Ratios

Earnings/(loss) per ordinary share $= \dfrac{\text{Profit/(loss) attributable to the ordinary shareholders of Cathay Pacific}}{\text{Weighted average number of ordinary shares (by days) in issue for the year}}$

Profit/(loss) margin $= \dfrac{\text{Profit/(loss) attributable to the shareholders of Cathay Pacific}}{\text{Revenue}}$

Shareholders' funds per ordinary share $= \dfrac{\text{Funds attributable to the shareholders of Cathay Pacific}}{\text{Total issued and fully paid ordinary shares at end of the year}}$

Ordinary shareholders' funds per ordinary share $= \dfrac{\text{Funds attributable to the ordinary shareholders of Cathay Pacific}}{\text{Total issued and fully paid ordinary shares at end of the year}}$

Return on capital employed $= \dfrac{\text{Operating profit and share of profits of associates less taxation}}{\text{Average of total equity and net borrowings}}$

Dividend cover $= \dfrac{\text{Profit/(loss) attributable to the ordinary shareholders of Cathay Pacific}}{\text{Dividends payable to ordinary shareholders}}$

Cash interest cover $= \dfrac{\text{Cash generated from operations}}{\text{Net interest paid}}$

Gross debt/equity ratio $= \dfrac{\text{Borrowings}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Net debt/equity ratio $= \dfrac{\text{Net borrowings}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Adjusted net debt/equity ratio excluding leases without asset transfer components $= \dfrac{\text{Net borrowings less lease liabilities without asset transfer components}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Passenger/Cargo load factor $= \dfrac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$

Revenue load factor $= \dfrac{\text{Total passenger, cargo traffic revenue}}{\text{Maximum possible revenue at current yields and capacity}}$

Breakeven load factor = A theoretical revenue load factor at which the traffic revenue equates to the net operating expenses.

Passenger/Cargo yield $= \dfrac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$

Cost per ATK $= \dfrac{\text{Total operating expenses of Cathay Pacific and Cathay Dragon}}{\text{ATK of Cathay Pacific and Cathay Dragon}}$

Corporate and Shareholder Information

Schedule P

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

Investor relations

For further information about Cathay Pacific Airways Limited, please contact:
Corporate Affairs Department
Cathay Pacific Airways Limited
9th Floor, Central Tower
Cathay Pacific City
Hong Kong International Airport
Hong Kong
Email: ir@cathaypacific.com

Cathay Pacific's main Internet address is *www.cathaypacific.com*

Registered office

33rd Floor, One Pacific Place
88 Queensway
Hong Kong

Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 505000
Louisville, KY 40233-5000
U.S.A.

Domestic toll free hotline:
1(888) BNY ADRS
International hotline:
1(201) 680 6825
Email: shrrelations@cpushareownerservices.com
Website: *www.mybnymdr.com*

Stock codes

Hong Kong Stock Exchange	00293
ADR	CPCAY

Registrars

Computershare Hong Kong Investor Services Limited
Rooms 1806-1807
18th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Financial calendar

Year ended 31st December 2022	
Annual report available to shareholders	6th April 2023
Annual General Meeting	10th May 2023
Six months ending 30th June 2023	
Interim results announcement	August 2023
Interim dividend payable	October 2023

Disclaimer

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

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