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

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OS AA01

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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COMPANIES HOUSE

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

Please note that all this information will appear on the public record.

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You may return this form to any Companies House address:

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DX ED235 Edinburgh 1

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CATHAY PACIFIC AIRWAYS LIMITED

Annual Report 2021

Stock code: 00293

COVER PAGE

Certified a true copy
For CATHAY PACIFIC AIRWAYS LIMITED

Joanna Lai
Company Secretary
Date: 29th April 2022

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 234 aircraft at the end of 2021, of which 74 were held at parking locations outside of Hong Kong. Immediately prior to the onset of COVID-19, our airlines directly connected Hong Kong to 119 destinations in 35 countries worldwide (255 and 54 respectively with codeshare agreements), including 26 destinations in the Chinese Mainland. 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 over the past 75 years and remains so, making substantial investments to develop Hong Kong as one of the world's leading international aviation centres. There are 53 new passenger aircraft scheduled to join the fleet in the coming years.

Cathay Pacific itself had 193 passenger and cargo aircraft at the end of 2021. 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 27 aircraft at the end of 2021. Air Hong Kong, an express all-cargo carrier offering scheduled and charter services in Asia, is a wholly owned subsidiary of Cathay Pacific operating 14 aircraft at the end of 2021.

Cathay Pacific owns 18.13% of Air China Limited ("Air China"), the national flag carrier and a leading provider of passenger, cargo and other airline-related services in the Chinese Mainland.

At the end of 2021, Cathay Pacific and its subsidiaries employed more than 21,600 people worldwide, of whom around 17,700 are employed in Hong Kong. Shares of Cathay Pacific are listed on The Stock Exchange of Hong Kong Limited, as are the shares of its substantial shareholders Swire Pacific Limited ("Swire Pacific") and Air China.

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

Schedule A

Financial and Operational Highlights

Group Financial Statistics

Results		2021	2020	Change
Revenue	*HK$ million*	**45,587**	46,934	**-2.9%**
Loss attributable to the shareholders of Cathay Pacific	*HK$ million*	**(5,527)**	(21,648)	**-74.5%**
Loss per ordinary share	*HK cents*	**(95.1)**	(424.3)	**-77.6%**
Dividend per ordinary share	*HK$*	**-**	-	**-**
Loss margin	*%*	**(12.1)**	(46.1)	**+34.0%pt**

Financial position				
Funds attributable to the shareholders of Cathay Pacific	*HK$ million*	**72,244**	73,257	**-1.4%**
Net borrowings[a]	*HK$ million*	**70,570**	73,788	**-4.4%**
Available unrestricted liquidity	*HK$ million*	**30,250**	28,593	**+5.8%**
Ordinary shareholders' funds per ordinary share[b]	*HK$*	**8.1**	8.3	**-2.4%**
Net debt/equity ratio[a]	*Times*	**0.98**	1.01	**-0.03 times**

Operating Statistics – Cathay Pacific

		2021	2020*	Change
Available tonne kilometres ("ATK")	*Million*	**11,354**	14,620	**-22.3%**
Available seat kilometres ("ASK")	*Million*	**13,228**	34,609	**-61.8%**
Available cargo tonne kilometres ("AFTK")	*Million*	**10,094**	11,329	**-10.9%**
Revenue tonne kilometres ("RTK")	*Million*	**8,615**	10,220	**-15.7%**
Passenger revenue per ASK	*HK cents*	**32.9**	32.7	**+0.6%**
Revenue passenger kilometres ("RPK")	*Million*	**4,120**	20,079	**-79.5%**
Revenue passengers carried	*'000*	**717**	4,631	**-84.5%**
Passenger load factor	*%*	**31.1**	58.0	**-26.9%pt**
Passenger yield	*HK cents*	**105.5**	56.3	**+87.4%**
Cargo revenue per AFTK	*HK$*	**3.21**	2.17	**+47.9%**
Cargo revenue tonne kilometres ("RFTK")	*Million*	**8,220**	8,309	**-1.1%**
Cargo carried	*'000 tonnes*	**1,333**	1,332	**+0.1%**
Cargo load factor	*%*	**81.4**	73.3	**+8.1%pt**
Cargo yield	*HK$*	**3.94**	2.96	**+33.1%**
Cost per ATK (with fuel) [c]	*HK$*	**3.88**	4.14	**-6.3%**
Fuel consumption per million RTK	*Barrels*	**1,612**	1,708	**-5.6%**
Fuel consumption per million ATK	*Barrels*	**1,223**	1,195	**+2.3%**
Cost per ATK (without fuel) [c]	*HK$*	**3.32**	3.41	**-2.6%**
Underlying[d] cost per ATK (without fuel)	*HK$*	**3.24**	3.06	**+5.9%**
ATK per HK$'000 staff cost	*Unit*	**1,174**	1,074	**+9.3%**
ATK per staff	*'000*	**679**	752	**-9.7%**
Aircraft utilisation (including parked aircraft)	*Hours per day*	**3.4**	4.3	**-20.9%**
On-time performance	*%*	**86.2**	86.7	**-0.5%pt**
Average age of fleet	*Years*	**10.5**	10.1	**+0.4 years**
GHG emissions	*Million tonnes of CO_2e*	**5.6**	7.0	**-20.0%**
GHG emissions per ATK	*Grammes of CO_2e*	**491**	480	**+2.3%**
Lost time injury rate	*Number of injuries per 100 full-time equivalent employees*	**0.81**	2.28	**-64.5%**

* Included Cathay Dragon

(a) Net borrowings and the net debt/equity ratio excluding leases without asset transfer components are HK$53,979 million and 0.75 respectively. Further details can be found in note 12 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$824 million and HK$228 million as at 31st December 2021 and 31st December 2020 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, restructuring costs and gains on deemed disposal of an associate.

Chairman's Statement

In our previous annual report, I wrote that 2020 was the most challenging year in our history. The unprecedented disruption caused by COVID-19 to the global aviation industry and the subsequent travel and operational restrictions around the world have continued to affect our business severely. Notwithstanding these challenges, the situation did improve as 2021 progressed.

The second half of the year is traditionally stronger than the first half, and this was the case for us in 2021. The exceptional performance of our cargo business, especially during the second-half peak season, was extremely encouraging. Nevertheless, we continued to face serious challenges and despite the considerable improvement in results in the second half of the year, our overall loss for the full year was still substantial.

The Cathay Pacific Group's attributable loss was HK$5,527 million in 2021 (2020: loss of HK$21,648 million). The loss per ordinary share in 2021 was HK95.1 cents (2020: loss per ordinary share of HK424.3 cents). The Group's attributable profit was HK$2,038 million in the second half of 2021 (2021 first half: loss of HK$7,565 million; 2020 second half: loss of HK$11,783 million). Cathay Pacific reported an attributable profit of HK$3,303 million in the second half of 2021 (2021 first half: loss of HK$5,031 million; 2020 second half: loss of HK$10,032 million).

The loss for 2021 includes impairment and related charges of HK$832 million, mainly relating to 12 aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors, HK$385 million in restructuring costs and a HK$210 million gain on the dilution of an associate interest in Air China Cargo. This compares to impairment and related charges of HK$4,056 million in 2020 relating to 34 aircraft (and to certain airline service subsidiaries' assets) and HK$2,383 million of restructuring costs. Adjusting for these exceptional items, the Cathay Pacific Group's attributable loss for 2021 was HK$4,520 million (2020: loss of HK$15,209 million), and Cathay Pacific's loss for 2021 was HK$776 million (2020: loss of HK$12,195 million).

Cathay Pacific celebrated an important milestone in our history in 2021 as we marked 75 years of bringing people together as Hong Kong's home airline. Though we have certainly experienced our share of challenges over the years, COVID-19 key among them, we have also had incredible successes. Throughout our history, we have connected people to new destinations, welcomed the arrival of state-of-the-art aircraft and launched exciting innovations. As our home city has grown, so have we, and we are immensely proud to have represented Hong Kong over the past 75 years and to have helped it grow into one of the leading international aviation hubs in the world.

But 2021 was not just a year for reflecting on our past. The launch of "Cathay", our new premium travel lifestyle brand, has opened an exciting new chapter. Cathay aims to bring all that we love about travel together with everyday lifestyle. This will simplify the way our customers interact with us, including how they earn status and use miles, and will enable us to engage with them not only when they fly with us, but every day.

We also celebrated the inaugural flight of the newest addition to our fleet, the Airbus A321neo, in August. These state-of-the-art passenger aircraft provide the best short-haul experience in the world. Cathay Pacific has already taken delivery of five A321neos and will have 16 in its fleet by the end of 2023.

We continued our commitment to achieving greener aviation by pledging to use sustainable aviation fuel for 10% of Cathay Pacific's total fuel consumption by 2030, and by becoming a founding member of the Aviation Climate Taskforce, a new non-profit organisation founded to tackle the challenge of eliminating carbon emissions in aviation through innovation and collaboration. These initiatives will help the Group achieve its goal of net-zero carbon emissions by 2050.

Business performance of Cathay Pacific
The introduction of strict quarantine requirements for Hong Kong-based aircrew in February 2021 had a substantial impact on our travel business. To operate the remaining schedules, we introduced voluntary closed-loop duty cycles for our Hong Kong-based aircrew, comprising a 21-day duty cycle followed by a 14-day quarantine period. These arrangements have been very demanding for our aircrew and we are incredibly appreciative to them for their support and their tireless professionalism in the face of extremely challenging circumstances.

Operational and travel restrictions remained in place throughout the year, and this heavily constrained our ability to operate more flights. We reduced our flight schedule towards the end of December in response to the latest crew quarantine requirements in Hong Kong, and ended the year operating a considerably smaller amount of our pre-COVID-19 passenger capacity than we had planned.

Comparing 2021 with 2020 as a whole, the operating performance in 2021 was generally weaker due in large part to the first two months of 2020 being relatively strong ahead of the full impact of COVID-19. Passenger revenue decreased by 61.6% to HK$4,346 million in 2021 compared with 2020. Revenue passenger kilometres (RPK) decreased by 79.5%. Capacity, measured in available seat kilometres (ASK), was down by 61.8%. We carried 717 thousand passengers, an average of 1,965 per day, 84.5% fewer than in 2020. Passenger load factor was 31.1% compared with 58.0% in 2020.

Our cargo business performed exceptionally well. Cargo revenue in 2021 was HK$32,377 million, an increase of 31.8% compared to 2020. Cargo revenue tonne kilometres (RFTK) decreased by 1.1%. Capacity, measured by available cargo tonne kilometres (AFTK), decreased by 10.9%. Load factor increased by 8.1 percentage points to 81.4%. Yield increased by 33.1% to HK$3.94.

Cargo demand grew ahead of the traditional peak season in the second half of the year. In the months leading up to the end of 2021, we operated our freighter fleet at peak capacity, and supplemented our cargo capacity with additional cargo-only passenger flight operations. We also operated six of our Boeing 777-300ER passenger aircraft that have been partially converted into "preighters" by removing some of the seats in the passenger cabins to provide additional cargo-carrying capacity. In October, we carried more than 136,000 tonnes of cargo – the most we have carried in a single month since the start of COVID-19. Our airlines have carried more than 190 million COVID-19 vaccines since the start of COVID-19.

We remained focused on effective cash and cost management. Executive pay was cut for the whole of 2021 and we introduced a third unpaid leave scheme in the first half of the year, with an 80% voluntary uptake. Employee furlough, leave without pay, voluntary separation and early retirement schemes were implemented for a broad range of employee groups, and we are extremely grateful to all of our employees who participated in such schemes. Overall, our non-fuel costs decreased by 24.4% to HK$37,708 million. Cathay Pacific's total fuel costs (before the effect of fuel hedging) increased by HK$927 million (or 11.9%) compared to 2020. This reflected increased fuel prices.

Business performance of other subsidiaries and associates
HK Express reported a loss of HK$1,978 million for 2021 (2020: loss of HK$1,723 million). The results were adversely affected by low demand for passenger travel and by COVID-19-related travel restrictions and quarantine requirements, including those affecting Hong Kong-based aircrew.

Air Hong Kong recorded a profit in 2021, benefitting from strong cargo demand. The all-cargo airline flew extra sectors for Cathay Pacific.

Our airline services subsidiaries' financial performance was better than in 2020.

Air China (accounted for three months in arrears) was adversely affected by COVID-19. Its results were worse than those in 2020.

Financial position
The exceptionally strong cargo performance, together with our continued focus on effective cash and cost management, had a positive impact on our monthly operating cash burn, to the extent that we were marginally cash generative in the second half of 2021.

At 31st December 2021, our available unrestricted liquidity balance was HK$30.3 billion. During the year we raised HK$6.7 billion from a convertible bond issue and US$650 million (equivalent to HK$5.1 billion) from a straight bond issue under our medium-term note programme. We welcomed the Hong Kong SAR Government's agreement to extend the drawdown period of the HK$7.8 billion loan facility made available as part of our 2020 recapitalisation by 12 months to June 2022. This provides us with more flexibility to manage our liquidity position.

Prospects

We have had an extremely challenging start to 2022. Following the emergence of the Omicron variant, the HKSAR Government tightened the quarantine requirements for Hong Kong-based aircrew, notably those operating cargo flights, and temporarily banned all flights from nine countries, including the UK and the US, which are major markets for us. Passengers from high-risk places were banned from transiting through Hong Kong International Airport. All this constrained our ability to operate flights as planned. As a result, we expect to operate around 2% of pre-COVID-19 passenger flight capacity, and our cargo flight capacity is likely to remain less than one-third of pre-COVID-19 levels while current restrictions remain in place. We are trying our best to maintain our passenger and cargo networks as far as possible and will try to increase our cargo capacity as much as practicable.

As Hong Kong goes through a particularly challenging phase of this pandemic, I'd like to express my empathy and concern for all the people across Hong Kong who are affected. In the early days of COVID-19, Cathay Pacific crew bravely volunteered to operate evacuation flights to bring Hong Kong people home, and during this latest phase, we are doing everything we can to support the city, bringing in vaccines, rapid antigen test kits and essential food and medical supplies, and working with the authorities to support the pandemic response.

As Hong Kong's home airline, we are resolutely committed to keeping the flow of people and cargo between Hong Kong and the rest of the world safely moving, and to protecting and enhancing the city's aviation hub status despite the challenging circumstances presented by COVID-19. We have absolute confidence in the long-term future of Hong Kong. Everything we do at Cathay Pacific is in the service of Hong Kong. Cathay Pacific has been proudly serving our home city as its de facto flag carrier through thick and thin for over 75 years.

We are excited by the possibilities provided by the launch of our new premium travel lifestyle brand and we will continue to launch new offers and enhancements that will give our customers more reasons to travel, to shop and to interact with us. Our commitments to sustainable aviation will continue as we strive to reach our net-zero target by 2050, and we will further build on our digital leadership capabilities. We continue to position ourselves to capitalise on the opportunities presented by the Greater Bay Area, and the growth potential afforded by the opening of the third runway at Hong Kong International Airport.

Though we are still facing many challenges, we have the utmost confidence in the long-term future of Cathay Pacific. We have been privileged to fly out of Hong Kong as its home airline for the past 75 years and, as those years have shown, Cathay Pacific is an enduring airline.

Finally, I would like to extend my sincere appreciation to all of our people, who have been working tirelessly to keep the airline operating under incredibly challenging conditions. In particular, I would like to thank our aircrew, who have kept Hong Kong safely connected to the world under the most difficult conditions for any airline anywhere in the world. In 2021, our crew spent more than 62,000 nights in quarantine hotels. In addition, over 1,000 of our people, many of them aircrew, but also people from our services, operations and head office teams, have spent over 11,000 nights in the Penny's Bay quarantine facility. Collectively, our crew took over 230,000 COVID-19 tests in 2021, with only 16 positive cases despite our people, who are of course all fully vaccinated, flying continuously to many of the highest-risk countries in the world. The professionalism they have shown in upholding safe operations throughout this period have been unparalleled.

Patrick Healy
Chairman
Hong Kong, 9th March 2022

Review of Operations

In 2021, the Cathay Pacific Group continued to be significantly affected by the unprecedented disruption caused to the global aviation industry by the COVID-19 pandemic and the subsequent travel and operational restrictions that have been introduced around the world. The pace of recovery has been slower and more uncertain than we had hoped for; however, the situation did improve. The second half of the year is traditionally stronger than the first half, and overall this was the case for the Group in 2021.

Our travel business was the most significantly affected by the pandemic. We resumed flights to more destinations, in particular during the spring and summer months. However, the tightening of quarantine requirements for travellers arriving in Hong Kong from 16 overseas places in mid-August greatly affected inbound demand and traffic around what is our traditional summer peak season. We also reduced our flight schedule in December, affecting a number of flights to and from Hong Kong, and ended the year operating a considerably smaller amount of our pre-pandemic passenger flight capacity than we had originally planned.

The exceptional performance of our cargo business was extremely encouraging. While quarantine requirements for Hong Kong-based aircrew had a notable impact on our capacity and tonnage carried in the first half of the year, our performance in the second-half of the year – the traditional cargo peak season – was strong. In October, we carried more cargo than in any other month since the start of the pandemic, while sectors operated by our converted "preighter" aircraft (passenger aircraft that have had some of the seats in the cabins removed to provide additional cargo-carrying capacity) also reached their highest point. Meanwhile in November, we operated record-high numbers of cargo-only passenger flights (services operated using passenger aircraft but carrying exclusively cargo). Load factor was also high, averaging 81.4% and reaching 86.4% in March 2021 – the highest since the pandemic began.

As the home carrier of Hong Kong, we are fully committed to protecting and enhancing Hong Kong's aviation hub status and to keeping Hong Kong safely connected with the rest of the world despite the challenging circumstances presented by the pandemic. All our aircrew are fully vaccinated and are required to have received their third dose of COVID-19 vaccine by 30th April 2022. We also introduced enhanced medical surveillance measures for aircrew, including daily testing after their arrival in Hong Kong, to further safeguard the public health of Hong Kong. Aircrew who are exempt from quarantine upon arrival in Hong Kong, including aircrew operating closed-loop cargo flights, are required to self-isolate at a hotel for seven days after they arrive in Hong Kong. Throughout the pandemic, our aircrew have operated with the highest standards of compliance and safety, with 100% vaccination rates and over 230,000 tests undertaken in 2021.

Premium travel lifestyle brand launch

On 5th July 2021, we launched "Cathay", a new premium travel lifestyle brand that aims to bring all that we love about travel together with everyday lifestyle. Over the second half of the year, we rolled out a range of new offers in spending, dining, shopping and hotels, enabling us to engage with our customers not only when they fly with us, but every day.

"Cathay" brings together Cathay Pacific, Marco Polo Club and Asia Miles all in one place, simplifying the way our customers interact with us, including how they earn status and use miles. At the same time, "Cathay" also makes our proposition more appealing. By integrating our offerings and through better partnerships, we brought a wider range of products and services to the benefit of our customers, including:

- A new range of co-branded Standard Chartered Cathay Mastercard Credit Cards with Standard Chartered Bank (Hong Kong) Limited and Mastercard. These credit cards allow customers to earn miles faster and more easily than ever, and provide an array of other exciting offers and privileges, including complimentary Cathay Pacific Business Class Lounge access, priority check-in and boarding services, or complimentary Marco Polo Club Silver or Gold membership during the promotional period.

- A new online shopping experience that provides the fastest way to earn miles from online shopping. Customers can earn miles when purchasing the carefully curated selection of products and experiences on offer, and can even pay using a mix of miles and cash with our newly launched Miles Plus Cash payment option.
- A new dining and digital payment experience in partnership with dining platform OpenRice that enables customers to use the upgraded Cathay app to search for partner restaurants, make table reservations, and make payments – including with Miles Plus Cash. Members also earn miles when spending cash at partner restaurants.

From July 2022, we will be bringing the best of Marco Polo Club and Asia Miles together under a single Cathay membership. As a Cathay member, customers will have access to more benefits and more rewards, and it will be simpler to discover life-changing flights, meaningful experiences and curated products.

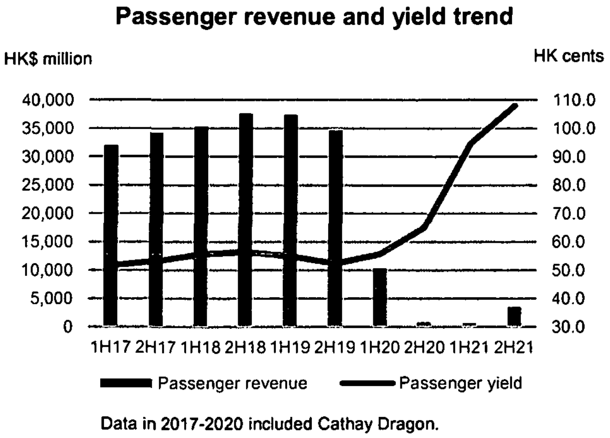
Importantly, Cathay Pacific continues as the brand of our airline globally. Initially, the Cathay brand will only be available in Hong Kong while Cathay Pacific will continue to be our brand around the rest of the world. Over time, we will aim to expand the "Cathay" premium travel lifestyle brand to other markets.

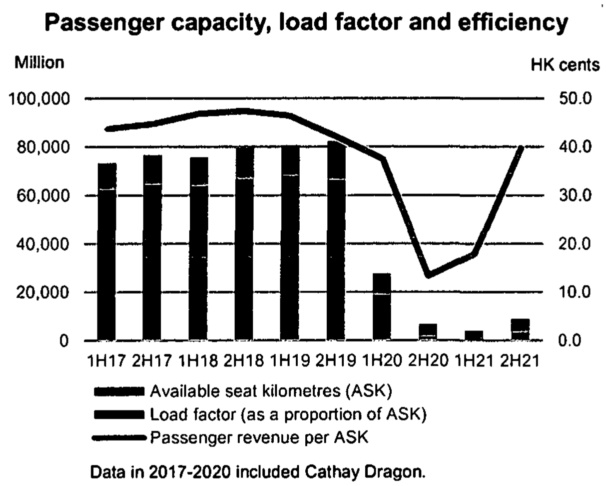
Cathay Pacific passenger services

Our passenger revenue was severely affected by COVID-19-related travel restrictions and quarantine requirements in place in Hong Kong and other markets worldwide. It decreased by 61.6% to HK$4,346 million compared to 2020. Revenue passenger kilometre (RPK) traffic decreased by 79.5%, while available seat kilometre (ASK) capacity decreased by 61.8%. Load factor decreased by 26.9 percentage points, to 31.1%. Yield increased by 87.4% to HK105.5 cents. Cathay Pacific carried 717 thousand passengers in 2021, an average of 1,965 passengers per day and 84.5% fewer than in 2020.

In February 2021, the Hong Kong SAR Government introduced strict quarantine requirements for Hong Kong-based aircrew. This significantly limited our ability to operate passenger flights. To operate the remaining cycles, we introduced voluntary, longer "closed-loop" duty cycles for our Hong Kong-based aircrew comprising a 21-day duty cycle followed by a 14-day quarantine period. These arrangements are very demanding for our aircrew, and we are very grateful to all our aircrew who volunteered. Our travel performance was helped by student traffic demand from Hong Kong and the Chinese Mainland to the US and the UK – particularly in August – along with pockets of demand for flights within Asia. We gradually resumed flights to more destinations, in particular those on the Chinese Mainland. The inaugural flight of our new Airbus A321neo narrow-body aircraft from Hong Kong to Shanghai (Pudong) took place on 4th August and the aircraft was also deployed on flights to Guangzhou, Hangzhou, Qingdao, Kaohsiung and Taipei.

The tightening of quarantine requirements in mid-August for travellers arriving in Hong Kong from 16 overseas places greatly affected inbound demand and traffic around what is our traditional summer peak season. We revised our planned passenger flight capacity levels for the remainder of the year and in December we also reduced our flight schedule, affecting a number of flights to and from Hong Kong. Overall, by the end of 2021 we were operating just 11.4% of our pre-pandemic passenger flight capacity – a considerably smaller amount than we had originally planned.





Available seat kilometres ("ASK"), load factor and yield change by region for Cathay Pacific passenger services for 2021 were as follows:

	ASK (million)			Load factor (%)			Yield
	2021	2020*	**Change**	**2021**	2020*	**Change**	**Change**
Americas	**4,870**	10,762	**-54.7%**	**40.5**	54.3	**-13.8%pt**	**+104.9%**
Europe	**2,662**	7,276	**-63.4%**	**45.5**	58.5	**-13.0%pt**	**+61.6%**
Southwest Pacific	**3,183**	5,341	**-40.4%**	**9.0**	60.7	**-51.7%pt**	**+153.4%**
North Asia	**1,344**	4,693	**-71.4%**	**28.1**	61.0	**-32.9%pt**	**+112.2%**
Southeast Asia	**1,016**	4,258	**-76.1%**	**22.2**	57.1	**-34.9%pt**	**+71.0%**
South Asia, Middle East and Africa	**153**	2,279	**-93.3%**	**30.4**	63.6	**-33.2%pt**	**+90.9%**
Overall	**13,228**	34,609	**-61.8%**	**31.1**	58.0	**-26.9%pt**	**+87.4%**

* Included Cathay Dragon

Innovation

- We launched a WhatsApp customer care service in Hong Kong in January 2021, and this social messaging approach has since been extended to cover most territories worldwide. This allows customers to contact us via social messaging platforms with enquiries related to their bookings.
- We collaborated with the Airport Authority Hong Kong, The Commons Project and Prenetics on a trial using digital health platform CommonPass that involved volunteer Cathay Pacific pilots and cabin crew on a March 2021 flight from Hong Kong to Los Angeles. We followed this with two live trials in July involving volunteer customers travelling between Hong Kong and Singapore, becoming the first airline to complete a trial with CommonPass involving both testing and vaccination records on an end-to-end, round-trip journey, as well as the first airline in Asia Pacific to trial the use of official vaccination records with customers in a live flight environment. These trials were part of our efforts to help shape the future deployment of digital health passports, which contain travellers' health credentials, aiding the secure and seamless reopening of travel.
- We launched a brand new payment option, Miles Plus Cash, in March 2021 that gives customers the flexibility to pay using a mix of miles and cash when booking seats on our website. Miles Plus Cash is also available for shopping on the Cathay shop and making payments on the Cathay lifestyle app at our partner restaurants.
- We launched our state-of-the-art Airbus A321neo aircraft offering the world's most enjoyable short-haul experience. With the launch of the A321neo, Cathay Pacific is the first airline in the world to provide 4K ultra-high-definition screens, a 4K video-on-demand experience as well as Bluetooth audio streaming (being introduced progressively) across all cabins. Customers can watch 4K Hollywood and Asian blockbusters using their own Bluetooth-enabled headphones on our flights.

- Cathay Pacific's Economy fares were redesigned to give customers greater choice and flexibility when booking flights. The new and simple-to-understand Light, Essential and Flex fares offer increasingly more control and greater benefits, from enhanced baggage allowances to flexible rebooking and upgrade options. The redesigned Economy fares were introduced progressively across Cathay Pacific's network in phases, ending with Hong Kong in the first quarter of 2022.
- Our innovative new tool 'Fly Ready' was launched last year and has been progressively rolled out to select markets. With Fly Ready, customers flying to Hong Kong can upload their COVID-19 test results and other important health documents for verification before they arrive at the airport, making check-in more simple, seamless and straightforward.

Awards
- Cathay Pacific won "Best First Class Sparkling" at the Cellars in the Sky 2020 awards announced in February 2021 organised by Business Traveller magazine.
- At the Skytrax 2021 World Airline Awards, Cathay Pacific won "Best Business Class Lounge in Asia", was a recipient of the "COVID-19 Airline Excellence Award", and was named among the top 10 of the World's Top 100 Airlines 2021.
- Cathay Pacific was named sixth in AirlineRatings.com's 20 Top Airlines in the World for 2021.
- Cathay Pacific's The Wing, First lounge at Hong Kong International Airport was named "Asia's Leading Airline Lounge – First Class 2021" at the World Travel Awards 2021.
- Cathay Pacific was named Best Airline for Transpacific Service at the Best in Business Travel Awards for 2021 organised by Business Traveler (USA) magazine.

Home market - Hong Kong and Greater Bay Area
- In February 2021, the Hong Kong SAR Government introduced new mandatory quarantine measures for Hong Kong-based crew, which had a significant impact on our ability to service our travel markets.
- In April, we launched our "Arm up, let's fly again!" campaign to build awareness about the importance of getting vaccinated as soon as possible. The response was very positive.
- The Hong Kong SAR Government relaxed the mandatory quarantine requirement for fully vaccinated Hong Kong-based pilots and cabin crew operating passenger flights in May.
- Quarantine requirements for travellers arriving in Hong Kong from 16 overseas places were tightened in mid-August, greatly affecting inbound demand and traffic around our traditional summer peak season.
- Effective 15th November, Hong Kong International Airport's Departures level was separated into two passenger zones – one for those travelling to the Chinese Mainland, and another for those travelling to any other destinations as well as all transit passengers. As a result, we reopened The Pier, Business lounge to cater to passengers in the departure zone for non-Chinese Mainland travel. The Wing, First lounge remained open for eligible customers travelling to the Chinese Mainland.
- In November, the Hong Kong SAR Government tightened boarding and quarantine requirements for passengers arriving from countries with reported cases of the Omicron coronavirus variant, and placed these countries in the highest-risk "Group A" category of specified places.
- In late December 2021, the Hong Kong SAR Government tightened the quarantine requirements for Hong Kong-based aircrew and subsequently announced in 2022 place-specific flight suspensions for Australia, Canada, France, India, Nepal, Pakistan, the Philippines, the United Kingdom and the United States of America that remain in place at the date of this report.

Americas
- Our US and Canada routes experienced occasional pockets of strong student travel and transit demand to and from Hong Kong and the Chinese Mainland, especially in August.
- At the end of 2021, Cathay Pacific was operating passenger flights serving the following destinations in the Americas: Chicago, Los Angeles, New York, San Francisco, Toronto and Vancouver (to and from Hong Kong); Boston (from Hong Kong only).

Europe
- The Hong Kong SAR Government's ban on flights arriving into Hong Kong from the UK that was introduced in December 2020 remained in place until May 2021. This had a considerable impact on our travel business.
- Cathay Pacific supported the operation of two special flights to bring Hong Kong residents home from the UK in April 2021. These marked our first flights operated by fully vaccinated aircrew, and our first flights from London since the ban was introduced.

- In May, Cathay Pacific resumed operating regular flights from London Heathrow following the relaxation of the ban on flights to Hong Kong from the UK.
- Our UK routes experienced occasional pockets of strong student travel demand to and from Hong Kong and the Chinese Mainland after the lifting of the ban, particularly in September.
- At the end of 2021, Cathay Pacific was operating passenger flights serving the following destinations in Europe: London, Manchester and Milan (to and from Hong Kong); Amsterdam, Frankfurt, Madrid and Paris (from Hong Kong only).

Southwest Pacific

- Due to the Australian government's restrictions on inbound traffic, all our ex-Hong Kong flights to Australia were subject to passenger quotas between 1st January and 31st October 2021.
- From 1st November, fully vaccinated Australian citizens, permanent residents and their immediate family were able to fly to Sydney and Melbourne quarantine-free, without quotas. As a result, we operated increased capacity on our flights to/from Sydney and Melbourne for eligible customers.
- At the end of 2021, Cathay Pacific was operating passenger flights serving the following destinations in the Southwest Pacific: Brisbane, Melbourne, Perth and Sydney (to and from Hong Kong); Auckland (from Hong Kong only).

North Asia

- In April, we resumed operating regular services to Chengdu and Xiamen in the Chinese Mainland, and Kaohsiung in Taiwan.
- In May, we resumed operating regular services to Fuzhou and Hangzhou in response to increased demand for travel from the Chinese Mainland under the Hong Kong SAR Government's Return2HK scheme.
- In June, we resumed passenger flights from Guangzhou to Hong Kong.
- We resumed flights to Wuhan in July and to Qingdao in August.
- Chinese Mainland sales provided good support to our network, particularly for long-haul operations serving the UK and the US.
- In August, we marked the inaugural flight of our new Airbus A321neo aircraft from Hong Kong to Shanghai (Pudong). The aircraft was also deployed on flights to Guangzhou, Hangzhou, Qingdao, Kaohsiung and Taipei.
- At the end of 2021, Cathay Pacific was operating passenger flights serving the following destinations in North Asia: Beijing, Chengdu, Kaohsiung, Seoul, Shanghai, Taipei and Tokyo (to and from Hong Kong); Fuzhou, Guangzhou, Hangzhou, Qingdao, Wuhan and Xiamen (to Hong Kong only); and Osaka (from Hong Kong only).

Southeast Asia

- Demand to and from Indonesia was strong starting in the second quarter, supported by transit passenger traffic within Asia.
- The Hong Kong SAR Government introduced a temporary ban on all flights arriving in Hong Kong from the Philippines in mid-April and from Indonesia in late-June, under its place-specific suspension mechanism in view of the COVID-19 situation in those two countries. This affected our flights from Cebu, Manila, Jakarta and Surabaya.
- The planned launch of the Hong Kong-Singapore Air Travel Bubble at the end of May was suspended.
- At the end of 2021, Cathay Pacific was operating passenger flights serving the following destinations in Southeast Asia: Cebu, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, Manila, Phnom Penh, and Singapore (to and from Hong Kong); Bangkok and Phuket (from Hong Kong only).

South Asia, Middle East and Africa

- In May, we resumed operating regular services to Dubai.
- We resumed flights to Dhaka in December.
- At the end of 2021, Cathay Pacific was operating passenger flights to the following destinations in South Asia, the Middle East and Africa: Dhaka, Dubai and Tel Aviv (to and from Hong Kong).

Cathay premium travel lifestyle brand

- In July, we launched "Cathay" – a new premium travel lifestyle brand that brings all that we love about travel together with everyday lifestyle. Under "Cathay", we rolled out a range of new offers in spending, dining, shopping and hotels, enabling us to engage with our customers not only when they fly with us, but every day.
- Cathay Pacific continues as the brand of our airline globally. Initially, the Cathay brand will only be available in Hong Kong while Cathay Pacific will continue to be our brand around the rest of the world. Over time, we will aim to expand the "Cathay" premium travel lifestyle brand to other markets.
- We launched a new range of co-branded Standard Chartered Cathay Mastercard Credit Cards with Standard Chartered Bank (Hong Kong) Limited and Mastercard. These credit cards allow customers to earn miles faster and more easily than ever, and provide an array of other exciting offers and privileges, including complimentary Cathay Pacific Business Class Lounge access, priority check-in and boarding services, or complimentary Marco Polo Club Silver or Gold membership during the promotional period.
- We introduced a new online shopping experience that provides the fastest way to earn miles from online shopping. Customers can earn miles when purchasing the carefully curated selection of products and experiences on offer, and can even pay using a mix of miles and cash with our newly launched Miles Plus Cash payment option. The new online shopping experience also provides next-day delivery in Hong Kong (subject to terms and conditions).
- Cathay partnered with dining platform OpenRice on a new dining and digital payment experience that enables customers to use the upgraded Cathay app to search for partner restaurants, make table reservations, and make payments – including with Miles Plus Cash. Members also earn miles when spending cash at partner restaurants.

Loyalty and reward programmes

Marco Polo Club

- The Marco Polo Club loyalty programme provides benefits and services to the frequent flyers of Cathay Pacific.
- Club points are earned by reference to airline, cabin fare class and distance travelled.
- Silver members (and above) have unlimited access to lounges when flying on Cathay Pacific. All members are entitled to priority boarding and check-in.
- From July 2022, we will be bringing the best of Marco Polo Club and Asia Miles together under a single Cathay membership. As a Cathay member, customers will have access to more benefits and more rewards, and it will be simpler to discover life-changing flights, meaningful experiences and curated products.

Asia Miles

- Asia Miles is a leading travel and lifestyle rewards programme in Asia. It has more than 12 million members and over 800 partners worldwide, including 26 airlines, more than 150 hotel brands and over 400 dining partners and shops.
- There was a 49% decrease in redemptions by Asia Miles members on Cathay Pacific flights in 2021 compared to the same period last year (which included Cathay Dragon), but redemptions for non-flight-related channels increased by 52%.
- In March 2021, Cathay Pacific launched a brand new payment option, Miles Plus Cash, that gives customers the flexibility to pay using a mix of miles and cash when booking seats on our website. Miles Plus Cash is also available for shopping on the Cathay shop and making payments on the Cathay lifestyle app at our partner restaurants.
- Marco Polo Club members are also members of Asia Miles.
- From July 2022, we will be bringing the best of Asia Miles and Marco Polo Club together under a single Cathay membership. As a Cathay member, customers will have access to more benefits and more rewards, and it will be simpler to discover life-changing flights, meaningful experiences and curated products.

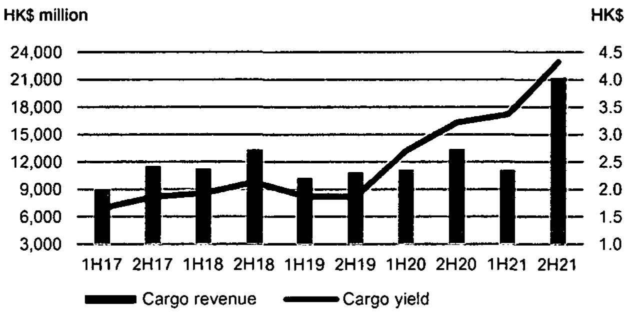
Cathay Pacific cargo services

Cargo revenue in 2021 was HK$32,377 million, an increase of 31.8% compared to 2020. Cargo revenue tonne kilometre (RFTK) traffic decreased by 1.1%, while available cargo tonne kilometre (AFTK) capacity decreased by 10.9%. Load factor remained high, increasing 8.1 percentage points to 81.4%, and reaching 86.4% in March – the highest it has been since the start of the pandemic. Yield increased by 33.1% to HK$3.94.

The strict quarantine requirements for Hong Kong-based aircrew introduced in February and relaxed in May had a notable impact on our cargo capacity and tonnage carried in the first half of the year. These improved in the second half, with cargo demand continuing to grow as we entered the traditional peak cargo season. October saw us carry more than 136,000 tonnes of cargo – the most we have carried in a single month since the start of the COVID-19 pandemic.

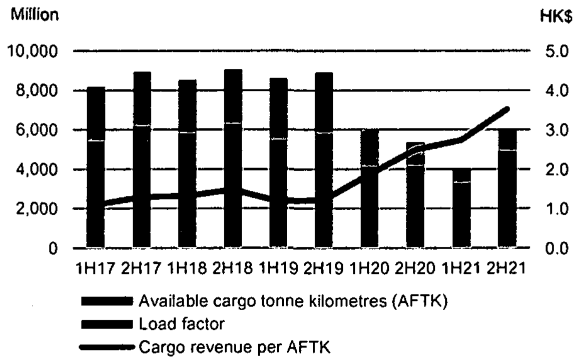
We continued to add capacity to the market wherever possible. This included operating 7,867 pairs of cargo-only passenger flights (services operated using passenger aircraft but carrying exclusively cargo) and "preighters" (six passenger aircraft that have had some seats in the cabins removed to provide additional cargo-carrying capacity). We also chartered flights from our all-cargo subsidiary, Air Hong Kong.

Cargo revenue and yield trend



Data in 2017-2020 included Cathay Dragon.

Cargo capacity, load factor and efficiency



Data in 2017-2020 included Cathay Dragon.

Available cargo tonne kilometres ("AFTK"), load factor and yield change for 2021 were as follows:

	AFTK (million)			Load factor (%)			Yield
	2021	2020*	**Change**	**2021**	2020*	**Change**	**Change**
Cathay Pacific	**10,094**	11,329	**-10.9%**	**81.4**	73.3	**+8.1%pt**	**+33.1%**

* Included Cathay Dragon

- In January, we launched a new scheduled freighter service between Hong Kong and Riyadh to meet the strong demand for shipments of e-commerce and other general cargo such as garments.
- The impact of crew quarantine restrictions in Hong Kong was felt most severely in April, with the number of freighter and cargo-only passenger flight operations lower than at any point since the COVID-19 pandemic began. The situation improved from May onwards.
- Cathay Pacific Cargo took the lead in its third pilot of IATA's ONE Record initiative and established the first airline-forwarder connection in the air cargo industry via One Record API at its home hub, Hong Kong, marking a significant step in the end-to-end digitalisation of the global supply chain. IATA's ONE Record creates a "Virtual Shipment Record" for all shipments; a single-record view of a shipment that will enable data to be shared by all stakeholders across the air cargo industry.
- Cathay Pacific Cargo became the first Asian air-cargo carrier to offer the Envirotainer Releye RLP for carriage on its aircraft fleet, adding to its extensive cool-chain options for customers with temperature-sensitive shipments. This new container provides greater load flexibility and the latest cool-chain technology.

- We launched Ultra Track, a next-generation track-and-trace system that monitors shipment information including temperature, GPS location and humidity using Bluetooth technology. The system offers greater visibility to customers who can now monitor shipments in near real time, and enables us to take proactive steps and corrective actions if and when they are necessary. Cathay Pacific Cargo has introduced Ultra Track to its network with a phased introduction at 27 ports across the globe as of the end of 2021.
- We operated six of our Boeing 777-300ER passenger aircraft that have been partially converted into "preighters" by removing some of the seats in the passenger cabins to provide additional cargo-carrying capacity.
- Demand remained strong during the Northern Hemisphere summer holiday period, typically a quieter time of the year, and our freighter schedule ramped up to peak-season levels towards the end of August.
- October saw 78 sectors operated by our converted "preighters", while November saw us operate 1,035 pairs of cargo-only passenger flights – both record-high numbers.
- We recommenced our seasonal cargo service between Hobart and Hong Kong in November, transporting Tasmanian produce to key Asian markets.
- We launched our new digital booking platform, Click & Ship, progressively across our network, which has been well received by our customers. The platform promises booking transparency and speed, enabling customers to view prices and capacity, and book cargo with instant confirmation.
- In December, we received IATA's CEIV Live Animal Certification, affirming our commitment to continuously improve our standards for carrying sensitive cargo.
- More stringent crew quarantine requirements in Hong Kong began to have a major impact on our long-haul capacities from the end of December.

Vaccine shipments

- Building on our many years of experience in transporting pharmaceutical shipments, Cathay Pacific developed a Vaccine Solution specifically for the fast and effective distribution of COVID-19 vaccines across the globe. The solution includes Ultra Track as well as 24/7 monitoring by dedicated cargo professionals at our newly established Operations Control Centre in Hong Kong.
- In February, Cathay Pacific flew the first shipments of COVID-19 vaccines to Hong Kong. We have also flown vaccines for distribution to countries including Bangladesh, Cambodia, India, Indonesia, Malaysia, Mexico, Nepal, the Philippines, Singapore, Thailand and Vietnam.
- To date, our airlines have shipped more than 190 million COVID-19 vaccines around the world.

Awards

- In May 2021, Cathay Pacific Cargo's performance in 2020 was recognised with two industry-wide high scores in the Air Cargo Customer Experience analysis, which is based on the findings from the Air Cargo Excellence Survey organised by Air Cargo World magazine. The airline received a high score of 4.8 out of 5.0 points across all airlines for availability and quality of specialty cargo operations, and took home the highest overall score, which had a strong showing from Asia-Pacific airlines, of 4.6 out of 5.0.
- Cathay Pacific was named "Best in Future of Connectedness" at the 2021 IDC Future Enterprise Awards for its development of its next-generation track-and-trace solution, Ultra Track, which applies Internet of Things (IoT) technology to monitor shipments.
- Cathay Pacific Cargo was named "Best Air Cargo Carrier – Asia" at the 2021 Asian Freight, Logistics and Supply Chain (AFLAS) Awards organised by Asia Cargo News magazine.

Fleet development

- At the end of 2021, Cathay Pacific had 193 aircraft (including 14 Cathay Dragon aircraft that are either pending to be reassigned to Cathay Pacific and HK Express, or to be lease returned or retired), HK Express had 27 aircraft and Air Hong Kong had 14 aircraft (a total of 234 aircraft).
- Given current conditions, approximately 37% of our passenger aircraft are parked in locations outside of Hong Kong in keeping with prudent operational and asset-management considerations. This is subject to change as we continue to reassess our passenger flight capacity.
- Cathay Pacific took delivery of six new aircraft in 2021. HK Express took delivery of one new aircraft in 2021. These deliveries were all firm commitments made earlier that will help to modernise our fleets and improve efficiency.
- Six of our Boeing 777-300ER passenger aircraft have been partially converted into "preighters" by removing some of the seats in the cabins to provide additional cargo-carrying capacity.

Fleet profile*

Aircraft type	Number at 31st December 2021				Average age	Orders				Expiry of operating leases**					
		Leased**													
	Owned	Finance	Operating	Total		'22	'23	'24 and beyond	Total	'22	'23	'24	'25	'26	'27 and beyond
Cathay Pacific:															
A320-200	5		2	7	16.6					2[(a)]					
A321-200	2		3	5	16.7					2[(b)]	1				
A321-200neo			5	5	0.7	7	4		11						5
A330-300	37	10	4	51	15.2								2	2	
A350-900	19	7	2	28	4.1		2		2						2
A350-1000	10	5		15	2.6	3			3						
747-400ERF	6			6	13.0										
747-8F	3	11		14	8.9										
777-300	17			17	20.2										
777-300ER	25	5	15	45	9.4					4[(c)]	2	3	2	4	
777-9								21	21						
Total	124	38	31	193	10.9	10	6	21	37	8	3	3	4	6	7
HK Express:															
A320-200			6	6	10.8					1[(d)]	1	4			
A320-200neo			10	10	2.8										10
A321-200			11	11	4.2								1	2	8
A321-200neo						1	6	9	16						
Total			27	27	5.2	1	6	9	16	1	1	4	1	2	18
Air Hong Kong*:**															
A300-600F			9	9	17.6					5	3			1	
A330-243F			2	2	10.0									2	
A330-300P2F			3	3	14.0									3	
Total			14	14	15.8					5	3			6	
Grand total	**124**	**38**	**72**	**234**	10.5	**11**	**12**	**30**	**53**	**14**	**7**	**7**	**5**	**14**	**25**

* The table does not reflect aircraft movements after 31st December 2021.

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

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

(a) The operating leases of two Airbus A320-200 aircraft expired in January and February 2022. The aircraft were returned to their lessors.

(b) The operating lease of one Airbus A321-200 aircraft expired in February 2022. The aircraft was returned to its lessor.

(c) The operating lease of one Boeing 777-300ER aircraft expired in January 2022. The aircraft was returned to its lessor.

(d) The operating lease of one Airbus A320-200 aircraft expired in February 2022. The aircraft was returned to its lessor.

Digital leadership

Our vision is for Cathay Pacific to become one of the world's greatest service brands, by transforming into a digital leader famous for its strong digital culture and capabilities. These are considered a core competitive edge of ours, alongside our traditional strengths on brand, customer experience and people.

To achieve this goal, we developed a comprehensive Digital Leadership Vision comprising three layers:

- IT Enablement – delivering agile, cost-efficient, scalable, secured and reliable solutions.
- Digital Enablement – pioneering and enabling consistent and scalable data analytics, technology and change-management capabilities.
- Business Transformation – applying our IT and Digital capabilities to deliver customer and business outcomes.

Critical to the success of our vision is for the entire organisation to exhibit a strong digital innovation culture. This includes understanding evolving digital trends, embracing digital data and technologies in major business innovation initiatives, adopting an agile approach of "experiment often and fail fast" in applicable business areas and "think big but start small", and ensuring data integrity, quality and compliance.

The success of our Digital Leadership Vision will be characterised by our ability and maturity in advanced data analytics, innovative technologies, and transformational business changes. Through these, Cathay Pacific will improve customer service, productivity, employee performance and sustain future growth.

Review of other subsidiaries and associates

The share of results from other subsidiaries and associates in 2021 was HK$3,799 million of losses compared to a share of losses of HK$4,255 million in 2020. 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, Saipan, Seoul, Taichung and Tokyo.
- At the end of 2021, HK Express had an all-Airbus narrow-body fleet of 27 aircraft, including six Airbus A320-200 aircraft, 11 Airbus A321-200 aircraft and 10 Airbus A320-200neo aircraft. The young fleet had an average age of 5.2 years.
- HK Express took delivery of one new aircraft in 2021.
- From 2022, 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.
- At the end of 2021, HK Express was operating flights to Bangkok, Kaohsiung, Phuket and Taipei.
- In 2021, capacity amounted to 71 million available seat kilometres, reflecting the airline's substantial capacity reductions in response to significantly reduced demand as well as travel restrictions and quarantine requirements in place in Hong Kong and other markets amid the ongoing global COVID-19 pandemic. The average flown load factor was 8.8%, a decrease of 62.2 percentage points versus the comparative period.
- HK Express recorded an after-tax loss of HK$1,978 million in 2021, compared with a HK$1,723 million loss in 2020.
- Ancillary revenue penetration as a percentage of total revenue was 27.4% in 2021. This included non-flight scheduled revenue, which arises from the sale of baggage, priority boarding, allocated seats and administration fees, all directly attributable to the low-fare business of HK Express.

	For the year ended 31st December 2021 HK$M	For the year ended 31st December 2020 HK$M	**Change**
Revenue			
Passenger services*	**11**	636	**-98.3%**
Cargo services	**2**	14	**-85.7%**
Other services and recoveries*	**7**	211	**-96.7%**
Total revenue	**20**	861	**-97.7%**
Expenses			
Staff	**(384)**	(575)	**-33.2%**
Inflight service and passenger expenses	**(1)**	(10)	**-90.0%**
Landing, parking and route expenses	**(33)**	(187)	**-82.4%**
Fuel, including hedging losses	**(8)**	(285)	**-97.2%**
Aircraft maintenance	**(279)**	(327)	**-14.7%**
Aircraft depreciation and rentals	**(830)**	(908)	**-8.6%**
Other depreciation, amortisation and rentals	**(27)**	(28)	**-3.6%**
Others	**(264)**	(203)	**+30.0%**
Operating expenses	**(1,826)**	(2,523)	**-27.6%**
Net finance charges	**(328)**	(274)	**+19.7%**
Total operating expenses	**(2,154)**	(2,797)	**-23.0%**
Loss before impairment and related charges and taxation	**(2,134)**	(1,936)	**+10.2%**
Impairment and related charges	**(41)**	-	**-**
Taxation	**197**	213	**-7.5%**
Loss after taxation	**(1,978)**	(1,723)	**+14.8%**

* 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 2021	For the year ended 31st December 2020	Change
Operating Statistics – HK Express				
Available seat kilometres ("ASK")	*Million*	**71**	1,742	**-95.9%**
Passenger revenue per ASK	*HK cents*	**15.3**	36.5	**-58.1%**
Revenue passenger kilometres ("RPK") *	*Million*	**6**	1,237	**-99.5%**
Revenue passengers carried	*'000*	**8**	572	**-98.6%**
Passenger load factor*	*%*	**8.8**	71.0	**-62.2%pt**
Passenger yield*	*HK cents*	**173.5**	51.4	**+237.5%**
Cost per ASK (with fuel)	*HK cents*	**2,967.1**	160.6	**+1,747.5%**
Fuel consumption per million ASK	*Barrels*	**145**	151	**-4.0%**
Fuel consumption per million RPK*	*Barrels*	**1,644**	213	**+671.8%**
Cost per ASK (without fuel)	*HK cents*	**2,956.4**	144.2	**+1,950.2%**
ASK per HK$'000 staff cost	*Unit*	**184**	3,030	**-93.9%**
ASK per staff	*'000*	**70**	1,637	**-95.7%**
Aircraft utilisation	*Hours per day*	**0.1**	1.5	**-93.3%**
On-time performance	*%*	**96.8**	91.7	**+5.1%pt**
Average age of fleet	*Years*	**5.2**	5.1	**+0.1years**

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

- Air Hong Kong principally operates express cargo services for DHL Express.
- At the end of 2021, Air Hong Kong operated nine dry-leased Airbus A300-600F freighters, two dry-leased Airbus A330-243F freighters and three dry-leased Airbus A330-300P2F converted freighters.
- Air Hong Kong operates scheduled and charter flights to major cities in Asia, including Bangkok, Beijing, Cebu (via Manila), Chengdu, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, Nagoya, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei and Tokyo.
- In 2021, capacity (in terms of available cargo tonne kilometres) increased by 2.8% to 948 million.
- On-time performance decreased by 1.0 percentage point to 89.1% in 2021.
- Air Hong Kong recorded an increase in profit in 2021 compared with 2020.

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 48 international airlines in Hong Kong. It produced 1.7 million airline meals and handled 14,053 flights in 2021, representing a daily average of 4,701 meals and 39 flights, a decrease of 63.8% and 16.7%, respectively, from 2020. The reduction in business volumes is due to the continued impact of COVID-19.
- Affected by the significant reduction in demand for flight catering services, the focus of the business was to develop its non-aviation catering services, while minimising operating costs and capital expenditure.
- CPCS has been providing meal services at Penny's Bay and will be expanding this to include additional facilities.
- The financial results of CPCS in 2021 improved compared to 2020, mainly due to the impact of asset impairments in the prior year, partially offset by the reduction in COVID-19 financial relief measures received from the Hong Kong SAR Government and the Hong Kong Airport Authority in 2021. Excluding these one-off items, the underlying results declined due to lower business volumes.
- The financial results of flight kitchens outside Hong Kong in 2021 declined compared with 2020, with the exception of Canada, which reported a year-on-year improvement.

Cathay Pacific Services Limited ("CPSL")

- CPSL, a wholly owned subsidiary, owns and operates the Group's cargo terminal at Hong Kong International Airport. At the end of 2021, CPSL provided cargo-handling services for the Cathay Pacific Group and 17 other airlines.
- CPSL handled 1.4 million tonnes of cargo in 2021 (an increase of 4% compared with 2020), 46% of which were trans-shipments. Export and import shipments accounted for 35% and 19% respectively of the total.
- The financial results in 2021 improved compared with 2020.

Hong Kong Airport Services Limited ("HAS")

- HAS, a wholly owned subsidiary, provides ramp and passenger-handling services at Hong Kong International Airport. At the end of 2021, it provided ground-handling services to 29 airlines, including Cathay Pacific.
- In 2021, HAS had 37.9% and 4.1% market shares in ramp- and passenger-handling businesses respectively at Hong Kong International Airport. The number of flights handled under both ramp- and passenger-handling businesses shrank by 17.5% and 39.0% against last year. The adverse impact of the COVID-19 pandemic on aviation business continued in 2021. Customer airlines have either maintained minimal passenger flights or suspended operations.
- The financial results for 2021 were adversely affected. The focus of the business was to capture new revenue streams, reduce operating costs, defer or cancel capital expenditure and to preserve cash. Various financial relief measures or assistance programmes have lessened the impact of the pandemic.
- In 2021, HAS continued to meet and exceed the Critical Key Performance Indicators set by the Airport Authority Hong Kong.

Vogue Laundry Service Limited ("VLS")

- VLS, a wholly owned subsidiary, provides a comprehensive range of services in laundry and dry cleaning of commercial linen, uniform and guest garments.
- It operates a commercial laundry plant in Yuen Long Industrial Park and runs nine valet shops in Hong Kong serving retail customers.
- VLS processed 33 million items of laundry in 2021, a level similar to 2020. The financial results of 2021 improved compared with those of 2020 mainly due to there being no asset impairments made in 2021, but also partly offset by the absence of financial relief measures received from the Hong Kong SAR Government in the form of Employment Subsidy Schemes, which were available in 2020.

Principal associates

Air China Limited ("Air China")

- Air China, in which the Cathay Pacific Group had a 18.13% interest at 31st December 2021, 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 2021 results include Air China's results for the 12 months ended 30th September 2021, adjusted for any significant events or transactions in the period from 1st October 2021 to 31st December 2021.
- For the 12 months ended 30th September 2021, Air China's financial results declined compared to those for the 12 months ended 30th September 2020.

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

- As part of a mixed ownership reform for Air China Cargo, the Cathay Pacific Group's equity and economic interest in Air China Cargo reduced from 34.78% to 24% in September 2021. Air China Cargo 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.
- Starting from the second half of 2021, with the dilution of our interest in Air China Cargo, our share of results are taken three months in arrear. Our 2021 results include Air China Cargo's results for the nine months ended 30th September 2021, adjusted for any significant events or transactions in the period from 1st October 2021 to 31st December 2021.

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 137.

Financial Review

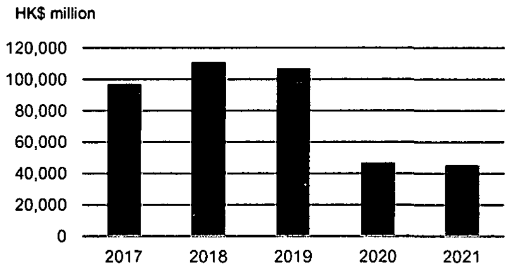
Schedule D

The Cathay Pacific Group's attributable loss was HK$5,527 million for 2021 (2020: loss of HK$21,648 million). Cathay Pacific reported a loss after tax of HK$1,728 million for 2021 (2020: loss of HK$17,393 million), and the share of losses from subsidiaries and associates was HK$3,799 million (2020: losses of HK$4,255 million).

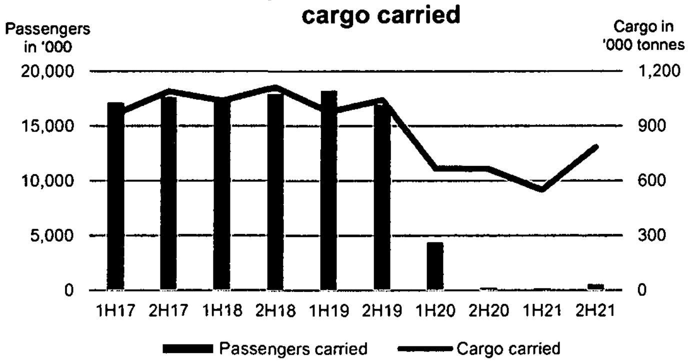
Revenue

	Group			Cathay Pacific		
	2021 **HK$M**	2020* HK$M	**Change**	**2021** **HK$M**	2020* HK$M	**Change**
Passenger services	**4,357**	11,950	**-63.5%**	**4,346**	11,313	**-61.6%**
Cargo services	**35,814**	27,890	**+28.4%**	**32,377**	24,573	**+31.8%**
Other services and recoveries	**5,416**	7,094	**-23.7%**	**5,461**	6,842	**-20.2%**
Total revenue	**45,587**	46,934	**-2.9%**	**42,184**	42,728	**-1.3%**

* Included Cathay Dragon



Data in 2017-2020 included Cathay Dragon.



Data in 2017-2020 included Cathay Dragon.

Cathay Pacific

- Passenger revenue decreased by 61.6% to HK$4,346 million. The number of revenue passengers carried decreased by 84.5% to 717 thousand. Revenue passenger kilometres decreased by 79.5%.
- The passenger load factor decreased by 26.9 percentage points to 31.1%. Available seat kilometres decreased by 61.8%.
- Passenger yield increased by 87.4% to HK105.5 cents.
- First and business class revenues decreased by 49.1% and the load factor decreased from 38.7% to 25.8%.
- Premium economy and economy class revenues decreased by 67.1% and the load factor decreased from 61.2% to 32.0%.
- Cargo revenue increased by 31.8% to HK$32,377 million despite a 10.9% decrease in available freight tonne kilometers.
- The cargo load factor increased by 8.1 percentage points and cargo yield increased by 33.1% to HK$3.94.
- The overall revenue load factor increased by 0.7 percentage points to 68.4%.
- 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	**140**
+ 1 percentage point in cargo load factor	**398**
+ HK¢1 in passenger yield	**41**
+ HK¢1 in cargo yield	**82**

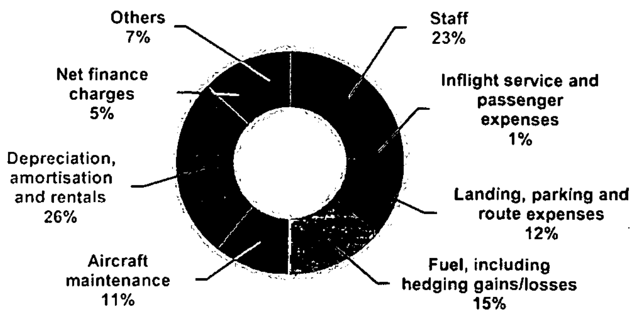
Operating expenses*

	Group			Cathay Pacific		
	2021 HK$M	2020 HK$M	**Change**	**2021 HK$M**	2020 HK$M	**Change**
Staff	**11,298**	15,786	**-28.4%**	**9,542**	13,616	**-29.9%**
Inflight service and passenger expenses	**366**	1,102	**-66.8%**	**365**	1,093	**-66.6%**
Landing, parking and route expenses	**5,743**	6,868	**-16.4%**	**5,315**	6,268	**-15.2%**
Fuel, including hedging gains/losses	**7,031**	11,379	**-38.2%**	**6,388**	10,710	**-40.4%**
Aircraft maintenance	**5,152**	5,772	**-10.7%**	**4,261**	4,745	**-10.2%**
Aircraft depreciation and rentals	**10,444**	11,879	**-12.1%**	**9,670**	11,060	**-12.6%**
Other depreciation, amortisation and rentals	**2,381**	2,720	**-12.5%**	**1,675**	1,924	**-12.9%**
Others	**3,622**	3,133	**+15.6%**	**3,956**	3,669	**+7.8%**
Operating expenses	**46,037**	58,639	**-21.5%**	**41,172**	53,085	**-22.4%**
Net finance charges	**2,629**	2,895	**-9.2%**	**1,972**	2,313	**-14.7%**
Total operating expenses	**48,666**	61,534	**-20.9%**	**43,144**	55,398	**-22.1%**

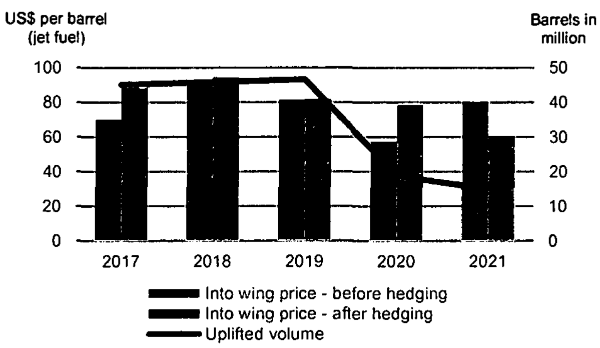
* Included Cathay Dragon

- The Group's and Cathay Pacific's total operating expenses decreased by 20.9% and 22.1% respectively.
- The cost per ATK (with fuel) of Cathay Pacific decreased from HK$4.14 to HK$3.88, a decrease of 6.3%.
- The cost per ATK (without fuel) of Cathay Pacific decreased from HK$3.41 to HK$3.32, a decrease of 2.6%.
- The underlying cost per ATK (without fuel), which excludes impairment and related charges and restructuring costs, increased from HK$3.06 to HK$3.24, an increase of 5.9%.

Group total operating expenses



Group fuel price and consumption



Data in 2017-2020 included Cathay Dragon.

Operating results analysis*

	1st half 2021 HK$M	**2nd half 2021 HK$M**	**Full year 2021 HK$M**	1st half 2020 HK$M	2nd half 2020 HK$M	Full year 2020 HK$M
Cathay Pacific's (loss)/profit before impairment and related charges, restructuring and taxation	(4,545)	**3,585**	**(960)**	(6,943)	(5,727)	(12,670)
Impairment and related charges (note 1)	(460)	**(317)**	**(777)**	(1,281)	(1,534)	(2,815)
Restructuring costs (note 2)	(403)	**18**	**(385)**	-	(2,383)	(2,383)
Non-recurring item (note 3)	-	**210**	**210**	-	-	-
Taxation (note 4)	377	**(193)**	**184**	863	(388)	475
Cathay Pacific's (loss)/profit after taxation	(5,031)	**3,303**	**(1,728)**	(7,361)	(10,032)	(17,393)
Share of losses from subsidiaries and associates (note 5)	(2,534)	**(1,265)**	**(3,799)**	(2,504)	(1,751)	(4,255)
(Loss)/profit attributable to the shareholders of the Cathay Pacific Group	(7,565)	**2,038**	**(5,527)**	(9,865)	(11,783)	(21,648)
Adjusted (loss)/profit attributable to the shareholders of Cathay Pacific (note 6)	(6,662)	**2,142**	**(4,520)**	(7,400)	(7,809)	(15,209)

* Included Cathay Dragon

Notes:

1) Impairment and related charges of HK$777 million 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 (2020: Impairment and related charges of HK$2,815 million under Cathay Pacific and Cathay Dragon mainly in connection with 34 aircraft that are unlikely to re-enter meaningful economic service again before they retire or are returned to lessors).
2) Redundancy and related costs of HK$385 million. (2020: HK$2,383 million in connection with the restructuring of the Group and the discontinuation of Cathay Dragon operations).
3) The non-recurring item in 2021 reflects a gain on deemed partial disposal of an associate.
4) A write off of deferred tax assets on tax losses of HK$1,590 million for Cathay Dragon was recognised under Taxation in the second half of 2020.
5) Impairment and related charges of HK$41 million under HK Express in connection with three aircraft that are unlikely to re-enter meaningful economic service again before they are returned to lessors (2020: Impairment and related charges of HK$658 million and HK$526 million were recognised for our laundry and catering plants respectively.).
6) The revised calculation of the adjusted loss attributable to the shareholders of Cathay Pacific was arrived at after excluding impairment and related charges, restructuring costs and the non-recurring gain on deemed partial disposal of an associate. The previous calculation presented in the 2020 annual report was an adjusted loss of HK$13,855 million.

The movement in Cathay Pacific's and Cathay Dragon's loss before impairment and related charges, restructuring costs, a gain on deemed disposal of an associate and taxation can be analysed as follows:

	HK$M	
2020 Cathay Pacific's loss before taxation*	**(12,670)**	
Increase/(decrease) of revenue:		
- Passenger and cargo revenue	**837**	- Passenger revenue decreased by 61.6% primarily due to a 79.5% decrease in passenger traffic, partially offset by a 87.4% increase in yield. - Cargo revenue increased by 31.8% due to a 33.1% increase in yield, offset partially by a 1.1% decrease in *cargo traffic.*
- Other services and recoveries	**(1,381)**	- Reduction in COVID-19 related government grants, ticket related recoveries, partly offset by an increase in Asia Miles revenues.
Decrease/(increase) of costs:		
- Staff	**4,074**	- Decreased due to the full year effect of restructuring and reduction of headcount.
- Inflight service and passenger expenses	**728**	- Lower passenger traffic.
- Landing, parking and route expenses	**953**	- Reduced in line with lower activity.
- Fuel, including hedging gains/losses	**4,322**	- Lower fuel consumption, in line with reduced aircraft flying hours. Increased fuel prices were offset by fuel hedging gains.
- Aircraft maintenance	**484**	- Lower due to reduced aircraft flying hours.
- Owning the assets (includes aircraft and other depreciation, rentals and net finance charges)	**1,980**	- Fewer leased assets, lower depreciation on owned assets and lower interest rates on borrowings
- Other items (including commissions)	**(287)**	- Higher due to increase in Asia Miles costs and exchange losses, partly offset by fewer airline activities.
2021 Cathay Pacific's loss before taxation	**(960)**	

* Included Cathay Dragon

Fuel expenditure and hedging

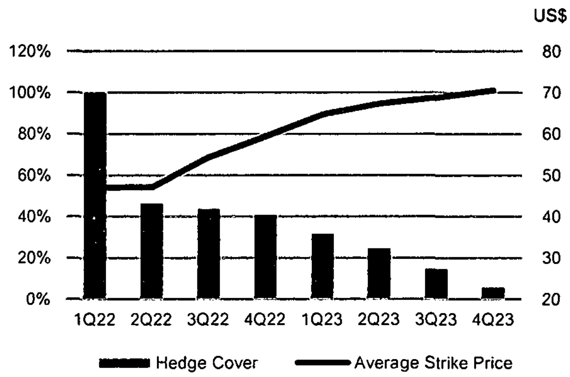
A breakdown of the Group's fuel cost is shown below:

	2021 HK$M	2020* HK$M
Gross fuel cost	**9,367**	8,362
Fuel hedging (gains)/losses	**(2,336)**	3,017
Net fuel cost	**7,031**	11,379

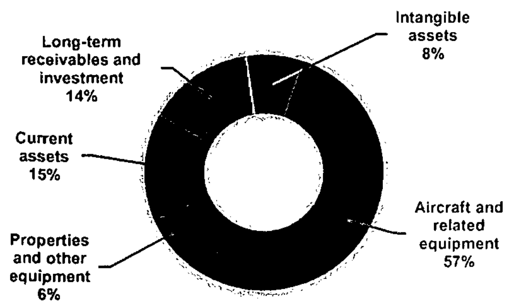
* Included Cathay Dragon

- Fuel consumption in 2021 was 15.0 million barrels (2020: 18.7 million barrels), a decrease of 19.8% compared with a decrease in capacity of 22.3%.
- The Group's fuel hedging cover at 31st December 2021 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 projected consumption in the first quarter of 2022 is impacted by the capacity reductions associated with COVID-19.
- 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



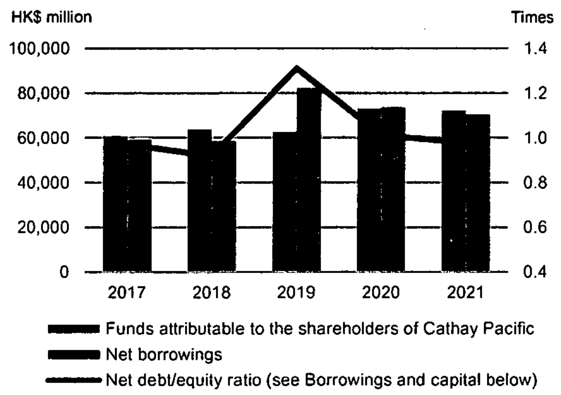
Dividends

- The semi-annual payment of preference share dividends due on 14th February 2022 and 12th August 2021 were 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 2021.

Assets

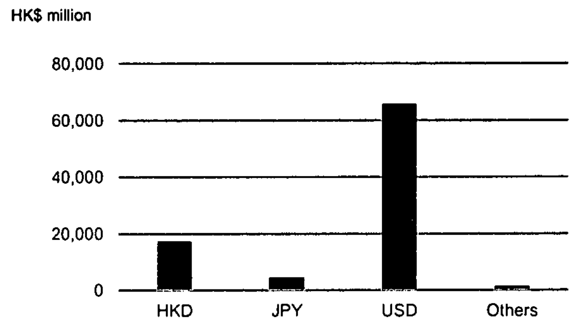
- Total assets at 31st December 2021 were HK$196,627 million.
- During the year, additions to property, plant and equipment were HK$5,891 million, comprising HK$5,674 million in respect of aircraft and related equipment, HK$141 million in respect of land and buildings and HK$76 million in respect of other equipment.

Net debt and equity



Data in 2017-2020 included Cathay Dragon.

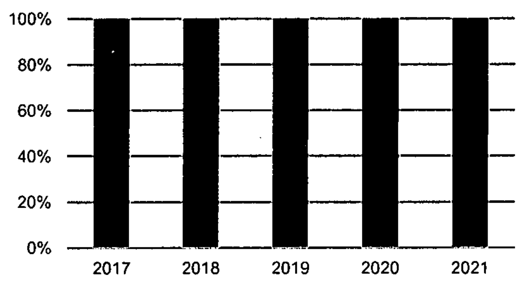
Borrowings in key currencies



Others include CNY and SGD.

Borrowings and capital

Interest rate profile: borrowings (after derivatives)



Data in 2017-2020 included Cathay Dragon.

- Borrowings decreased by 3.5% to HK$89,854 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 1.0% to HK$73,263 million, which are fully repayable by 2035, with 51% at fixed rates of interest.
- Available unrestricted liquidity at 31st December 2021 totalled HK$30,250 million, comprising liquid funds of HK$19,284 million and committed undrawn facilities of HK$11,105 million, less pledged funds of HK$139 million. To secure further liquidity, we issued HK$6.7 billion in convertible bonds, and Medium Term Notes in USD and RMB totalling HK$5.3 billion.
- Net borrowings (after deducting liquid funds) decreased by 4.4% to HK$70,570 million. Disregarding the effect of adopting HKFRS 16, net borrowings decreased by 1.3% to HK$53,979 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 1.4% to HK$72,244 million. This was due to the Group's losses of HK$5.5 billion, partially offset by an increase in other comprehensive income of HK$4.0 billion and the equity component of guaranteed convertible bonds issued on February 2021 amounting to HK$0.5 billion.
- Disregarding the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio remained at 0.75 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 0.98 and 1.01 times at 31st December 2021 and 31st December 2020 respectively.
- Use of proceeds in relation to the issue of equity securities (including securities convertible into equity securities):
  - The proceeds from equity securities have been used for general corporate purposes in accordance with the intentions stated in the Company's announcements dated 28th January 2021 and 8th February 2021.
  - *HK$31.1 billion rights issue and preference shares and warrants issue in 2020.* HK$11.9 billion unused proceeds were brought forward on 1st January 2021, and approximately HK$2.3 billion was applied towards general corporate purposes during the year ended 31 December 2021. The Group intends to apply the remainder of $9.6 billion for general corporate purposes.
  - *HK$6.7 billion issuance of convertible bonds in 2021.* The proceeds have been fully utilised for general corporate purposes during the year ended 31 December 2021.

Sustainable Development Review

Sustainable development

We endeavor to operate in a sustainable manner, embedding sustainable development principles and practices into all aspects of our business. We map our progress on sustainable development against six strategic areas of focus – safety, carbon, sustainability in operations, biodiversity, our people and community – that guide our journey and shape our sustainable development progress. While the impact of the global pandemic on our operations may have disrupted momentum, the journey is continuous and so are our efforts at improvement. We encourage our staff to mitigate or reduce the environmental and social impact of the decisions that they make.

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.

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 people are one of our greatest assets – what they have been through during the past two years and what they have achieved is unparalleled, and the selfless endeavour and dedication shown by all of them throughout this pandemic are qualities of which we can all be immensely proud. 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.

Our sustainable development report for 2021 will be published in May 2022. It will be available at https://www.cathaypacific.com/cx/en_HK/about-us/environment/overview/introduction.html

Performance updates – Cathay Pacific

		2021	2020*	Change
Environment				
GHG emissions	*Million tonnes of CO_2e*	**5.6**	7.0	**-20.0%**
GHG emissions per ATK	*Grammes of CO_2e*	**491**	480	**+2.3%**
Electricity consumption	*MWh*	**28,078**	29,907	**-6.1%**
Paper consumption (office)	*Tonnes*	**26**	36	**-27.8%**
Paper recycled (office and inflight)	*Tonnes*	**86**	250	**-65.6%**
Metal recycled (office and inflight)	*Kg*	**1,685**	5,922	**-71.5%**
Plastic recycled (office and inflight)	*Kg*	**1,318**	8,789	**-85.0%**
People				
Total workforce	*Number*	**16,721**	19,452	**-14.0%**
By location				
Hong Kong	%	**76.7**	75.5	**+1.2%pt**
Outport	%	**23.3**	24.5	**-1.2%pt**
By employment type				
Flight crew	%	**16.3**	16.5	**-0.2%pt**
Cabin crew	%	**39.9**	40.8	**-0.9%pt**
Ground staff	%	**43.8**	42.7	**+1.1%pt**
Gender diversity				
Workforce composition - female	%	**54.4**	56.5	**-2.1%pt**
Workforce composition - male	%	**45.6**	43.5	**+2.1%pt**
Female representation in senior positions	%	**28.3**	30.6	**-2.3%pt**

* Included Cathay Dragon

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 2021

- Cathay Pacific has been a constituent of the FTSE4Good Index, the Hang Seng Corporate Sustainability Benchmark Index and Hang Seng ESG 50 Index. We attained the "Achiever" ranking in the inaugural Greater Bay Area Business Sustainability Index (GBABSI). In 2021, we responded to the Carbon Disclosure Project climate change questionnaire and received a B rating.
- 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.

2021 Highlights

Environment

- In 2021, Cathay Pacific reaffirmed its commitment to achieving net-zero carbon emissions by 2050 by setting a mid-term target to use 10% Sustainable Aviation Fuel (SAF) for the jet fuel consumption of all Cathay Pacific operating flights by 2030. All member airlines of the **one**world alliance, for which Cathay Pacific is a founding member, have also made the same commitment.
- Subsequently in November, Cathay Pacific together with other **one**world airlines signed a memorandum of understanding (MOU) with Aemetis, a renewable fuel supplier headquartered in Cupertino, California for the joint purchase of more than 350 million gallons of blended SAF to be supplied and delivered at San Francisco International Airport from 2024 onwards.
- In 2021, Cathay Pacific announced its involvement as a founding member in the Aviation Climate Taskforce (ACT), a new non-profit organisation founded together with Boston Consulting Group (BCG) and other airline leaders to tackle the challenge of eliminating carbon emissions in aviation through innovation and collaboration.
- 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 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).
- In 2021, two of our brand new Airbus A350-1000 aircraft used blended SAF (biofuel) on their delivery flights from Toulouse to Hong Kong.
- In 2021, we offset 27,280 tonnes of CO2 through our voluntary offset programme Fly Greener. To date, we have purchased over 300,000 tonnes of CO2 offsets. To promote the programme, we launched the "Green Friday" campaign in a number of our markets. We offered to double the carbon emissions offset for customers free of charge for every ticket sold on cathaypacific.com during the promotion period in November 2021. As a result of this campaign, over 7,000 tonnes of carbon emissions were offset.
- In 2019, Cathay Pacific announced its target to reduce its single-use plastic 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. So far, 43 million single-use plastic items have been removed from our operations annually according to the 2018 baseline. We are on track to meet the target in 2022.
- In March 2021, Cathay Pacific continued to participate in WWF's annual Earth Hour activity. We switched off all nonessential lighting in our buildings and on billboards outside Cathay City.

Contribution to the community

- Efforts in 2021 centered on helping communities to cope with the impact of COVID-19.
- Cathay Pacific is proud to have flown the first shipment of COVID-19 vaccines to Hong Kong from Beijing as the airline continues to support the Hong Kong SAR Government's vaccination programme. Since the start of COVID-19, our airlines have transported over 190 million doses of COVID-19 vaccines around the world.
- In February, Cathay Pacific took part in UNICEF's Humanitarian Airfreight Initiative to support the delivery of COVID-19 vaccines, essential medicines, medical devices and other critical supplies to support developing countries in responding to the pandemic. In total, we have helped transport over 40 million doses of COVID-19 vaccines under this initiative.
- 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 over 300,000 pre-prepared meals were donated in 2021.
- COVID-19 has severely hit many disadvantaged and low-income families. To meet their different needs, we have worked with nearly 40 different non-profit organisations, making in-kind donations of over four million different items in 2021, including blankets, sanitisers, infant kits, children kits, catering equipment, and refurbished tablet computers to support online learning needs.
- Our employees were also involved in various types of volunteer work during COVID-19, including house repair services for low income families and the elderly; packing toys and online storytelling for underprivileged children; and preparing and distributing emergency food parcels to community members in need. This year, our people have contributed nearly 600 hours of volunteer work to support our NGO partners and to give back to the community during this challenging time.
- Cathay Pacific supported the HKSAR 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.
- 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 2020, the latest audited year, HK$1.56 million was raised. An average of one month's proceeds to the "Change for Good" programme are passed to the Cathay Pacific Wheelchair Bank, which raises funds to provide specially adapted wheelchairs for children with neuromuscular diseases.

Our people

- At 31st December 2021, the Cathay Pacific Group employed more than 21,600 people worldwide. Around 17,700 of these people are based in Hong Kong. Cathay Pacific employed more than 16,700 permanent employees worldwide. Around 76% 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.
- We are committed to increasing female representation at senior positions by 25% by 2025 from the 2021 baseline.
- 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 gender, gender identity, religion, race, nationality or ethnic origin, cultural background, social or economic group, sexual orientation, marital or family status, or physical or cognitive ability. 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 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.

Directors and Officers

Executive Directors

HEALY, Patrick#, aged 56, has been Chairman 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 joined the Swire group in 1988 and has worked with the group in Hong Kong SAR, Germany and the Chinese Mainland.

HUGHES, Gregory Thomas Forrest#, aged 60, 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 with effect from 19th July 2019 and Chairman of AHK Air Hong Kong Limited with effect from 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 Hong Kong SAR, Korea, Indonesia, Japan and Australia.

LAM, Siu Por Ronald#, aged 49, has been Chief Customer and Commercial Officer and a Director of the Company since 19th August 2019. 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 Chairman of Hong Kong Express Airways Limited with effect from 20th August 2019. He joined the Swire group in 1996 and has worked with the Company in Hong Kong SAR, Japan and Sri Lanka.

SHARPE, Rebecca Jane # (formerly known as WALLACE, Rebecca Jane), aged 50, 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 and, before that, Finance Director of The China Navigation Company Pte. Limited. She joined the Swire group in 2008 and has worked with the group in 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.

TANG, Kin Wing Augustus#, aged 63, has been Chief Executive Officer and a Director of the Company since 19th August 2019. He was appointed Director Corporate Development of the Company in January 2005 and was an Executive Director of the Company from 1st January 2007 to 1st October 2008. He was a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited from October 2008 and November 2008 respectively until August 2019. He is also a Director of John Swire & Sons (H.K.) Limited. He joined the Swire group in 1982 and has worked with the group in Hong Kong SAR, Malaysia and Japan.

Non-Executive Directors

BRADLEY, Guy Martin Coutts #, aged 56, 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 joined the Swire group in 1987 and has worked with the Swire group in Hong Kong SAR, Papua New Guinea, Japan, the United States, Vietnam, the Chinese Mainland, 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 Vice-President of the Real Estate Developers Association of Hong Kong.

MA, Chongxian, aged 56, has been a Director of the Company since 11th June 2021. He is Director, General Manager and Deputy Secretary of the Communist Party Group of the China National Aviation Holding Corporation Limited, and concurrently Vice Chairman and Deputy Secretary of the Communist Party Committee of Air China Limited.

SONG, Zhiyong, aged 56, has been a Director of the Company since 14th March 2014 and Deputy Chairman since 29th December 2020. He is Chairman and Secretary of the Communist Party Committee of Air China Limited and Chairman and Secretary of the Communist Party Group of China National Aviation Holding Corporation Limited.

SWIRE, Merlin Bingham#, aged 48, 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 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 Hong Kong SAR, Australia, the Chinese Mainland and London. He is brother to Samuel Swire, a Non-Executive Director of the Company.

SWIRE, Samuel Compton#+&, aged 41, has been a Director of the Company since 1st January 2015. He is also Chairman of Swire Shipping Pte. Ltd He is also a Director and shareholder of John Swire & Sons Limited and a Director of Swire Pacific Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong SAR, Singapore, the Chinese Mainland, Sri Lanka and London. He is brother to Merlin Swire, a Non-Executive Director of the Company.

XIAO, Feng*@, aged 53, has been a Director of the Company since 1st January 2017. He is Chief Financial Officer of Air China Limited.

ZHANG, Zhuo Ping#, aged 50, 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 left to found a bioengineering company in Beijing.

ZHAO, Xiaohang, aged 60, has been a Director of the Company since 1st June 2011. He is Vice President of China National Aviation Holding Corporation Limited and Air China Limited.

Independent Non-Executive Directors

CHAN, Bernard Charnwut+& (formerly known as CHAN, Chi Sze Bernard), aged 57, has been a Director of the Company since 1st December 2018. He is 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 and Yau Lee Holdings Limited and a Director of Bumrungrad Hospital Public Company Limited. He is the Convenor of the Non-Official Members of the Executive Council and a former member of the Legislative Council of the Hong Kong Special Administrative Region.

HARRISON, John Barrie*@, aged 65, has been a Director of the Company since 20th May 2015. He is an Independent Non-Executive Director of AIA Group Limited and Grosvenor Asia Pacific 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.

MILTON, Robert Aaron*@, aged 61, has been a Director of the Company since 15th May 2019. He is Lead Independent Director of Air Lease Corporation. He held the position of President and Chief Executive Officer of Air Canada from August 1999 until December 2004. He was Chairman and Chief Executive Officer of ACE Aviation Holdings, Inc., a holding company for Air Canada and other aviation interests from 2004 until June 2012. He was formerly a Director of US Airways, Inc., AirAsia Berhad and TAP Portugal. He was Chairman of United Continental Holdings, Inc., holding company of United Airlines, from April 2016 to April 2018.

TUNG, Lieh Cheung Andrew+*&, aged 57, has been a Director of the Company since 20th May 2015. He is Managing Partner and a Director 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 37, 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.

\# *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 (w.e.f. 9th March 2022)]

Schedule G

Directors' Report

We submit our report and the audited financial statements for the year ended 31st December 2021 which are on pages 68 to 137.

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, aircraft engineering and cargo terminal operations. 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 124 and 125.

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 2021 and the financial position of the Group and the Company at that date are set out in the financial statements on pages 68 to 137. Details of the associates are provided under note 10 to the financial statements.

Dividends

The Directors decided not to declare an interim dividend for the year ended 31st December 2021.

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

Closure of register of members

To facilitate the processing of proxy voting for the annual general meeting to be held on 11th May 2022, the register of members will be closed from 5th May 2022 to 11th May 2022, 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 Wednesday, 4th May 2022.

Business review and performance

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, 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 Chairman's Statement, Review of Operations and Financial Review and in the notes to the financial statements. 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 71 and in note 22 to the financial statements, respectively.

Accounting policies

The principal accounting policies are set out on pages 126 to 137.

Environmental, social and governance

The Company has complied or will comply with all the applicable provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules for the year covered by the annual report.

Donations

During the year, the Company and its subsidiaries made charitable donations amounting to HK$2.5 million in direct payments and a further HK$0.2 million in the form of discounts on airline travel.

Property, plant and equipment

Movements of property, plant and equipment are shown in note 8 to the financial statements. Details of aircraft acquisitions are set out on page 16.

Bank and other borrowings

The net bank loans and other borrowings, including lease liabilities, of the Group are shown in note 12 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 2021, 6,437,200,203 ordinary shares, 195,000,000 preference shares and 416,666,666 warrants were in issue (31st December 2020: 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 20 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). The gross proceeds from the subscription of the Bonds amounted to HK$6,740,000,000.

For further details of the convertible 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 2021 are set out in note 28 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, Ronald Lam, Rebecca Sharpe, Merlin Swire, Samuel Swire, Augustus Tang and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement (as defined below). Michelle Low was so interested as a director and an employee of the Swire group until her resignation with effect from 1st April 2021. Martin Murray was so interested as a director and an employee of the Swire group until his resignation with effect from 25th August 2021 (except for the period from 25th January 2021 to 31st March 2021). Merlin Swire and Samuel Swire are also so interested as shareholders, directors and employees of the Swire group.

Particulars of the fees paid and the expenses reimbursed for the year ended 31st December 2021 are set out below and also given in note 27 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 3.9% of the Group's operating expenses in 2021. HAECO is a 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 2021, 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 2020 to 31st December 2022 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 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 and 9th August 2019 were published.

For the year ended 31st December 2021, no service fee was payable by the Company to JS&SHK under the JS&SHK Services Agreement and expenses of HK$173 million were reimbursed at cost.

(b) Pursuant to a framework agreement dated 13th November 2013 ("HAECO 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) are provided by HAECO and its subsidiaries ("HAECO group") to the Group and vice versa and by HXITM to the HAECO group and vice versa. Payment is made in cash within 30 days of receipt of invoices. The term of the HAECO Framework Agreement is for 10 years ending 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 Framework Agreement are 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 2021 and under the HAECO Framework Agreement, the amounts payable by the Group to the HAECO group totalled HK$1,816 million; and the amounts payable by the HAECO group to the Group totalled HK$19 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 ("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 2022 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 and 28th August 2019 were published.

For the year ended 31st December 2021 and under the Air China Framework Agreement, the amounts payable by the Group to the Air China group totalled HK$39 million; and the amounts payable by the Air China group to the Group totalled HK$21 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.

A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

Major customers and suppliers

20% of sales and 31% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 9% of sales were made to the Group's largest customer and 11% 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

Rebecca Sharpe was appointed as a Director with effect from 25th January 2021. Ma Chongxian was appointed as a Director with effect from 11th June 2021. Guy Bradley was appointed as a Director with effect from 25th August 2021. All the other present Directors of the Company whose names are listed in the section of this annual report headed Directors and Officers served throughout the year 2021. Michelle Low resigned as a Director with effect from 1st April 2021. Martin Murray served as an Executive Director until his resignation with effect from 25th January 2021 and was re-appointed as a Non-Executive Director with effect from 1st April 2021 until his resignation with effect from 25th August 2021.

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.

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.

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, Bernard Chan, John Harrison and Andrew Tung retire this year and, being eligible, offer themselves for re-election. Guy Bradley and Ma Chongxian 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).

Directors' fees paid to the Independent Non-Executive Directors during the year totalled HK$3.5 million. They received no other emoluments from the Group.

Directors' interests

At 31st December 2021, 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 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, Ma Chongxian and Song Zhiyong disclosed that they were directors of 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 2021 or during the period from 1st January 2022 to the date of this Report are kept at the Company's registered office and made available for inspection by the 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 2021 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	310,535,838	4.82	Interest in controlled corporation (f)
Short position			
1. HSBC Holdings plc	142,683,936	2.21	Interest in controlled corporation (f)

Note: At 31st December 2021:

(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 15th December 2021.

Public float

From information that is publicly available to the Company and within the knowledge of its Directors at the date of this report, at least 25% of the Company's total number of issued shares are 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
Chairman
Hong Kong, 9th March 2022

Corporate Governance Report

Governance Culture

Cathay Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. 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 wealth 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 and
- that high standards of ethics are maintained.

Corporate Governance Statement

The Corporate Governance Code (the "CG Code") as published by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

(a) code provisions: issuers are expected to comply with, but may choose to deviate from, the code provisions and any deviation must be provided with considered reasons; and

(b) recommended best practices: for guidance only and issuers may also devise their own code on corporate governance on the terms they consider appropriate. Issuers are encouraged, but not required, to state whether they have complied with the recommended best practices and give considered reasons for any deviation.

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 Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report with the following exception which it believed does not benefit its shareholders:

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

During 2021, The Stock Exchange of Hong Kong Limited consulted on changes to the CG Code and related Listing Rules. One of the outcomes of the consultation is that nomination committees have become mandatory. [The Board has resolved to form a nomination committee. See further under "Nomination Committee" below.]

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 and financial reporting functions.
- overseeing sustainable development matters

To assist it in fulfilling its duties, the Board has established the Board Safety Review Committee, the Executive Committee, the Finance Committee, the Remuneration Committee, the Audit Committee, the Board Risk Committee and the Nomination Committee, the latter four and the Board Safety Review Committee with the participation of Independent Non-Executive Directors.

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive 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.

Patrick Healy, the Chairman, 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 accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed.

Augustus Tang, the Chief Executive Officer, 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 Chairman and the Chief Executive.

Board Composition

The Board is structured with a view to ensure it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises the Chairman, four other Executive Directors, eight Non-Executive Directors and four Independent Non-Executive Directors. 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, Ronald Lam, Rebecca Sharpe, Augustus Tang and Zhang Zhuo Ping are directors and/or employees of the Swire group. Merlin Swire and Samuel 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 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 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

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and all Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

On 9th March 2022, the Board, having reviewed the Board's composition, nominated Guy Bradley, Ma Chongxian, Bernard Chan, John Harrison and Andrew Tung for recommendation to shareholders for election/re-election at the 2022 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 Board also took into account the respective contributions of Guy Bradley, Ma Chongxian, Bernard Chan, John Harrison and Andrew Tung to the Board and their firm commitment to their roles. The Board is satisfied with the independence of Bernard Chan, John Harrison and Andrew Tung having

regard to the criteria laid down in the Listing Rules. The particulars of the Directors standing for 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 report are provided in the section of this annual report headed Directors' Report.

Board Diversity
The Board has adopted a board diversity policy, which is available on the Company's website. 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 contribute to the Board's effectiveness. A summary is set out in the table below:

Age	39-47 years (6%)	48-56 years (53%)	57-65 years (41%)	
Gender	Male (94%)	Female (6%)		
Ethnicity	American (6%)	Australian (6%)	British (41%)	Chinese (47%)
Years of service as Director	1-5 years (65%)	6-10 years (23%)	over 10 years (12%)	
Skills, expertise and experience	company executive (82%)	accounting, banking and finance (18%)		

In order to achieve 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.

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. No Director was a director of more than six listed companies (including the Company) at 31st December 2021.

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 2021 Board meetings were determined in 2020 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 five times in 2021. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 47. Average attendance at Board meetings was 98%. 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 Chairman 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 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
- the raising of new initiatives and ideas
- the presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for the Board's consideration
- 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 Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other Directors.

	Meetings Attended /Held						
	Board	Audit Committee	Board Risk Committee	Remuneration Committee	Finance Committee	Board Safety Review Committee	2021 Annual General Meeting
Executive Directors							
Patrick Healy – Chairman	5/5	4/4	4/4		11/12	4/4	√
Gregory Hughes	5/5				12/12	4/4	√
Ronald Lam	5/5				12/12	3/4	√
Martin Murray (resigned with effect from 25th January 2021)	1/1		2/2		1/1		√
Rebecca Sharpe (appointed with effect from 25th January 2021)	4/4	4/4	4/4		11/11	4/4	√
Augustus Tang	5/5	4/4	4/4		12/12	4/4	√
Non-Executive Directors							
Guy Bradley (appointed with effect from 25th August 2021)	1/1					1/1	N/A
Ma Chongxian (appointed with effect from 11th June 2021)	2/2					0/2	N/A
Michelle Low (resigned with effect from 1st April 2021)	2/2	1/1	1/1		3/3	1/1	N/A
Martin Murray (appointed with effect from 1st April 2021 and resigned with effect from 25th August 2021)	2/2	2/2			5/5	2/2	
Song Zhiyong	5/5					1/4	X
Merlin Swire	4/5					3/4	√
Samuel Swire	5/5			3/3		3/4	√
Xiao Feng	4/5	2/4	3/4		10/12	1/4	X
Zhang Zhuo Ping	5/5					4/4	√
Zhao Xiaohang	5/5	2/4			12/12	1/4	X
Independent Non-Executive Directors							
Bernard Chan	5/5			3/3		4/4	√
John Harrison	5/5	4/4	4/4			4/4	√
Robert Milton	5/5	4/4	4/4			3/4	√
Andrew Tung	5/5	4/4		3/3		3/4	X
Average attendance	98%	89%	96%	100%	97%	76%	75%

Continuous Professional Development

Throughout the year, continuous professional development for directors was conducted through the following:

(a) directors attended training from the Company's external legal advisers about external updates on various applicable laws and regulations and topics pertinent to the business of the Company;

(b) directors were provided with training materials about matters relevant to their duties as directors; and

(c) directors were invited to attend seminars and conferences about financial, commercial, economic, legal, regulatory and/or business affairs.

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.

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 (the "Securities Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are 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 the Director 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 Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman 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 Securities Code.

Directors' interests at 31st December 2021 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:

Board Safety Review Committee

The Board Safety Review Committee reviews and reports to the Board on safety issues. It met quarterly during the year and comprises its Chairman (Captain Timothy Jenkins), one Executive Director (Augustus Tang, the Chief Executive Officer), two Independent Non-Executive Directors (Robert Milton, Chairman of the Board Risk Committee and Andrew Tung), and two Non-Executive Directors (Ma Chongxian and Samuel Swire). Regular attendees at the meetings included the Chairman of the Board, the Chief Customer and Commercial Officer, the Chief Financial Officer, the Chief Operations and Service Delivery Officer, other Non-Executive Directors and Independent Non-Executive Directors, 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 Executive Officer of AHK Air Hong Kong Limited.

Executive Committee

The Executive Committee comprises the Chief Executive Officer (Augustus Tang) (Committee Chairman), three other Executive Directors (Gregory Hughes, Ronald Lam and Rebecca Sharpe) and five Non-Executive Directors (Ma Chongxian, Song Zhiyong, Xiao Feng, Zhao Xiaohang and Zhang Zhuoping).

Finance Committee

The Finance Committee meets monthly to review the financial position of the Company and is responsible for establishing the financial risk management policies. It is chaired by the Chief Executive Officer (Augustus Tang) and comprises three other Executive Directors (Gregory Hughes, Ronald Lam and Rebecca Sharpe), two Non-Executive Directors (Xiao Feng and Zhao Xiaohang), General Manager Financial Services (Della Ng), the Head of Treasury (Priscilla Li) and an independent representative from the financial community.

Remuneration Committee

The Remuneration Committee comprises one Non-Executive Director (Samuel Swire) and two Independent Non-Executive Directors (Andrew Tung (Committee Chairman) and Bernard Chan). All the members served for the whole of 2021.

The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives.

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 25 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.

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 of suitable calibre, the Swire group provides a competitive remuneration package. This typically comprises salary, housing, retirement benefits, leave passage and education allowances and, after three years' service, a 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 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 meetings in October and December 2021. At the meeting held in October 2021, 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 25 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 fee levels have been approved by the Board:

Fee	2021 HK$	2020 HK$
Director's Fee	575,000	575,000
Fee for Audit Committee Chairman	268,000	268,000
Fee for Audit Committee Member	186,000	186,000
Fee for Board Risk Committee Chairman	268,000	268,000
Fee for Board Risk Committee Member	186,000	186,000
Fee for Remuneration Committee Chairman	83,000	83,000
Fee for Remuneration Committee Member	60,000	60,000

Board Risk Committee – see pages 51 to 54

Audit Committee – see pages 56 and 57

Accountability and Audit

(1) 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.

(2) Risk Management

Governance

The Cathay Pacific Group's commitment to Operational Safety has been implemented through systematic and thorough processes supported by focussed risk management governance infrastructure including:

- A Board Safety Review Committee chaired by an independent industry advisor has the responsibility to review all matters concerned with the safe operations, both in the air and on the ground, and considers reports on incidents to ensure appropriate remedial action is being taken and recommendations are implemented.
- A Management Safety Committee chaired by the Chief Executive Officer ensures that appropriate company-wide safety, health and security related risk management strategies, systems, policies and processes, reporting protocols and internal controls that are designed to ensure compliance with applicable laws and regulations globally, are implemented, managed, monitored and maintained at all times.
- A Group Safety & Operational Risk Management Department headed by the General Manager Group Safety and Operational Risk Management manages the airlines' Safety Management System (SMS), itself providing oversight of the airlines' safety, security and assessment of and mitigations of risks associated with operations.

Parallel to Operational Safety, a similar governance infrastructure managing all other corporate risks in the Group has been established:

- Board Risk Committee (BRC) – a Board level committee whose membership is exclusively Non-Executive Directors. The Committee's role is to advise the Board and oversee implementation of all Board decisions on all matters relating to risk. This includes the setting and monitoring of risk appetite, the effectiveness of the risk management framework "RMF" and the soundness of the Group's risk culture.
- Risk Management Committee (RMC) – an executive committee chaired by the Chief Executive Officer responsible for the design, delivery and direct oversight of the RMF and, through it, the management of all corporate risks within the Company.
- Group Corporate Risk Department – headed by a Chief Risk Officer reporting to the Chief Executive Officer. This department has specific responsibility for developing, maintaining and ensuring the effectiveness of the RMF.

Board Risk Committee

The Board Risk Committee, consisting of three Non-Executive Directors (John Harrison, Robert Milton and Xiao Feng), was established on 1st July 2019 and is charged with supporting the Board in its responsibility for all risk management within the Group, focusing on risks not related to safety and security arising from the Company's flight operations (which are overseen by the Board Safety Review Committee). In particular, the Board Risk Committee is charged with overseeing the ongoing implementation and development of the Company's RMF, and for ensuring its effectiveness. Two of the Committee members are Independent Non-Executive Directors, one of whom, Robert Milton, is Chairman.

The Board Risk Committee met quarterly in 2021. Regular attendees at the meetings are the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Group General Counsel, and the General Manager, Group Internal Audit.

The Cathay RMF is founded on the principle of 'three lines of defence', a commonly used model, and one that is designed to avoid conflicts of interest whereby managers review or oversee their own activities. The three lines divide 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 overall assurance to the Board as to the effectiveness of the Company's risk management processes and controls, is classified as Third Line.

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

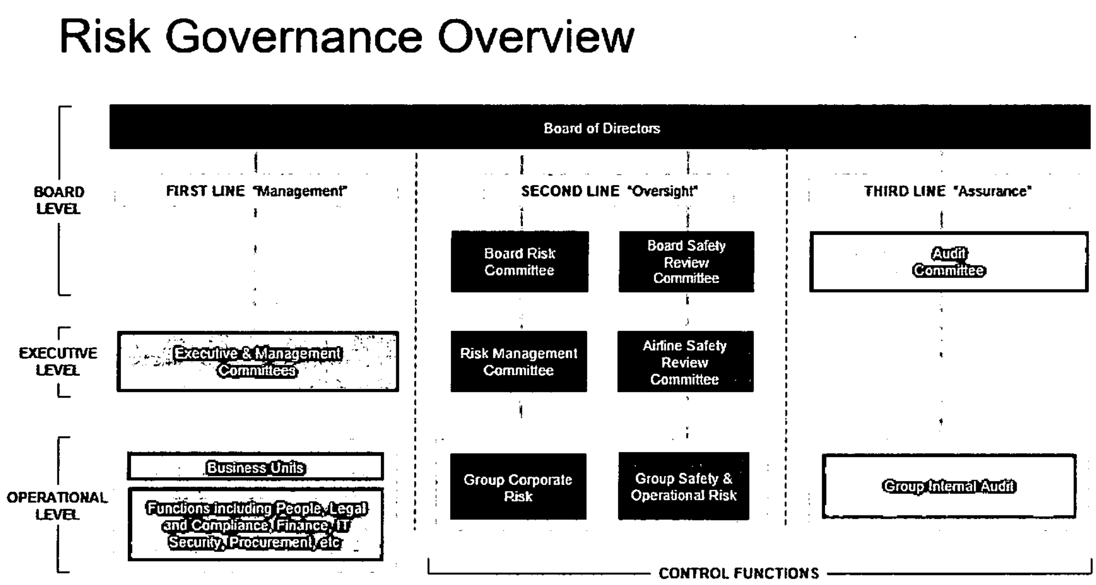


Fig. 1

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

Core Principles

The first core principle of the RMF is that 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 according to their potential impacts on all stakeholders.
- Reasonable steps have been taken or are in place to mitigate these risks and their impacts.
- Plans are in place to deal with any risk event that occurs to ensure that the safety, wellbeing and financial condition of all stakeholders is protected or restored to the greatest extent reasonably possible.
- A sound risk culture is in place. This is defined as an operating environment in which the principle that the pursuit of results must be achieved within the risk parameters set by the Board is promoted and practised by all staff.

The second core principle of the RMF is that the Business is responsible for managing risk. The risk management function is expected to engage fully to support them, providing ideas, expertise and advice. In particular, Group Corporate Risk's role is to ensure that the First Line takes decisions objectively and in full possession of all relevant information.
The latter principle is embedded into the Group's businesses through the appointment of First Line 'risk owners' who have responsibility for identifying and monitoring emerging and developing risks across one or more business areas. Risk owners are responsible for escalating any breaches or potential incidents to Group Corporate Risk.

Risk Management Process
The management of risk is conducted in three stages: identification, assessment and mitigation.

Identification
Cathay Pacific and its major subsidiaries retain risk registers, under the supervision of Group Corporate Risk, that are used by management to prioritise risk management activities. These risk registers are updated annually and feed into the Group register.

In addition to this bottom-up assessment, the risk registers have been enhanced via the medium of annual workshops conducted with senior managers from across the Group. These annual workshops have sought to identify evolved or emerged risks across the organisation including macro, strategic and operational issues. The output from these workshops are updated to the 'Top 30' corporate risk list, which forms the focus of senior management attention.

Furthermore, an environmental, social and governance (ESG) risk assessment framework and taxonomy have been developed. The framework provides a structured approach for the identification, assessment and mitigation of ESG risks across the business. All material ESG risks identified are reported to the Risk Management Committee and the Board Risk Committee and incorporated into the existing registers.

Assessment
Each of the Top corporate risks is then 'dimensioned' by subject matter experts within the business supported by the Group Corporate Risk function. The dimensioning process considers and identifies the:
- potential impact of the risk across a number of dimensions; safety, reputation, financial, strategic, regulatory and disruption
- vulnerability of the organisation to risk events arising from it
- speed with which a risk event might develop
- linkages of the risk with other risks i.e. the potential for risk events to compound
- specific scenarios in which a risk event might occur or to which the organisation may be vulnerable; and
- areas of the Company that are most susceptible to that risk.

An internal risk scoring system is then used to summarise the overall magnitude of the risk which is then placed onto a risk heatmap together with the rest of the Top corporate risk list.

Impact and vulnerability assessments are subject to dynamic updates by the Group Corporate Risk function working with the business and risk owners.

Mitigation
As part of the dimensioning 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 Risk Management Committee. 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 internal audit plan which is prepared in conjunction with risk management.

Oversight and Reporting of the RMF

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 Risk Management and Board Risk Committees. The Chairman of the Board Risk Committee reports on these activities to the Board as a standing agenda item.

Provision is made in the Terms of Reference for the Board Risk Committee to conduct an annual 'assurance review' of the Company's Risk Management Framework whose conclusions will be presented to the Board.

The review will solicit both internal stakeholder and independent opinions as to the effectiveness of the RMF, and may also include a review of notable risk events that have occurred during the year, focussing particularly on the effectiveness with which they were managed according to the principles described above. The Company's success in identifying and anticipating emerging risks may also be considered as part of this review.

Areas of Focus in 2021

Key focus in 2021 included monitoring and assessment of the extended COVID-19 pandemic, deep dives of Top 30 corporate risks, and monitoring of risk mitigation actions. The Group Corporate Risk Department has also been working closely with key stakeholders in understanding and mitigating risks related to Cathay's key areas of strategic focus.

Identification and management of risks related to the COVID-19 pandemic started in 2020 and has continued through 2021, given the situation Cathay faced evolved as the waves of the pandemic affects various parts of the world at different times. In addition, deep dives were conducted into risks related to operational restart and maintenance efficacy, to ensure Cathay can reopen ports and ramp up operations safely and quickly when demand picks up.

Top corporate risks and the progress of related mitigations were closely tracked, and in 2021 focus was on risks related to organisation culture, customer insights and workforce planning, all of which are crucial as Cathay emerges from the pandemic. A scenario planning exercise was performed on climate change, which feeds into the Group's strategy on sustainability leadership and commitment to achieve net-zero carbon emissions by 2050. Deep dive workshops were also performed to identify risks and mitigations pertaining to the new premium travel lifestyle strategy that was unveiled in mid-2021, and the cargo business strategy to support the continued growth of the cargo business which has been Cathay's major source of revenue in 2021. A section dedicated to risk culture was built into the annual employee engagement survey in November 2021, which allows a wider audience across Cathay to provide feedback on risk culture.

Risk identification workshops were conducted for identification of emerging risks facing the Group, and insights from these workshops were incorporated into the Top corporate risk list.

(3) 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 56 and 57.

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 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 process requires management to assess, through the use of detailed questionnaires, the adequacy and effectiveness of risk management and internal controls over the reliability of financial reporting. This process and its results are reviewed by the Group internal auditors and form part of the Audit Committee's 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 divided into operations, financial reporting 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 senior management.

Group Internal Audit Department

The Group Internal Audit Department assists the Audit Committee in carrying out the analysis and independent appraisal 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 audit plan, which is prepared based on risk assessment 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 defects 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), Robert Milton and Andrew Tung), assists the Board in discharging its responsibilities for internal control and other matters. All the members served throughout 2021.

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.

The Audit Committee met four times in 2021. Regular attendees at the meetings are the Chief Executive Officer, Chief Financial Officer, Group General Counsel and Company Secretary, 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 2021 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2020 annual and 2021 interim reports and announcements, with recommendations to the Board for approval
- the plans, cash flows and liquidity, going concern and 2022 Budget of the Group
- the Group's compliance with certain regulatory and statutory requirements
- the Group's internal control systems
- the approval of the 2021 annual Internal Audit programme and review of progress on the 2021 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 page 57
- 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 2022, the Committee has reviewed, and recommended to the Board for approval, the 2021 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) 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.

This assessment considers:

- the scope and quality of management's ongoing monitoring of 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 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
- 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 Chairman 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 within the meaning of Section 290 of 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 work and the nature of the non-audit work) 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.

In 2021 the total remuneration paid to the external auditors was HK$21 million, being HK$15 million for audit, HK$2 million for tax advice and HK$4 million for other professional services.

(4) Management Committee

The Management Committee meets monthly and is responsible for overseeing the day-to-day operation of the Company. It comprises the Chief Executive Officer (Augustus Tang) (Committee Chairman), Chief Operations and Service Delivery Officer (Gregory Hughes), Chief Customer and Commercial Officer (Ronald Lam), Chief Financial Officer (Rebecca Sharpe), Director Digital and IT (Lawrence Fong), Director Engineering (Neil Glenn), Director People (Patricia Hwang), Director Flight Operations (Captain Chris Kempis), Chief Risk Officer (Karan Kumar), Director Customer Travel (Lavinia Lau), Director Service Delivery (Alex McGowan), Director Cargo (Tom Owen), Director Customer Lifestyle (Paul Smitton) and Group General Counsel and Company Secretary (Joanna Lai).

In addition, a number of other committees consisting of members of management have been established to assist and report to the Management Committee from time to time. These committees are typically established to cover specialist areas such as safety operations, sustainable development and data governance.

(5) [Nomination Committee]

[The Nomination Committee consists of three Non-Executive Directors, Bernard Chan, Samuel Swire and Andrew Tung. Two of the Committee members are Independent Non-Executive Directors, one of whom, Andrew Tung, is the Chair. The Nomination Committee was formed with effect from 9th March 2022. Its terms of reference comply with the CG Code and are posted on the Company's website.]

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 its Corporate 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 management, 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.

Shareholders

Communication with Shareholders and Investors

The Board and senior 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 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 regular meetings with analysts and investors during the year.
- through the Group's website. This includes electronic copies of financial reports, 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 publication of interim and annual reports
- through the Annual General Meeting as discussed below.

Shareholders may send their enquiries and concerns to the Board by post or email at ir@cathaypacific.com. The relevant contact details are set out in the section of this annual report headed Corporate and Shareholder Information.

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 12th May 2021. The meeting was open to all shareholders . The Directors who attended the meeting are shown in the table on page 47.

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 2020
- 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 Group'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 Corporate Governance Section of the Company's website.

If they wish to propose a resolution relating to other matters to be considered at a general meeting, shareholders are requested to follow the requirements and procedures set out in the Corporate Governance Section of 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 2022 are set out in the section of this annual report headed Corporate and Shareholder Information.

Schedule I

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 68 to 137, which comprise the consolidated statement of financial position as at 31st December 2021, 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 2021 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 8, 9 and 32 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$123,990 million and HK$15,035 million respectively as at 31st December 2021. 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. Passenger travel demands remain low as a result of the COVID-19 pandemic, and the Group has reassessed its operating plans including the expected timing of retirement of aircraft. As a result of management's reassessment, impairment losses of HK$1,010 million were recognised on property, plant and equipment for the year ended 31st December 2021 primarily related to aircraft and related equipment. 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 impact of COVID-19 on the Group, the mitigation strategies adopted by the Group, and how these are reflected in the Group's restructuring plan; • assessing management's identification of assets which are unlikely to be deployed in economic service in the future by obtaining the Group's asset utilisation plan, 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 with reference to our understanding of the business, historical trends and available industry information and market data; • 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.

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to accounting policies 18 and 19 and notes 1 and 19 to the consolidated financial statements</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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.</td><td>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 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 journal entries which met specified risk-based criteria;
• assessing management's allocation of the amount received in relation to mileage earning flights between the flight and Asia Miles earned by members of the programme, with reference to the prices for third party Asia Miles sales and assessing whether or not there was an indication of management bias;
• inspecting the key terms and conditions of 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.</td></tr>
</table>

<table>
<tr><th colspan="2">Hedge accounting</th></tr>
<tr><td colspan="2">Refer to accounting policy 10 and notes 11, 13, 16, 18, 22 and 29 to the consolidated financial statements</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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$1,712 million and derivative financial liabilities of HK$312 million as at 31st December 2021.

Reduced flying activity and fuel consumption due to the COVID-19 pandemic has resulted in a discontinuation of certain hedging relationships as the hedged items are no longer considered to be highly probable. The related amounts accumulated in other comprehensive income have been transferred to profit or loss upon discontinuation if the hedged items are no longer expected to occur.

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.</td><td>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 HKFRS 9;
• 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;
• assessing hedge effectiveness and 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.</td></tr>
</table>

Assessment of provisions for taxation, litigation and claims	
Refer to accounting policy 22 and notes 5, 18 and 28 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group operates in various jurisdictions and, during the normal course of its business, has received queries from and has disputes with various taxation authorities. The Group is also the subject of legal actions and regulatory enquiries in certain jurisdictions as outlined in note 28(d) to the consolidated financial statements. Provisions for taxation, litigation and claims represent management's best estimates of the amounts likely to be required to settle these matters. The amount recorded at 31st December 2021 totalled HK$3,467 million, of which HK$2,765 million was recorded as taxation in the consolidated statement of financial position, and the remaining HK$702 million was included within the balance of other payables in note 18 to the consolidated financial statements. We identified the assessment of provisions for taxation, litigation and claims as a key audit matter because the estimates on which these provisions are based involve a significant degree of management judgement in interpreting the various relevant rules, regulations and practices and in considering precedents in the various jurisdictions and because determining the level of provisions may be subject to a degree of management bias.	Our audit procedures to assess the provisions for taxation, litigation and claims included the following: • engaging our internal tax specialists to assess the Group's provisions for potential exposure to each material tax dispute by discussing with management to understand the dispute and reviewing correspondence with the relevant tax authorities to understand the relevant associated risks; • discussing the status and potential exposures in respect of significant litigation, claims and regulatory enquiries with the Group's internal legal counsel and obtaining letters regarding the progress of litigation and claims from the Group's external legal counsel, including their views on the likely outcome of each litigation or claim and the magnitude of potential exposure; • challenging the assumptions and critical judgements made by management which impacted their estimations of the provisions required, considering judgements previously made by the taxation authorities in the relevant jurisdictions and any relevant opinions given by third party advisors and assessing whether there was an indication of management bias; • performing a retrospective review of provisions for taxation, litigation and claims to evaluate whether the judgement and decisions made by management in estimating provisions in the prior year indicated possible management bias.

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
9th March 2022

Schedule J1

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2021

	Note	**2021 HK$M**	2020 HK$M	**2021 US$M**	2020 US$M
Revenue					
Passenger services		**4,357**	11,950	**558**	1,532
Cargo services		**35,814**	27,890	**4,592**	3,576
Other services and recoveries		**5,416**	7,094	**694**	909
Total revenue		**45,587**	46,934	**5,844**	6,017
Expenses					
Staff		**(11,298)**	(15,786)	**(1,449)**	(2,024)
Inflight service and passenger expenses		**(366)**	(1,102)	**(47)**	(141)
Landing, parking and route expenses		**(5,743)**	(6,868)	**(736)**	(880)
Fuel, including hedging gains/losses		**(7,031)**	(11,379)	**(901)**	(1,459)
Aircraft maintenance		**(5,152)**	(5,772)	**(661)**	(740)
Aircraft depreciation and rentals		**(10,444)**	(11,879)	**(1,339)**	(1,523)
Other depreciation, amortisation and rentals		**(2,381)**	(2,720)	**(305)**	(349)
Others		**(3,622)**	(3,133)	**(464)**	(402)
Operating expenses		**(46,037)**	(58,639)	**(5,902)**	(7,518)
Operating loss before non-recurring items		**(450)**	(11,705)	**(58)**	(1,501)
Restructuring costs	32	**(385)**	(2,383)	**(49)**	(305)
Impairment and related charges	32	**(818)**	(4,056)	**(105)**	(520)
Gain on deemed partial disposal of an associate	2	**210**	-	**27**	-
Operating loss	3	**(1,443)**	(18,144)	**(185)**	(2,326)
Finance charges		**(2,704)**	(3,044)	**(347)**	(390)
Finance income		**75**	149	**10**	19
Net finance charges	4	**(2,629)**	(2,895)	**(337)**	(371)
Share of losses of associates		**(1,985)**	(1,282)	**(254)**	(164)
Loss before taxation		**(6,057)**	(22,321)	**(776)**	(2,861)
Taxation	5	**531**	674	**68**	86
Loss for the year		**(5,526)**	(21,647)	**(708)**	(2,775)
Attributable to					
Ordinary shareholders of Cathay Pacific		**(6,123)**	(21,876)	**(785)**	(2,804)
Preference shareholder of Cathay Pacific	21	**596**	228	**77**	29
Non-controlling interests		**1**	1	**-**	-
Loss for the year		**(5,526)**	(21,647)	**(708)**	(2,775)
Loss per ordinary share					
Basic and diluted	6	**(95.1)¢**	(424.3)¢	**(12.2)¢**	(54.4)¢
Loss for the year		**(5,526)**	(21,647)	**(708)**	(2,775)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges		**2,581**	(1,041)	**331**	(134)
Share of other comprehensive income of associates		**211**	(203)	**27**	(26)
Exchange differences on translation of foreign operations		**691**	1,638	**89**	210
Items that may not be reclassified subsequently to profit or loss:					
Defined benefit plans		**510**	599	**65**	77
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**(5)**	-	**(1)**	-
Other comprehensive income for the year, net of taxation	7	**3,988**	993	**511**	127
Total comprehensive income for the year		**(1,538)**	(20,654)	**(197)**	(2,648)
Total comprehensive income attributable to					
Ordinary shareholders of Cathay Pacific		**(2,135)**	(20,883)	**(274)**	(2,677)
Preference shareholder of Cathay Pacific	21	**596**	228	**77**	29
Non-controlling interests		**1**	1	**-**	-
		(1,538)	(20,654)	**(197)**	(2,648)

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The notes on pages 72 to 125 and the principal accounting policies on pages 126 to 137 form part of these financial statements.

Schedule J2

Consolidated Statement of Financial Position

at 31st December 2021

	Note	2021 HK$M	2020 HK$M	2021 US$M	2020 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment	8	**123,990**	131,925	**15,896**	16,914
Intangible assets	9	**15,035**	15,061	**1,928**	1,931
Investments in associates	10	**24,532**	26,489	**3,145**	3,396
Other long-term receivables and investments	11	**3,327**	2,905	**427**	372
Deferred tax assets	15	**846**	627	**108**	80
		167,730	177,007	**21,504**	22,693
Interest-bearing liabilities	12	**(67,504)**	(68,880)	**(8,655)**	(8,831)
Other long-term payables	13	**(3,441)**	(4,210)	**(441)**	(540)
Other long-term contract liabilities	19	**(478)**	-	**(61)**	-
Deferred tax liabilities	15	**(9,820)**	(11,499)	**(1,259)**	(1,474)
		(81,243)	(84,589)	**(10,416)**	(10,845)
Net non-current assets		**86,487**	92,418	**11,088**	11,848
Current assets and liabilities					
Stock		**1,269**	1,719	**163**	220
Trade and other receivables	16	**8,296**	6,469	**1,064**	829
Assets held for sale		**48**	38	**6**	5
Liquid funds	17	**19,284**	19,341	**2,472**	2,480
		28,897	27,567	**3,705**	3,534
Interest-bearing liabilities	12	**(22,350)**	(24,249)	**(2,865)**	(3,109)
Trade and other payables	18	**(10,095)**	(12,376)	**(1,294)**	(1,587)
Contract liabilities	19	**(7,925)**	(8,122)	**(1,016)**	(1,041)
Taxation		**(2,765)**	(1,977)	**(355)**	(253)
		(43,135)	(46,724)	**(5,530)**	(5,990)
Net current liabilities		**(14,238)**	(19,157)	**(1,825)**	(2,456)
Total assets less current liabilities		**153,492**	157,850	**19,679**	20,237
Net assets		**72,249**	73,261	**9,263**	9,392
CAPITAL AND RESERVES					
Share capital	20	**48,322**	48,322	**6,195**	6,195
Reserves	22	**23,922**	24,935	**3,067**	3,197
Funds attributable to the shareholders of Cathay Pacific		**72,244**	73,257	**9,262**	9,392
Non-controlling interests		**5**	4	**1**	-
Total equity		**72,249**	73,261	**9,263**	9,392

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Patrick Healy
Director
Hong Kong, 9th March 2022

John Harrison
Director

Consolidated Statement of Cash Flows

Schedule J3

for the year ended 31st December 2021

	Note	**2021 HK$M**	2020 HK$M	**2021 US$M**	2020 US$M
Operating activities					
Cash generated from/(used in) operations	*23*	**11,705**	(11,237)	**1,500**	(1,441)
Interest received		**67**	92	**9**	12
Interest paid		**(1,946)**	(2,223)	**(249)**	(285)
Tax paid		**(991)**	(923)	**(127)**	(118)
Net cash inflow/(outflow) from operating activities		**8,835**	(14,291)	**1,133**	(1,832)
Investing activities					
Net decrease/(increase) in liquid funds other than cash and cash equivalents		**2,464**	(7,150)	**316**	(917)
Proceeds from sales of property, plant and equipment		**112**	153	**14**	20
Net increase in other long-term receivables and investments		**(17)**	(2)	**(2)**	-
Payments for property, plant and equipment and intangible assets		**(2,276)**	(5,418)	**(292)**	(695)
Dividends received from associates		**-**	675	**-**	87
Repayments from/(loan to) an associate		**210**	(16)	**27**	(2)
Net cash inflow/(outflow) from investing activities		**493**	(11,758)	**63**	(1,507)
Financing activities					
New financing	*12*	**13,906**	22,304	**1,783**	2,859
Loan and lease repayments	*12*	**(20,838)**	(30,134)	**(2,672)**	(3,863)
Proceeds from issue of rights shares	*20*	**-**	11,716	**-**	1,502
Proceeds from issue of preference shares	*20*	**-**	19,500	**-**	2,500
Payments of transaction costs on issue of rights shares and preference shares		**-**	(77)	**-**	(10)
Net cash (outflow)/inflow from financing activities		**(6,932)**	23,309	**(889)**	2,988
Net increase/(decrease) in cash and cash equivalents		**2,396**	(2,740)	**307**	(351)
Cash and cash equivalents at 1st January		**6,166**	8,881	**791**	1,138
Effect of exchange differences		**11**	25	**1**	4
Cash and cash equivalents at 31st December	*17*	**8,573**	6,166	**1,099**	791

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Schedule J4

Consolidated Statement of Changes in Equity

for the year ended 31st December 2021

	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 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**
At 1st January 2020	17,106	-	45,867	(148)	634	(686)	62,773	3	62,776
Loss for the year	-	-	(21,648)	-	-	-	(21,648)	1	(21,647)
Other comprehensive income	-	-	599	-	(1,041)	1,435	993	-	993
Total comprehensive income for the year	-	-	(21,049)	-	(1,041)	1,435	(20,655)	1	(20,654)
Issue of rights shares	11,716	-	-	-	-	-	11,716	-	11,716
Issue of preference shares	19,500	-	-	-	-	-	19,500	-	19,500
Transaction costs on issue of rights shares and preference shares	-	-	(77)	-	-	-	(77)	-	(77)
At 31st December 2020	48,322	-	24,741	(148)	(407)	749	73,257	4	73,261

The notes on pages 72 to 125 and the principal accounting policies on pages 126 to 137 form part of these financial statements.

Schedule J5

Notes to the Financial Statements

1. Segment information

(a) Segment results

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	2,162	56	-	58		2,276

2020	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	42,432	861	2,866	775		46,934
Inter-segment sales	296	-	90	1,877		2,263
Segment revenue	42,728	861	2,956	2,652		49,197
Segment (loss)/profit, before restructuring costs, impairment and related charges	(10,357)	(1,661)	852	(539)	-	(11,705)
Restructuring costs	(2,383)	-	-	-	-	(2,383)
Impairment and related charges	(2,815)	(1)	-	(1,184)	(56)	(4,056)
Segment (loss)/profit	(15,555)	(1,662)	852	(1,723)	(56)	(18,144)
Net finance charges	(2,313)	(274)	-	(308)	-	(2,895)
	(17,868)	(1,936)	852	(2,031)	(56)	(21,039)
Share of losses of associates	-	-	-	-	(1,282)	(1,282)
(Loss)/profit before taxation	(17,868)	(1,936)	852	(2,031)	(1,338)	(22,321)
Taxation	475	213	(137)	(3)	126	674
(Loss)/profit for the year	(17,393)	(1,723)	715	(2,034)	(1,212)	(21,647)
Non-controlling interests	-	-	-	(1)	-	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(17,393)	(1,723)	715	(2,035)	(1,212)	(21,648)
Other segment information						
Depreciation and amortisation	12,756	901	6	758		14,421
Purchase of property, plant and equipment and intangible assets	5,004	329	1	84		5,418

* Included Cathay Dragon

1. Segment information (continued)

(i) Cathay Pacific and Cathay Dragon (until 21st October 2020) provide 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

	2021 HK$M	2020 HK$M
Revenue by origin of sale:		
North Asia		
- Hong Kong and the Chinese Mainland	**30,721**	29,567
- Japan, Korea and Taiwan	**3,508**	3,168
Americas	**3,171**	3,944
Europe	**1,405**	2,649
Southeast Asia	**4,478**	3,686
Southwest Pacific	**812**	1,531
South Asia, Middle East and Africa	**1,492**	2,389
	45,587	46,934

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. Gain on deemed partial disposal of an associate

In September 2021, the Cathay Pacific Group's equity and economic interest in Air China Cargo of 34.78% was reduced to 24.00%. A gain of HK$210 million was recorded during the year ended 31st December 2021 on this deemed partial disposal.

3. Operating loss

	2021 HK$M	2020 HK$M
Operating loss has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
- right-of-use assets	**5,284**	6,069
- owned	**6,941**	7,779
Amortisation of intangible assets	**561**	573
Impairment		
- property, plant and equipment	**1,010**	3,973
- intangible assets	**-**	39
- investment in an associate	**-**	56
- stock	**110**	-
Expenses relating to short-term leases and leases of low-value assets	**27**	25
COVID-19-related rent concessions recognised	**(301)**	(316)
Gain on disposal of property, plant and equipment, net	**(51)**	(34)
Loss on disposal of intangible assets	**5**	-
Cost of stock expensed	**711**	845
Exchange differences, net	**69**	(295)
Auditors' remuneration	**15**	16
Dividend income from unlisted equity investments	**(29)**	(49)

4. Net finance charges

	2021 HK$M	2020 HK$M
Net interest charges comprise:		
- lease liabilities stated at amortised cost	**905**	1,058
- bank loans and overdrafts		
- wholly repayable within five years	**411**	718
- not wholly repayable within five years	**283**	543
- other borrowings		
- wholly repayable within five years	**546**	125
- not wholly repayable within five years	**341**	255
	2,486	2,699
Income from liquid funds:		
- funds with investment managers and other liquid investments at fair value through profit or loss	**(9)**	(63)
- bank deposits and others	**(66)**	(86)
	(75)	(149)
Fair value change:		
- gain on financial liabilities designated at fair value through profit or loss	**-**	(73)
- loss on financial derivatives	**218**	418
	218	345
	2,629	2,895

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$25 million (2020: net loss of HK$210 million).

5. Taxation

	2021 HK$M	2020 HK$M
Current tax expenses		
- Hong Kong profits tax	**141**	137
- overseas tax	**142**	124
- under provisions for prior years	**17**	42
Deferred tax		
- origination and reversal of temporary differences (note 15)	**(831)**	(977)
	(531)	(674)

Hong Kong profits tax is calculated at 16.5% (2020: 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 28(c) to the financial statements).

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

	2021 HK$M	2020 HK$M
Loss before taxation	**(6,057)**	(22,321)
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	**999**	3,683
Expenses not deductible for tax purposes	**(247)**	(435)
Income not subject to tax	**197**	136
Effect of changes in effective tax rate and jurisdictional differences	**(148)**	(445)
Tax under provisions arising from prior years	**(17)**	(42)
Tax losses not recognised	**(253)**	(1,286)
Reversal of tax losses recognised in prior years	**-**	(937)
Tax credit	**531**	674

Upon restructuring of the Group, deferred tax assets on tax losses of HK$1,590 million for Cathay Dragon were written off during the year ended 31st December 2020, of which HK$878 million was recognised in prior years.

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

6. Loss per ordinary share

	2021			2020		
	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	**(6,123)**	**6,437,200,203**	**(95.1)**	(21,876)	5,156,000,217	(424.3)

(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 10th August 2020, the Company issued 2,503,355,631 new ordinary shares at HK$4.68 each by way of rights issue to qualifying ordinary shareholders. As required by HKAS 33 "Earnings per Share", an adjustment of 391,107,005 shares representing the bonus element in the rights issue was applied to the calculation of the weighted average number of ordinary shares for the year ended 31st December 2020.

(c) 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 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 2021 and 2020, and hence diluted loss per ordinary share is the same as the basic loss per ordinary share.

7. Other comprehensive income

	2021 HK$M	2020 HK$M
Cash flow hedges		
- gain/(loss) recognised during the year	**4,684**	(4,261)
- (gain)/loss transferred to profit or loss (note 22)	**(1,836)**	3,105
- deferred taxation (note 15)	**(267)**	115
Share of other comprehensive income of associates		
- recognised during the year	**211**	(203)
Exchange differences on translation of foreign operations		
- gain recognised during the year	**724**	1,638
- reclassified to profit or loss upon deemed partial disposal	**(33)**	-
Defined benefit plans		
- remeasurement gain recognised during the year (note 14)	**561**	653
- deferred taxation (note 15)	**(51)**	(54)
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		
- loss recognised during the year	**(5)**	-
Other comprehensive income for the year	**3,988**	993

8. 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 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**
At 1st January 2020	132,364	61,228	5,616	217	15,333	7,566	20	222,344
Additions	4,499	3,822	115	44	88	159	2	8,729
Disposals	(3,662)	(246)	(193)	(6)	(15)	(110)	-	(4,232)
Reclassification to assets held for sale	-	-	(64)	-	(4)	-	-	(68)
Transfers	2,182	(2,182)	-	-	2	-	(2)	-
Other right-of-use asset adjustments	-	614	-	57	-	504	-	1,175
At 31st December 2020	135,383	63,236	5,474	312	15,404	8,119	20	227,948
Accumulated depreciation and impairment								
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**
At 1st January 2020	52,527	17,753	3,625	38	6,474	1,813	-	82,230
Charge for the year	6,747	4,921	294	50	738	1,098	-	13,848
Impairment	2,355	409	313	-	751	145	-	3,973
Disposals	(3,493)	(246)	(148)	(2)	(11)	(98)	-	(3,998)
Reclassification to assets held for sale	-	-	(26)	-	(4)	-	-	(30)
Transfers	1,521	(1,521)	-	-	-	-	-	-
At 31st December 2020	59,657	21,316	4,058	86	7,948	2,958	-	96,023
Net book value								
At 31st December 2021	**72,134**	**39,449**	**1,264**	**172**	**6,750**	**4,201**	**20**	**123,990**
At 31st December 2020	75,726	41,920	1,416	226	7,456	5,161	20	131,925

8. 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, other equipment and land and buildings 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$4,352 million (2020: HK$4,025 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 24 and 12 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 originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30th June 2021 to 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 38 aircraft at 31st December 2021 (2020: 41) 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 1 month to 12 years.

The Group held 58 aircraft at 31st December 2021 (2020: 68) 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 1 month to 12 years.

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)	
	2021	2020	**2021**	2020
	HK$M	HK$M	**HK$M**	HK$M
Aircraft and related equipment	**30,887**	32,782	**5,719**	7,925

8. Property, plant and equipment (continued)

(ii) Other equipment

The Group leases other equipment under leases expiring from 1 to 5 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 26 years.

(iv) Properties leased for own use

The Group leases other properties under leases expiring from 1 to 12 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 2021, advance payments included in owned aircraft and related equipment amounted to HK$2,799 million (2020: HK$2,930 million). No depreciation is provided on these advance payments.

(c) Security, including charges over the assets concerned and relevant insurance policies, is provided to the leasing companies or other parties that provide the underlying finance. Further information is provided in note 12 to the financial statements.

(d) The carrying amounts of certain property, plant and equipment were written down by HK$1,010 million (2020: HK$3,973 million) to their recoverable amounts as follows (the recoverable amounts were estimated using the higher of fair value less costs of disposal and value in use):

(i) As a result of reduced flying associated with the impacts of the pandemic, management has assessed as part of its base case for Cathay Pacific and HK Express (see note 9 to the financial statements) that there are 12 (2020: 34) owned and leased aircraft, that are unlikely to re-enter meaningful economic service again before their retirement or return to lessors by the end of the year. Consequently an impairment charge of HK$865 million (2020: HK$2,764 million) was recognised during the year to write off these aircraft assets in full.

(ii) An impairment charge of HK$145 million (2020:HK$1,209 million), which comprises HK$96 million (2020: nil) of aircraft related equipment and HK$49 million (2020: HK$896 million) of land and building was recognised to reduce the carrying values to their recoverable amounts. No impairment charge (2020: HK$313 million) was recognised to reduce the carrying values of other equipment.

Further details surrounding the impact of COVID-19 on the Group are disclosed in note 32 to the financial statements.

9. 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 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**
At 1st January 2020	11,654	7,376	39	19,069	-	19,069
Additions	-	522	-	522	-	522
At 31st December 2020	11,654	7,898	39	19,591	-	19,591
Accumulated amortisation and impairment						
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**
At 1st January 2020	-	3,898	20	3,918	-	3,918
Charge for the year	-	569	4	573	-	573
Impairment	39	-	-	39	-	39
At 31st December 2020	39	4,467	24	4,530	-	4,530
Net book value						
At 31st December 2021	**11,615**	**3,401**	**11**	**15,027**	**8**	**15,035**
At 31st December 2020	11,615	3,431	15	15,061	-	15,061

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

	2021 HK$M	2020 HK$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). Due to the increase in the level of estimation uncertainty and wider range of possible cash flow projections as a result of the COVID-19 pandemic, the VIUs of the Group's two principal operating CGUs (Cathay Pacific and HK Express) were estimated using a discounted cash flow (DCF) analysis applied to two scenarios, a base case and a downside case, taking into consideration different future events and/or scenarios instead of a single cash flow scenario. While many scenarios may exist, management ultimately believes that the two scenarios detailed below are representative of possible outcomes.

9. 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 base case assumes that, due to adverse impact brought by COVID-19 and the resulted measures of the Government of the Hong Kong Special Administrative Region, passenger traffic will not return to pre-crisis levels until 2025. Revenue efficiency during the recovery period is assumed to remain weaker than historical levels as demand is stimulated. A ten-year forecast is considered appropriate for the airline operations to take into account this recovery period and thereafter a phased opening of slot availability associated with the new Three Runway System at Hong Kong International Airport. Consequently during the period 2025-2031 it is assumed that growth will be slightly elevated with revenue efficiency marginally weaker than historical averages. The downside scenario reflects a slower recovery until mid-2025 with lower demand across the network and thus capacity is reduced to preserve revenue efficiency. Cash flows beyond the ten-year period are extrapolated with an estimated general annual growth rate of 2.25% (2020: 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 7.3% (2020: 7.4%) is pre-tax and reflects the specific risks related to the relevant segment. Both the base case and downside case result in headroom over the carrying values of the CGU as at 31st December 2021 and consequently no impairment has been made.

For the HK Express CGU, the base case scenario 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. Due to the pursuit of growth, the downside scenario reflects a drop in revenue efficiency, rather than capacity. Like Cathay Pacific, a ten-year forecast is considered appropriate. Similarly cash flows beyond the ten-year period are extrapolated with an estimated general annual growth rate of 2.25% (2020: 2.25%). The discount rate used of 11.0% (2020: 11.1%) is pre-tax and reflects the specific risks related to the HK Express segment. Both the base case and downside case result in headroom over the carrying values of the CGU as at 31st December 2021 and consequently no impairment has been made.

For both Cathay Pacific and HK Express CGUs the terminal year in the impairment test has the most material impact on the determination of the recoverable amount and thus the surplus over carrying value. As such the pandemic recovery period, while impacting the measurement, does not materially impact the surplus over carrying value identified. DCF modelling for 2021 sits within the range of IATA's latest pessimistic to optimistic 2021 traffic estimates.

Impairment testing of our Airline service CGUs adopts, to the extent relevant, consistent recovery assumptions as the Cathay Pacific CGU. Both the base case and downside case result in headroom over the carrying values of the CGU as at 31st December 2021 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.

10. Investments in associates

	2021 HK$M	2020 HK$M
Share of net assets		
- listed in Hong Kong	**16,178**	18,410
- unlisted	**4,721**	4,342
Goodwill	**3,588**	3,483
	24,487	26,235
Less: impairment loss	**(56)**	(56)
	24,431	26,179
Loans due from associates	**101**	310
	24,532	26,489

Principal associates are listed on page 125.

(a) Air China

At 31st December 2021, the market value of the shares in an associate, Air China, listed in Hong Kong is HK$14,327 million (2020: HK$16,066 million).

Due to the H-share market price for Air China having been below the value per share of the Group's carrying investment for a sustained period of more than six months, an impairment test was performed as at 31st December 2021 and no impairment loss was considered necessary as the recoverable amount exceeds the carrying value.

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

	2021 HK$M	2020 HK$M
Gross amounts of the associate's		
- current assets	**27,510**	28,931
- non-current assets	**324,443**	314,595
- current liabilities	**(100,513)**	(103,672)
- non-current liabilities	**(161,862)**	(137,193)
Revenue	**101,042**	101,750
Loss from continuing operations	**(18,245)**	(15,564)
Other comprehensive income	**1,492**	(1,637)
Total comprehensive income	**(16,753)**	(17,201)
Dividend received from the associate	**-**	128
Reconciled to the Group's interests in the associate		
- gross amounts of net assets of the associate	**89,578**	102,661
- Group's share of net assets of the associate at effective interest (2021: 18.13%; 2020: 18.13%)	**16,240**	18,612
- effect of cross shareholding and others	**(62)**	(202)
- goodwill	**3,588**	3,483
	19,766	21,893

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.

10. Investments in associates (continued)

Cathay Pacific had a 18.13% interest at 31st December 2021 (2020: 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's 2021 results include Air China's results for the 12 months ended 30th September 2021 and any significant events or transactions for the period from 1st October 2021 to 31st December 2021. Air China's most recently available accounts were drawn up to 30th September 2021 (2020: 30th September 2020).

(b) Air China Cargo

Following the dilution of economic interest in Air China Cargo from 34.78% to 24.00% during the year (note 2 to the financial statements) it is impractical to recognise the share of results of Air China Cargo for the same twelve month period as the Group. Therefore, for the year ended 31st December 2021, the Group has recognised the share of results of Air China Cargo three months in arrear, which represents the nine months ended 30th September 2021, adjusted for any significant events or transactions in the period from 1st October 2021 to 31st December 2021. The share of results of Air China Cargo for the year ended 31st December 2020 covered the same twelve month period as the Group's.

(c) Other associates

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

	2021 HK$M	2020 HK$M
Aggregate carrying amount of individually immaterial associates	**4,766**	4,596
Aggregate amounts of the Group's share of those associates		
- profit from continuing operations	**940**	1,217
- other comprehensive income	**136**	268
- total comprehensive income	**1,076**	1,485

11. Other long-term receivables and investments

	2021 HK$M	2020 HK$M
Unlisted equity investments		
- designated at fair value through other comprehensive income (non-recycling)	**51**	56
- measured at fair value through profit or loss	**705**	759
Other long-term receivables measured at amortised cost	**906**	852
Derivative financial assets - long-term portion	**243**	243
Retirement benefit assets (note 14)	**1,422**	995
	3,327	2,905

12. Interest-bearing liabilities

		2021		2020	
	Note	**Current HK$M**	**Non-current HK$M**	Current HK$M	Non-current HK$M
Loans and other borrowings	(a)	**16,061**	**39,061**	17,513	37,982
Lease liabilities	(b)	**6,289**	**28,443**	6,736	30,898
		22,350	**67,504**	24,249	68,880

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:

	2021 HK$M	2020 HK$M
Non-current liabilities:		
Loans and other borrowings	**39,061**	37,982
Lease liabilities	**28,443**	30,898
	67,504	68,880
Current liabilities:		
Loans and other borrowings	**16,061**	17,513
Lease liabilities	**6,289**	6,736
	22,350	24,249
Total borrowings	**89,854**	93,129
Liquid funds	**(19,284)**	(19,341)
Net borrowings	**70,570**	73,788
Funds attributable to the shareholders of Cathay Pacific	**72,244**	73,257
Net debt/equity ratio	**0.98**	1.01

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.

	2021 HK$M	2020 HK$M
Net borrowings	**70,570**	73,788
Less: lease liabilities without asset transfer components	**(16,591)**	(19,090)
Adjusted net borrowings, excluding leases without asset transfer components	**53,979**	54,698
Adjusted net debt/equity ratio, excluding leases without asset transfer components	**0.75**	0.75

12. Interest-bearing liabilities (continued)

(a) Loans and other borrowings

	2021 HK$M	2020 HK$M
Bank loans		
- secured	**27,052**	31,740
- unsecured	**8,043**	14,889
Other borrowings		
- secured	**5,205**	5,318
- unsecured	**14,822**	3,548
	55,122	55,495
Amount due within one year included in current liabilities	**(16,061)**	(17,513)
	39,061	37,982
Repayable as follows:		
Bank loans		
- within one year	**13,772**	16,724
- after one year but within two years	**4,815**	8,763
- after two years but within five years	**11,480**	13,010
- after five years	**5,028**	8,132
	35,095	46,629
Other borrowings		
- within one year	**2,289**	789
- after one year but within two years	**2,188**	2,246
- after two years but within five years	**13,553**	2,685
- after five years	**1,997**	3,146
	20,027	8,866
Amount due within one year included in current liabilities	**(16,061)**	(17,513)
	39,061	37,982

At 31st December 2021, aircraft and related equipment of HK$53,495 million (2020: HK$57,612 million) are pledged as security for the secured loans and other borrowings.

Loans and other borrowings are repayable up to 2035 (2020: 2035).

Loans and other borrowings of the Group not wholly repayable within five years amounted to HK$22,278 million (2020: HK$29,295 million).

At 31st December 2021, the Group had loans totalling HK$32,235 million (2020: HK$38,618 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 conversion shares had a market value of approximately HK$5,183 million, based on the closing price of HK$6.59 per share as quoted on the Stock Exchange of Hong Kong Limited on 27th January 2021. The net price of each conversion share to the Company resulting from the conversion of the bonds was estimated to be approximately HK$8.49. The bonds are listed on The Stock Exchange of Hong Kong Limited for purchase by professional investors only.

12. Interest-bearing liabilities (continued)

The Board considers the issuance of the convertible bonds to be an opportunity to further strengthen the Company's liquidity and working capital position and which allows the Company to better navigate the challenges posed by the COVID-19 pandemic.

The net proceeds from the bond issuance were approximately HK$6,680 million after deducting expenses associated with the issuance. The Group intends to apply the net proceeds towards general corporate purposes.

The bonds are accounted for as compound financial instruments, with both a liability component and an equity component. As at 31st December 2021, the liability component has a carrying value of HK$6,256 million included in "Loans and other borrowings"; the equity component has a carrying value of HK$526 million included in "Convertible bond reserve". The accounting policy on convertible bonds is disclosed in accounting policy 25 on page 137.

(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:

	2021 HK$M	2020 HK$M
Future payments	**38,156**	41,213
Interest charges relating to future periods	**(3,424)**	(3,579)
Present value of future payments	**34,732**	37,634
Amount due within one year included in current liabilities	**(6,289)**	(6,736)
	28,443	30,898

The present value of future payments is repayable as follows:

	2021 HK$M	2020 HK$M
Within one year	**6,289**	6,736
After one year but within two years	**6,011**	6,280
After two years but within five years	**10,572**	13,232
After five years	**11,860**	11,386
	34,732	37,634

The undiscounted future payments are repayable as follows:

	2021 HK$M	2020 HK$M
Within one year	**7,038**	7,519
After one year but within two years	**6,635**	6,942
After two years but within five years	**11,717**	14,445
After five years	**12,766**	12,307
	38,156	41,213

12. 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 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**
At 1st January 2020	56,768	40,492	97,260
Changes from financing cash flows			
- new financing	21,591	713	22,304
- repayments	(23,123)	(7,011)	(30,134)
Other changes			
- exchange gain	(218)	(90)	(308)
- changes resulting from new leases	-	3,828	3,828
- changes resulting from lease modification	-	1,175	1,175
- changes resulting from lease termination	-	(16)	(16)
- COVID-19-related rent concessions received	-	(316)	(316)
- *net settlement with lease embedded derivative* instruments	-	(1,342)	(1,342)
- others	477	201	678
At 31st December 2020	55,495	37,634	93,129

13. Other long-term payables

	2021 HK$M	2020 HK$M
Deferred liabilities	**3,257**	3,711
Derivative financial liabilities - long-term portion	**184**	499
	3,441	4,210

The Group had a maintenance provision of HK$4,187 million (2020: HK$5,718 million) for returning the aircraft to lessors to certain maintenance conditions. The movements during the year are as follows:

	2021 HK$M	2020 HK$M
At 1st January	**5,718**	5,031
Additional provision made	**259**	902
Provision utilised	**(1,790)**	(215)
At 31st December	**4,187**	5,718
Amount expected to be utilised within one year included in trade and other payables	**(1,653)**	(2,397)
Included in deferred liabilities above	**2,534**	3,321

At 31st December 2021, total derivative financial liabilities of the Group which did not qualify for hedge accounting amounted to HK$58 million (2020: HK$423 million). The balance is included in above, except for HK$29 million (2020: HK$340 million) which was included in trade and other payables.

14. 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 Swire Group Retirement Benefits Scheme ("SGRBS") in Hong Kong, in which the Company, Cathay Pacific Catering Services (H.K.) Limited ("CPCS") and Vogue Laundry Service Limited ("VLS") are participating employers, and the Cathay Pacific Airways Group Retirement Benefits Scheme ("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 Cathay Pacific Airways Limited Retirement Scheme ("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 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. The principal 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 all schemes 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.

14. 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. An investment committee monitors the overall market risk position on a quarterly basis.

The Group's obligations are 135.5% (2020: 119.9%) covered by the plan assets held by the trustees at 31st December 2021.

	2021 HK$M	2020 HK$M
Net expenses recognised in the profit or loss:		
Current service cost	**155**	228
Net interest income	**(14)**	(26)
Gain on settlements	**-**	(63)
Total included in staff costs	**141**	139
Actual return on plan assets	**341**	542

	2021 HK$M	2020 HK$M
Net assets recognised in the statement of financial position:		
Present value of funded obligations	**4,002**	4,991
Fair value of plan assets	**(5,424)**	(5,986)
Retirement benefit assets (note 11)	**(1,422)**	(995)

	2021 HK$M	2020 HK$M
Movements in present value of funded obligations comprise:		
At 1st January	**4,991**	6,890
Remeasurements		
- actuarial (gains)/losses arising from changes in financial assumptions	**(146)**	323
- experience gains	**(163)**	(635)
Movements for the year		
- current service cost	**155**	228
- interest expense	**75**	175
- gain on settlements	**-**	(63)
- employee contributions	**3**	1
- benefits paid	**(954)**	(887)
- settlements paid	**-**	(935)
- transfer	**41**	(106)
At 31st December	**4,002**	4,991

The weighted average duration of the defined benefit obligations is five years (2020: six years).

14. Retirement benefits (continued)

	2021 HK$M	2020 HK$M
Movements in fair value of plan assets comprise:		
At 1st January	**5,986**	7,360
Movements for the year		
- return on plan assets excluding interest income	**252**	341
- interest income	**89**	201
- employee contributions	**3**	1
- employer contributions	**7**	11
- benefits paid	**(954)**	(887)
- settlements paid	**-**	(935)
- transfer	**41**	(106)
At 31st December	**5,424**	5,986

No curtailment gain/loss was incurred in the year ended 31st December 2021. In connection with restructuring of the Group in 2020, a curtailment gain of HK$63 million was incurred and settlements paid to impacted plan members in the year ended 31st December 2020.

There were no plan amendments during the year.

	2021 HK$M	%	2020 HK$M	%
Fair value of plan assets comprises:				
Equities				
- Asia Pacific	**252**	**5**	240	4
- Europe	**249**	**5**	306	5
- Americas	**764**	**14**	483	8
- Emerging markets	**750**	**14**	935	16
Bonds				
- Global	**893**	**16**	954	16
- Emerging markets	**128**	**2**	128	2
Absolute return funds	**1,073**	**20**	1,592	27
Cash	**1,315**	**24**	1,348	22
	5,424	**100**	5,986	100

At 31st December 2021, the prices of 96% of equities and 21% of bonds were quoted on active markets (31st December 2020: 95% and 13% respectively). The remainder of the prices were not quoted on active markets.

The 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 an investment 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 investment 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$3 million to the schemes in 2022.

14. Retirement benefits (continued)

	2021		2020	
	SGRBS	**CPALRS**	SGRBS	CPALRS
The significant actuarial assumptions are:				
Discount rate	**2.08%**	**2.08%**	1.64%	1.64%
Expected rate of future salary increases	**2.50%**	**2.50%**	3.00%	3.04%

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 2021 would have (increased)/decreased as a result of 0.5% change in the actuarial assumptions:

	Increase by 0.5%		Decrease by 0.5%	
	2021	2020	**2021**	2020
	HK$M	HK$M	**HK$M**	HK$M
Discount rate	**83**	129	**(86)**	(135)
Expected rate of future salary increases	**(74)**	(131)	**71**	127

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. During the year, the benefits forfeited in accordance with the schemes' rules amounted to HK$32 million (2020: HK$50 million) which have been applied towards the contributions payable by the Company.

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$569 million (2020: HK$950 million).

15. Deferred taxation

	2021 HK$M	2020 HK$M
Deferred tax assets:		
- provisions	**(53)**	(74)
- tax losses	**(4,738)**	(3,952)
- cash flow hedges	**-**	(44)
- right-of-use assets	**(140)**	(186)
Deferred tax liabilities:		
- accelerated tax depreciation	**4,725**	4,472
- investments in associates	**566**	928
- cash flow hedges	**223**	-
- retirement benefits	**142**	94
Provision in respect of certain lease arrangements	**8,249**	9,634
	8,974	10,872

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

	2021 HK$M	2020 HK$M
Net deferred tax asset recognised in the statement of financial position	**(846)**	(627)
Net deferred tax liability recognised in the statement of financial position	**9,820**	11,499
	8,974	10,872

	2021 HK$M	2020 HK$M
Movements in deferred taxation comprise:		
At 1st January	**10,872**	12,475
Movements for the year		
- (credited)/charged to profit or loss		
- deferred tax credit (note 5)	**(831)**	(977)
- operating expenses	**94**	95
- charged/(credited) to other comprehensive income		
- transferred to cash flow hedge reserve (note 7)	**267**	(115)
- transferred to retained profit (note 7)	**51**	54
Current portion of provision in respect of certain lease arrangements included in current liabilities – taxation	**(1,479)**	(660)
At 31st December	**8,974**	10,872

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$31,363 million (2020: HK$29,698 million) to carry forward against future taxable profits. These amounts are analysed as follows:

	2021 HK$M	2020 HK$M
No expiry date	**21,624**	19,592
Expiring within 2022 to 2037 (2020: 2021 to 2037)	**9,739**	10,106
	31,363	29,698

15. Deferred taxation (continued)

The provision in respect of certain lease arrangements equates to payments which are expected to be made during the years 2022 to 2030 (2020: 2021 to 2030) as follows:

	2021 HK$M	2020 HK$M
After one year but within five years	**4,333**	5,578
After five years but within 10 years	**3,916**	4,056
	8,249	9,634

16. Trade and other receivables

	2021 HK$M	2020 HK$M
Trade debtors, net of loss allowances	**3,919**	3,381
Derivative financial assets - current portion	**1,759**	90
Other receivables and prepayments	**2,615**	2,994
Due from associates and other related companies	**3**	4
	8,296	6,469

At 31st December 2021, derivative financial assets – current portion which did not qualify for hedge accounting amounted to HK$290 million (2020: insignificant).

	2021 HK$M	2020 HK$M
Analysis of trade debtors (net of loss allowances) by invoice date:		
Within one month	**3,441**	2,608
One to three months	**420**	505
More than three months	**58**	268
	3,919	3,381

	2021 HK$M	2020 HK$M
Analysis of trade debtors (net of loss allowances) by age:		
Current	**3,754**	2,916
Within three months overdue	**135**	221
More than three months overdue	**30**	244
	3,919	3,381

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

	2021 HK$M	2020 HK$M
At 1st January	**78**	81
Expected credit loss recognised	**22**	
Amounts written off	**-**	(3)
At 31st December	**100**	78

17. Liquid funds

	2021 HK$M	2020 HK$M
Cash and cash equivalents		
Short-term deposits and bank balances	**8,573**	6,166
Other liquid funds		
Short-term deposits maturing beyond three months when placed	**1**	195
Funds with investment managers		
- debt securities listed outside Hong Kong	**10,470**	12,648
- bank deposits	**101**	188
Other liquid investments		
- debt securities listed outside Hong Kong	**5**	6
- bank deposits	**134**	138
Liquid funds	**19,284**	19,341

Included in other liquid investments are bank deposits of HK$134 million (2020: HK$138 million) and debt securities of HK$5 million (2020: HK$6 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:

	2021 HK$M	2020 HK$M
Liquid funds	**19,284**	19,341
Less: amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	**(5)**	(6)
- bank deposits	**(134)**	(138)
Committed undrawn facilities	**11,105**	9,396
Available unrestricted liquidity to the Group	**30,250**	28,593

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

18. Trade and other payables

	2021 HK$M	2020 HK$M
Trade creditors	**4,327**	3,284
Derivative financial liabilities - current portion	**186**	1,311
Other payables	**5,311**	7,278
Due to associates	**55**	218
Due to other related companies	**216**	285
	10,095	12,376

	2021 HK$M	2020 HK$M
Analysis of trade creditors by invoice date:		
Within one month	**3,706**	2,570
One to three months	**328**	262
More than three months	**293**	452
	4,327	3,284

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

18. Trade and other payables (continued)

Included in other payables above, the Group had a provision of HK$702 million (2020: HK$1,056 million) for possible or actual taxation (other than income tax), litigation and claims. The movements during the year are as follows:

	2021 HK$M	2020 HK$M
At 1st January	**1,056**	794
Additional provision made, net	**83**	284
Provision utilised	**(437)**	(22)
At 31st December	**702**	1,056

19. Contract liabilities

	2021 HK$M	2020 HK$M
Non-current	**478**	-
Current	**7,925**	8,122
	8,403	8,122

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

		2021 HK$M	2020 HK$M
Passenger revenue, fuel and insurance surcharge	(a)	**2,624**	2,649
Loyalty programme	(b)	**5,779**	5,473
		8,403	8,122

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:

		2021 HK$M	2020 HK$M
Passenger revenue, fuel and insurance surcharge	(a)	**207**	5,623

(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:

	2021 HK$M	2020 HK$M
At 1st January	**5,473**	5,182
Deferral of revenue - mileage credits issued through travel or sold to co-branded credit card and other partners	**2,086**	1,862
Recognition of revenue - mileage credits redeemed or expired	**(1,780)**	(1,571)
At 31st December	**5,779**	5,473

20. Share capital

	2021		2020	
	Number of shares	**HK$M**	Number of shares	HK$M
Issued and fully paid				
Ordinary shares				
At 1st January	**6,437,200,203**	**28,822**	3,933,844,572	17,106
Shares issued on 10th August 2020 pursuant to rights issue	-	-	2,503,355,631	11,716
At 31st December	**6,437,200,203**	**28,822**	6,437,200,203	28,822
Preference shares				
At 1st January	**195,000,000**	**19,500**	-	-
Shares issued on 12th August 2020	-	-	195,000,000	19,500
At 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 2021 and 2020. At 31st December 2021, 6,437,200,203 ordinary shares and 195,000,000 preference shares were in issue (31st December 2020: 6,437,200,203 ordinary shares and 195,000,000 preference shares).

During the year ended 31st December 2020, the Company announced a recapitalisation proposal which involved, among other things:

(a) the preference shares and warrants issue, being the issuance by the Company to Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, of (a) 195,000,000 preference shares at the subscription price of HK$100 per preference share 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); and

(b) the rights issue, being the issuance of 2,503,355,631 rights shares on the basis of seven rights shares for every 11 existing ordinary shares held by shareholders on 21st July 2020 at the subscription price of HK$4.68 per share.

The net proceeds of the rights issue and preference shares and warrants issue were used for general corporate purposes.

The preference shares and warrants issue were completed on 12th August 2020 (the "Issue Date"). The expiry date of the warrant is five years from the warrants issue date.

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 preference shares and warrants upon exercise are recorded as additional share capital.

20. Share capital (continued)

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.

Following approval by shareholders of the Company at the 2020 EGM, the Company issued 2,503,355,631 new ordinary shares at HK$4.68 each on 10th August 2020, and 195,000,000 preference shares at HK$100 each and 416,666,666 warrants on 12th August 2020.

21. 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 (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 2021 was HK$596 million (31st December 2020: HK$228 million).

Any deferred or unpaid dividends on cumulative preference shares shall accumulate and constitute "Arrears of Dividend". The accumulated Arrears of Dividend at 31st December 2021 was HK$824 million (31st December 2020: HK$228 million).

The dividends payable on 14th February 2022 have been deferred. The cumulative amount deferred of HK$897 million was in respect of dividends for the 18-month period from the Issue Date 12th August 2020 and the compounding effect of unpaid dividends.

21. Dividends (continued)

(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 2021 and 2020 and accordingly no dividends to ordinary equity shareholders were proposed.

No dividends to ordinary equity shareholders attributable to the year and previous financial year were declared, approved nor paid during 2021 and 2020.

Note 21(a) details the cumulative Arrears of Dividend as at 31st December 2021.

22. Reserves

	2021 HK$M	2020 HK$M
Retained profit	**19,724**	24,741
Investment revaluation reserve (non-recycling)	**(153)**	(148)
Cash flow hedge reserve	**2,174**	(407)
Equity component of convertible bonds issued (note 12(a))	**526**	-
Others	**1,651**	749
	23,922	24,935

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 29 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$1,902 million (2020: exchange gains of HK$1,211 million) and share of associates' other negative reserves of HK$251 million (2020: negative reserves of HK$462 million).

22. Reserves (continued)

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

	2021 HK$M	2020 HK$M
Revenue	**50**	239
Fuel	**1,914**	(3,030)
Net finance charges	**(243)**	(314)
Other expenses	**115**	-
Net gain/(loss) transferred to profit or loss (note 7)	**1,836**	(3,105)

The cash flow hedge reserve of the Group is expected to be charged/(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
2022	**(1,701)**
2023	**(370)**
2024	**(66)**
2025	**14**
2026	**5**
Beyond 2026	**(56)**
	(2,174)

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 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**
At 1st January 2020	36,548	-	(109)	646	37,085
Loss for the year	(21,105)	-	-	-	(21,105)
Other comprehensive income	603	-	-	(1,040)	(437)
Total comprehensive income for the year	(20,502)	-	-	(1,040)	(21,542)
Transaction costs on issue of rights shares and preference shares	(77)	-	-	-	(77)
At 31st December 2020	15,969	-	(109)	(394)	15,466

Distributable reserves of the Company at 31st December 2021 amounted to HK$14,648 million (2020: HK$15,969 million), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622).

23. Reconciliation of operating loss to cash generated from/(used in) operations

	2021 HK$M	2020 HK$M
Operating loss	**(1,443)**	(18,144)
Depreciation of property, plant and equipment	**12,225**	13,848
Amortisation of intangible assets	**561**	573
Impairment of property, plant and equipment	**1,010**	3,973
Impairment of stock	**110**	-
Impairment of intangible assets	**-**	39
Gain on disposal of property, plant and equipment, net	**(51)**	(34)
Loss on disposal of intangible assets	**5**	-
Impairment of investment in an associate	**-**	56
Gain on deemed partial disposal of an associate	**(210)**	-
Fair value losses on equity investments measured at fair value through profit or loss	**54**	79
COVID-19-related rent concessions received	**(301)**	(316)
Gain from financial derivatives, cash flow hedge reserve and other items not involving cash flows	**(96)**	(41)
Decrease in stock	**340**	93
(Increase)/decrease in trade debtors and other receivables	**(159)**	3,751
(Decrease)/increase in net amounts due to associates and other related companies	**(232)**	271
Decrease in trade creditors, other payables and deferred liabilities	**(1,376)**	(7,555)
Increase/(decrease) in contract liabilities	**281**	(7,819)
Non-operating movements in debtors and creditors	**987**	(11)
Cash generated from/(used in) from operations	**11,705**	(11,237)

24. Total cash outflow for leases

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

	2021 HK$M	2020 HK$M
Within operating cash flows	**637**	708
Within investing cash flows	**198**	192
Within financing cash flows	**6,381**	6,298
	7,216	7,198

Significant non-cash transactions for leases:

During the year ended 31st December 2021, the Group entered into new lease arrangements in respect of property, plant and equipment with a total capitalised value at the inception of HK$4,141 million (2020: HK$3,797 million), a significant proportion of which is related to the delivery of leased aircraft.

25. 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 iii) HK$'000	Bonus (in respect of 2020) HK$'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$'000	**2021 Total HK$'000**	2020 Total HK$'000
Executive Directors									
Healy, Patrick	918	-	1,237	578	-	228	-	**2,961**	3,386
Hogg, Rupert (up to August 2019)	-	-	-	-	-	-	-	-	2,545
Hughes, Gregory	2,075	-	998	609	-	355	3,051	**7,088**	10,296
Lam, Ronald	1,811	-	2,570	790	-	96	-	**5,267**	5,445
Loo, Paul (up to August 2019)	-	-	-	-	-	-	-	-	1,177
Murray, Martin (up to January 2021)	146	-	139	32	-	91	-	**408**	9,085
Sharpe, Rebecca (from January 2021)	1,923	-	2,184	536	-	150	-	**4,793**	-
Tang, Augustus	3,105	-	2,160	1,232	-	-	-	**6,497**	8,127
Non-Executive Directors									
Bradley, Guy (from August 2021)	-	-	-	-	-	-	-	-	-
Cai, Jianjiang (up to December 2020)	-	-	-	-	-	-	-	-	575
Chu, Ivan (up to April 2020)	-	-	-	-	-	-	-	-	-
Low, Michelle (up to March 2021)	-	-	-	-	-	-	-	-	-
Ma, Chongxian (from June 2021)	321	-	-	-	-	-	-	**321**	-
Murray, Martin (April 2021-August 2021)	-	-	-	-	-	-	-	-	-
Song, Zhiyong	575	-	-	-	-	-	-	**575**	575
Swire, Merlin	-	-	-	-	-	-	-	-	-
Swire, Samuel	-	-	-	-	-	-	-	-	-
Xiao, Feng	947	-	-	-	-	-	-	**947**	947
Zhang, Zhuo Ping (from April 2020)	-	-	-	-	-	-	-	-	-
Zhao, Xiaohang	575	-	-	-	-	-	-	**575**	575
Independent Non-Executive Directors									
Chan, Bernard	635	-	-	-	-	-	-	**635**	599
Harrison, John	1,029	-	-	-	-	-	-	**1,029**	970
Milton, Robert	1,029	-	-	-	-	-	-	**1,029**	970
Tung, Andrew	844	-	-	-	-	-	-	**844**	796
2021 Total	**15,933**	**-**	**9,288**	**3,777**	**-**	**920**	**3,051**	**32,969**	
2020 Total	17,101	10,362	7,924	3,606	1,900	1,158	4,017		46,068

(i) Patrick Healy, Augustus Tang, Gregory Hughes, Ronald Lam, Martin Murray (up to January 2021) and Rebecca Sharpe (from January 2021) took voluntary basic salary reductions during 2021.

(ii) 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.

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

25. Directors' remuneration (continued)

(b) The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2021 and 2020 are as follows:

	2021	2020
Number of individuals:		
Executive Directors	**2**	3
Senior managers	**3**	2
	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$'000	**2021 Total HK$'000**	2020 Total HK$'000
2021 Total	**9,586**	**2,880**	**10,415**	**6,266**	**672**	**1,518**	**3,051**	**34,388**	
2020 Total	11,504	8,286	10,613	3,356	3,375	1,319	3,240		41,693

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

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

HK$	**2021**	2020
6,000,001 – 6,500,000	**2**	-
6,500,001 – 7,000,000	**1**	1
7,000,001 – 7,500,000	**1**	-
7,500,001 – 8,000,000	**1**	1
8,000,001 – 8,500,000	**-**	1
9,000,001 – 9,500,000	**-**	1
10,000,001 – 10,500,000	**-**	1
	5	5

26. 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:

	2021			2020*		
HK$	**Director**	**Flight staff**	**Other staff**	Director	Flight staff	Other staff
0 – 1,000,000	**12**	**9,044**	**8,295**	13	14,125	9,496
1,000,001 – 1,500,000	**2**	**967**	**248**	1	1,066	327
1,500,001 – 2,000,000	**-**	**481**	**88**	-	663	99
2,000,001 – 2,500,000	**-**	**400**	**59**	-	440	67
2,500,001 – 3,000,000	**1**	**214**	**10**	1	455	19
3,000,001 – 3,500,000	**-**	**73**	**6**	1	280	9
3,500,001 – 4,000,000	**-**	**32**	**3**	-	187	7
4,000,001 – 4,500,000	**-**	**11**	**1**	-	79	5
4,500,001 – 5,000,000	**1**	**2**	**1**	-	26	-
5,000,001 – 5,500,000	**1**	**1**	**-**	1	2	1
5,500,001 – 6,000,000	**-**	**-**	**-**	-	2	1
6,000,001 – 6,500,000	**1**	**-**	**1**	-	-	2
6,500,001 – 7,000,000	**-**	**-**	**1**	-	-	1
7,000,001 – 7,500,000	**1**	**-**	**-**	-	-	-
7,500,001 – 8,000,000	**-**	**-**	**1**	-	-	1
8,000,001 – 8,500,000	**-**	**-**	**-**	1	-	-
9,000,001 – 9,500,000	**-**	**-**	**-**	1	-	-
10,000,001 – 10,500,000	**-**	**-**	**-**	1	-	-
	19	**11,225**	**8,714**	20	17,325	10,035

* Included Cathay Dragon

27. 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:

	2021		2020	
	Associates HK$M	**Other related parties HK$M**	Associates HK$M	Other related parties HK$M
Revenue	**37**	**14**	78	12
Aircraft maintenance	**736**	**1,081**	906	1,830
Other operating expenses	**111**	**234**	230	259
Dividend income	**874**	**28**	675	48
Finance income	**4**	**-**	7	-
Property, plant and equipment purchase	**-**	**-**	-	4
Lease payments	**1**	**55**	-	94

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

(i) The Group entered into three leases expiring from one to eight 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 2021, which was determined with reference to amounts charged by the related party to third parties. For the year ended 31st December 2021, lease payments of HK$55 million (2020: HK$86 million) were paid. The balances of right-of-use assets and lease liabilities as at 31st December 2021 were HK$158 million and HK$169 million respectively (2020: HK$509 million and HK$541 million respectively).

The lease payments are included in continuing connected transactions in note 27(a)(ii) below.

(ii) Under the HAECO 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. The amounts payable to the HAECO group for the year ended 31st December 2021 totalled HK$1,816 million (2020: HK$2,762 million). The amounts receivable from the HAECO group for the year ended 31st December 2021 totalled HK$19 million (2020: HK$38 million).

As a director of HAECO, Guy Bradley is interested in the HAECO Framework Agreement. Michelle Low was interested as a director of HAECO until her resignation with effect from 1st April 2021. Martin Murray was interested as a director of HAECO until his resignation with effect from 25th August 2021. Merlin Swire was interested as a director of HAECO until his resignation as a director of HAECO with effect from 25th August 2021.

Transactions under the HAECO Framework Agreement are continuing connected transactions, in respect of which 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.

27. Related party transactions (continued)

(iii) 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. The amounts payable to the Air China group for the year ended 31st December 2021 totalled HK$39 million (2020: HK$70 million). The amounts receivable from the Air China group for the year ended 31st December 2021 totalled HK$21 million (2020: HK$50 million).

As directors or employees of Air China, Patrick Healy, Ma Chongxian, Song Zhiyong, Xiao Feng and Zhao Xiaohang are interested in the Air China Framework Agreement.

Transactions under the Air China Framework Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure 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.

(iv) 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. For the year ended 31st December 2021, no service fee was payable (2020: nil) and expenses of HK$173 million (2020: HK$197 million) were reimbursed at cost.

As directors and/or employees of the Swire group, Patrick Healy, Guy Bradley, Gregory Hughes, Ronald Lam, Merlin Swire, Samuel Swire, Rebecca Sharpe, Augustus Tang and Zhang Zhuo Ping are interested in the JS&SHK Services Agreement. Merlin Swire and Samuel Swire are also so interested as shareholders, directors and employees of the Swire group. Michelle Low was interested as a director and an employee of the Swire group until her resignation with effect from 1st April 2021. Martin Murray was interested as a director and an employee of the Swire group during the periods from 1st January 2021 to 25th January 2021 and from 1st April 2021 to 25th August 2021.

Transactions under the JS&SHK Services Agreement are continuing connected transactions, in respect of which the Company has complied with the disclosure 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.

(b) Amounts due from and due to associates and other related companies at 31st December 2021 are disclosed in notes 16 and 18 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 2021 are disclosed in note 28(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 25 to the financial statements.

28. Capital commitments and contingencies

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

	2021 HK$M	2020 HK$M
Authorised and contracted for	**52,242**	58,416
Authorised but not contracted for	**3,469**	5,951
	55,711	64,367

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

	2021 HK$M	2020 HK$M
Associates	**1,164**	1,320

(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 137.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, the Company and a number of other international cargo carriers agreed cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on the Company. However, the European Commission's finding against the Company and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to the Company in February 2016. The European Commission issued a new decision against the Company and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company filed an appeal against this latest decision, to which the European Commission filed a defence. In December 2017, the Company filed a Reply to this Defence. On 9th March 2018, the European Commission filed a rejoinder to the Company's Reply. The appeal hearing in the General Court took place on 5th July 2019. The General Court is expected to issue its decision in the first half of 2022.

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.

29. 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 28(b) to the financial statements. Collateral and guarantees received in respect of credit terms granted at 31st December 2021 totalled HK$579 million (2020: HK$636 million).

The movement in the expected credit loss allowance in respect of trade debtors during the year is set out in note 16 to the financial statements.

29. 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.

At the end of the reporting period, the Group held liquid funds (note 17 to the financial statements) of HK$19,284 million (2020: HK$19,341 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:

	2021 HK$M	2020 HK$M
Liquid funds (note 17)	**19,284**	19,341
Less: amounts pledged as part of long-term financing		
- debt securities listed outside Hong Kong	**(5)**	(6)
- bank deposits	**(134)**	(138)
Committed undrawn facilities	**11,105**	9,396
Available unrestricted liquidity to the Group	**30,250**	28,593

	2021 HK$M	2020 HK$M
Uncommitted bank overdraft facilities	**461**	343
Other uncommitted bank facilities	**-**	775
	461	1,118

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 and other uncommitted bank facilities may be drawn at any time and may be terminated by the bank without notice.

(ii) Payment profile of financial liabilities

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

	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)**

29. Financial risk management (continued)

	2020				
	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	(18,527)	(11,808)	(17,132)	(12,891)	(60,358)
Lease liabilities	(7,519)	(6,942)	(14,445)	(12,307)	(41,213)
Other long-term payables	-	(1,072)	(1,804)	(835)	(3,711)
Trade and other payables	(11,065)	-	-	-	(11,065)
Derivative financial liabilities, net	(1,283)	(227)	(281)	(35)	(1,826)
Total	(38,394)	(20,049)	(33,662)	(26,068)	(118,173)

(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.

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:

	2021 HK$M	2020 HK$M
Currency derivative contracts – outgoing currencies		
Renminbi	**668**	1,236
Euros	**-**	360
Australian dollars	**51**	308
New Taiwan dollars	**75**	413
Japanese yen	**-**	208
Pound sterling	**-**	290
Others	**-**	547
Foreign currency borrowings		
Japanese yen	**3,719**	4,575

	2021 HK$M	2020 HK$M
Carrying amount of currency derivative contracts		
Asset	**2**	-
Liability	**(10)**	(216)

Currency derivative assets are included in the "Other long-term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and currency derivative liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

29. Financial risk management (continued)

The foreign currency borrowings designated as hedging instruments to hedge forecast sales transactions will mature over the next eight years (2020: nine 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 (2020: one year) from the reporting date and have a weighted average forward exchange rate between the respective foreign currencies and United States dollars as follows:

	2021 USD to	2020 USD to
Renminbi	**6.54**	7.12
Euros	**-**	0.87
Australian dollars	**1.35**	1.44
New Taiwan dollars	**27.59**	29.61
Japanese yen	**-**	104.97
Pound sterling	**-**	0.77

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.

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:

	2021 HK$M	2020 HK$M
Balance at 1st January	**418**	1,004
Effective portion of the cash flow hedge recognised in other comprehensive income	**436**	(416)
Amounts reclassified to profit or loss*	**(165)**	(239)
Related tax	**(24)**	69
Balance at 31st December**	**665**	418
Change in fair value of the derivative instruments during the year	**436**	(416)
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**436**	(416)

* Amount reclassified to profit or loss are recognised in "Passenger services revenue" and "Cargo services revenue" in the consolidated statement of profit or loss. HK$115 million 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 (2020: insignificant).

** At 31st December 2021, the Group had HK$260 million (net of deferred tax) in the hedging reserve from discontinued hedges (2020: HK$417 million, net of deferred tax).

29. Financial risk management (continued)

Exposure to currency risk

The currencies giving rise to a risk of translation in the Group's financial statements in 2021 are primarily United States dollars, Euros, Australian dollars, Singapore dollars, Renminbi and Japanese yen (2020: 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:

	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)**

	2020					
	USD HK$M	EUR HK$M	AUD HK$M	SGD HK$M	RMB HK$M	JPY HK$M
Group						
Loans due from an associate	290	-	-	-	-	-
Trade debtors and other receivables	2,556	207	90	16	731	187
Liquid funds	15,820	40	33	13	475	42
Loans and other borrowings	(42,780)	-	-	(1,021)	-	(1,044)
Lease liabilities	(28,070)	(46)	(58)	(11)	(76)	(4,405)
Trade creditors and other payables	(3,307)	(118)	(39)	(45)	(200)	(139)
Net exposure	(55,491)	83	26	(1,048)	930	(5,359)

29. Financial risk management (continued)

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 2020.

	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**

	2020	
	Net increase/(decrease) in profit or loss HK$M	Net increase/(decrease) in other equity components HK$M
United States dollars*	2,702	(128)
Euros	2	16
Australian dollars	2	14
Singapore dollars	54	4
Renminbi	(38)	41
Japanese yen	47	238
Net increase	2,769	185

* 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.

(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).

29. Financial risk management (continued)

In March 2021, the UK Financial Conduct Authority formally announced the future 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 and 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 required to be replaced by 31st December 2021. 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 closely monitoring the market development on IBOR reform and have commenced discussion with counterparties on contracts that need to be amended as a result of the reform, but specific changes have yet to be agreed.

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.

As of 31st December 2021, 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 transitioned to alternative benchmark rates as at 31st December 2021 are as below:

- a carrying amount of 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$905 million of interest rate swaps designated as hedging instruments and a nominal amount of 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.

29. Financial risk management (continued)

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 six 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). However, there is uncertainty about the timing and precise nature of changes with respect to the relevant hedged items and hedging instruments which hinges on the market developments and the response of the contracted counterparties.

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.

29. Financial risk management (continued)

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:

	2021 HK$M	2020 HK$M
Notional amount		
United States dollars	**7,062**	11,100
Hong Kong dollars	**657**	752

	2021 HK$M	2020 HK$M
Carrying amount		
Asset	**-**	-
Liability	**(268)**	(605)

Interest rate swap assets are included in the "Other long-term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and interest rate swap liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

The swaps will mature over the next six years matching the maturity of the related financing liabilities and have fixed swap rates ranging from 2.68% to 4.29% (2020: 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.

29. Financial risk management (continued)

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

	2021 HK$M	2020 HK$M
Balance at 1st January	**(613)**	(319)
Effective portion of the cash flow hedge recognised in other comprehensive income	**114**	(638)
Amounts reclassified to profit or loss*	**243**	314
Related tax	**(36)**	30
Balance at 31st December**	**(292)**	(613)
Change in fair value of the derivative instruments during the year	**114**	(638)
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**114**	(638)

* Amounts reclassified to profit or loss are recognised in "Finance charges" in the consolidated statement of profit or loss. No amount was reclassified to profit or loss from discontinued hedge accounting relating to early termination of financing liabilities (2020: HK$105 million).

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

Interest rate profile

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

	2021 HK$M	2020 HK$M
Fixed rate instruments		
Loan due from an associate	**16**	16
Loans and other borrowings	**(19,574)**	(8,367)
Lease liabilities	**(19,245)**	(21,191)
Interest rate and cross currency interest rate swaps	**(9,152)**	(13,664)
Net exposure	**(47,955)**	(43,206)

	2021 HK$M	2020 HK$M
Variable rate instruments		
Loan due from an associate	**81**	290
Liquid funds	**19,284**	19,341
Loans and other borrowings	**(35,548)**	(47,128)
Lease liabilities	**(15,487)**	(16,443)
Interest rate and cross currency interest rate swaps	**9,124**	13,583
Net exposure	**(22,546)**	(30,357)

29. Financial risk management (continued)

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 2020.

	2021		2020	
	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	**(65)**	**31**	(88)	54

(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:

		2021	2020
Notional amount	*Barrel (million)*	**15.2**	21.2
Carrying amount			
Asset	*HK$M*	**1,710**	333
Liability	*HK$M*	**(35)**	(566)

Crude oil forward contract assets are included in the "Other long–term receivables and investments" (note 11) and "Trade and other receivables" (note 16), and crude oil forward contract liabilities are included in the "Other long-term payables" (note 13) and "Trade and other payables" (note 18) line items in the consolidated statement of financial position respectively.

The crude oil forward contracts have a maturity of less than two years (2020: two years) from the reporting date and have a weighted average strike price (Brent, US$/barrel) as follows:

	2021 US$/barrel	2020 US$/barrel
Within one year	**52.82**	56.29
After one year but within two years	**66.76**	47.18

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.

29. 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:

	2021	2020
	HK$M	HK$M
Balance at 1st January	**(212)**	(51)
Effective portion of the cash flow hedge recognised in other comprehensive income	**4,134**	(3,207)
Amounts reclassified to profit or loss*	**(1,914)**	3,030
Related tax	**(207)**	16
Balance at 31st December**	**1,801**	(212)
Change in fair value of the derivative instruments during the year	**4,134**	(3,207)
Hedge ineffectiveness recognised in profit or loss	**-**	-
Effective portion of the cash flow hedge recognised in other comprehensive income	**4,134**	(3,207)

* Amounts reclassified to profit or loss are recognised in "Fuel, including hedging losses" in the consolidated statement of profit or loss. HK$537 million of the total amount are the result of discontinued hedge accounting relating to forecast fuel consumptions no longer expected to occur (2020: loss of HK$315 million).

** As at 31 December 2021, the Group had HK$282 million (net of deferred tax) in the hedging reserve from discontinued hedges (2020: nil, 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 2020.

	2021		2020	
	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%	**32**	**392**	71	376
Decrease in crude oil price by 5%	**(32)**	**(392)**	(71)	(376)

29. 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 2021 and 2020 except for the following financial instruments, for which their carrying amounts and fair values are shown below:

	2021		2020	
	Carrying amount HK$M	**Fair value HK$M**	Carrying amount HK$M	Fair value HK$M
Loans and other borrowings	**(55,122)**	**(59,730)**	(55,495)	(57,692)

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 2021 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.

29. Financial risk management (continued)

	2021				2020			
	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	-	-	756	756	-	-	815	815
Liquid funds								
- funds with investment managers	-	10,470	-	10,470	-	12,648	-	12,648
- other liquid investments	-	5	-	5	-	6	-	6
Derivative financial assets	-	2,002	-	2,002	-	333	-	333
	-	12,477	756	13,233	-	12,987	815	13,802
Liabilities								
Derivative financial liabilities	-	(370)	-	(370)	-	(1,810)	-	(1,810)
	-	(370)	-	(370)	-	(1,810)	-	(1,810)

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 2021 and 2020, 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	2021: 7.9-10.0% (2020: 7.0-9.5%)	The higher the discount rate, the lower the fair value	2021: +/- 0.5% (2020: +/- 0.5%)	2021: (26)/29 (2020: (50)/5)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2021 HK$M	2020 HK$M
Unlisted equity investments at fair value		
At 1st January	**815**	886
Additions	**-**	8
Unrealised losses recognised in other comprehensive income during the year	**(5)**	-
Fair value losses recognised in profit or loss during the year	**(54)**	(79)
At 31st December	**756**	815

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.

29. 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:

	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**

	2020		
	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	333	(125)	208
Derivative financial liabilities	(1,810)	125	(1,685)
	(1,477)	-	(1,477)

30. 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 12 to the financial statements and a ten year history of net debt/equity ratio is included on pages 138 and 139 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 2021, no significant changes were made in the objectives, policies or processes relating to the management of the Group's capital risk management.

31. Company-level statement of financial position

	Note	2021 HK$M	2020 HK$M	2021 US$M	2020 US$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Property, plant and equipment		**104,904**	109,527	**13,449**	14,042
Intangible assets		**10,856**	10,898	**1,392**	1,397
Investments in subsidiaries		**32,303**	32,483	**4,141**	4,164
Investments in associates		**10,587**	10,796	**1,357**	1,384
Other long-term receivables and investments		**2,573**	2,206	**330**	283
		161,223	165,910	**20,669**	21,270
Interest-bearing liabilities		**(60,565)**	(61,118)	**(7,765)**	(7,836)
Other long-term payables		**(2,245)**	(2,358)	**(288)**	(302)
Other long-term contract liabilities		**(478)**	-	**(61)**	-
Deferred tax liabilities		**(9,026)**	(10,352)	**(1,157)**	(1,327)
		(72,314)	(73,828)	**(9,271)**	(9,465)
Net non-current assets		**88,909**	92,082	**11,398**	11,805
Current assets and liabilities					
Stock		**1,220**	1,522	**156**	195
Trade and other receivables		**6,673**	5,377	**856**	690
Liquid funds		**7,418**	6,070	**951**	778
		15,311	12,969	**1,963**	1,663
Interest-bearing liabilities		**(21,469)**	(23,150)	**(2,752)**	(2,968)
Trade and other payables		**(7,411)**	(8,743)	**(950)**	(1,121)
Contract liabilities		**(7,688)**	(7,892)	**(986)**	(1,012)
Taxation		**(2,084)**	(1,478)	**(267)**	(189)
		(38,652)	(41,263)	**(4,955)**	(5,290)
Net current liabilities		**(23,341)**	(28,294)	**(2,992)**	(3,627)
Total assets less current liabilities		**137,882**	137,616	**17,677**	17,643
Net assets		**65,568**	63,788	**8,406**	8,178
CAPITAL AND RESERVES					
Share capital	*20*	**48,322**	48,322	**6,195**	6,195
Reserves	*22*	**17,246**	15,466	**2,211**	1,983
Total equity		**65,568**	63,788	**8,406**	8,178

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, 9th March 2022

John Harrison
Director

32. Impacts of COVID-19

The outbreak of COVID-19 in 2020 has continued to pose significant challenges for the Group and has impacted the Group's operations and financial position in 2021.

(a) Liquidity and going concern

The Group's cost base and cash outflows were reduced through several measures. Capacity was cut in response to COVID-19. Executive pay was cut for 2021 and a third unpaid leave scheme was introduced in the first half of 2021 with an 80% voluntary uptake. A range of employee furlough, leave without pay, voluntary separation and early retirement schemes were implemented globally for a broad range of employee groups. Redundancy initiatives were implemented in several regions. One off redundancy costs amounted to HK$385 million during 2021 (2020: HK$2,383 million).

Cost containment measures, along with strong cargo performance during the year resulted in net cash inflows from operating activities of HK$8.8 billion (2020: outflows of HK$14.3 billion).

The Group raised new financing in excess of HK$13 billion during the year. Available unrestricted liquidity for the Group was HK$30,250 million (2020: HK$28,593 million).

Management have assessed cash flow forecasts under various scenarios, including downside assumptions of route restrictions, tight aircrew quarantine requirements and heavily subdued passenger demand across the Group's network through the forecast period. The Group will continue to benefit from costs savings resulting from restructuring and remains focused on maintaining our passenger and cargo networks as far as possible and will try to increase our cargo capacity as much as practical. 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.

(b) Asset carrying values

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

Impairment and related charges of HK$818 million (2020: HK$4,056 million) was recognised for the reduction in asset values (HK$865 million, note 8 to the financial statements) mainly on a further 12 aircraft that are unlikely to re-enter meaningful economic service again before their retirement or return to lessors, an offsetting adjustment to the provision for fulfilling lease return conditions of leased aircraft included therein (HK$302 million net credit). In addition, impairments on certain aircraft related equipment of HK$96 million, engineering and inflight services stock of HK$110 million and HK$49 million on building related assets arose resulting from COVID-19 conditions.

No other impairment was identified for the Group's cash generating units, non-financial assets and investments.

(c) Over-hedging

With reduced actual and forecast flying activity, the Group's fuel hedging contract volumes exceeded probable fuel consumption forecasts. A HK$537 million gain was released from the cash flow hedge reserve to the profit and loss in respect of fuel over-hedging (2020: HK$315 million loss).

Similarly, with the reduction in expected revenues, a HK$115 million gain (2020: insignificant) on over-hedged foreign currency revenues, mostly in relation to foreign currency borrowings designated as hedging instruments, was released from the cash flow hedge reserve to the profit and loss.

32. Impacts of COVID-19 (continued)

(d) Government grants and other assistance

The Group recognised HK$1,460 million (2020: HK$2,689 million) of government grants globally, mostly as a result of COVID-19.

HK$241 million (2020: HK$1,503 million) in respect of income grants, net of penalties paid, are presented as revenue from other services and recoveries. HK$1,219 million (2020: HK$1,186 million) in relation to cost reductions and waivers are presented net of the respective cost categories. Key sources of both income grants and cost reductions and waivers are presented below. There were no unfulfilled conditions or contingencies attached to the grants at the year end.

(i) Hong Kong

Cost reductions were predominantly from the Hong Kong Airport Authority, representing HK$1,109 million (2020: HK$1,080 million) discounts and waivers on airport facility costs.

(ii) Outport

A total of HK$248 million (2020: HK$368 million) was recognised from outport governments, the majority of which relates to employment support schemes and is presented as revenue from other services and recoveries.

(e) COVID-19 related rent concessions

In 2021, the Group received rent concessions in the form of a discount on fixed payments as a direct consequence of the COVID-19 pandemic.

Rent concessions of HK$301 million (2020: HK$316 million) received have been accounted for as negative variable lease payments recognised in profit or loss. This is allowable under the Amendment to HKFRS 16, applying the practical expedient under COVID-19-Related Rent Concessions which has been extended to concessions up to 30th June 2022. This amount includes concessions of HK$261 million (2020: HK$266 million) received from government vendors during the year and included as government grants and other assistance as disclosed in Note 32(d) above.

Schedule J6

Principal Subsidiaries and Associates

at 31st December 2021

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 Aero Limited	Hong Kong	Financial services	100	1 share
Cathay Pacific Aircraft Leasing (H.K.) Limited	Hong Kong	Aircraft leasing 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 III Limited	Cayman Islands	Financial services	100	1 share of US$1
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
Cathay Pacific Services Limited	Hong Kong	Cargo terminal	100	1 share
Deli Fresh Limited	Hong Kong	Catering	100	20 shares
Global Logistics System (HK) Company Limited	Hong Kong	Computer network for interchange of air cargo related information	95	100 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	12.24**
Air China Limited	People's Republic of China	Airline	18.13
Cebu Pacific Catering Services Inc.	Philippines	Airline catering	40*
Ground Support Engineering Limited	Hong Kong	Airport ground engineering support and equipment maintenance	50*
HAECO ITM Limited	Hong Kong	Inventory technical management services	30
LSG Lufthansa Service Hong Kong Limited	Hong Kong	Airline catering	31.94*
Shanghai International Airport Services Co., Limited	People's Republic of China	Ground handling	25*
Vehicle Engineering Services Limited	Hong Kong	Repair and maintenance services for transportation companies	50*

* Shareholding held through subsidiaries.

** Shareholding held through a subsidiary at 12.24%, another 11.75% held through an economic interest with total holding at 24%.

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 8, 9, 29(e), 14 and 15 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.

- Amendment to HKFRS 16 "COVID-19-related rent concessions beyond 30th June 2021"
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

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

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30th June 2021"

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 are met. One of these conditions requires that the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30th June 2021 to 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.

There is no impact on the opening balance of equity at 1st January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments provide targeted reliefs from accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group has not moved any existing contracts to alternative benchmark rates.

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 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.

(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.

8. Financial assets (continued)

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.

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.

8. **Financial assets (continued)**

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.

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 or designated at fair value through profit or loss.

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.

9. Financial liabilities (continued)

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 value attached. The financial impact of warrants granted is not recorded in the consolidated financial statements until such time as the warrants are exercised, and no charge is recognised in profit or loss in respect of the value of warrants granted. Upon the exercise of the warrants, the resulting ordinary shares issued are recorded as additional share capital. Warrants which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding warrants.

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.

20. Government grants (continued)

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 continuing with the 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 L

Statistics

		2021	2020	2019
Consolidated profit or loss summary	*HK$M*			
Passenger services		**4,357**	11,950	73,985
Cargo services		**35,814**	27,890	23,810
Other services and recoveries		**5,416**	7,094	9,178
Revenue		**45,587**	46,934	106,973
Operating expenses		**(46,037)**	(58,639)	(103,646)
Operating (loss)/profit before non-recurring items		**(450)**	(11,705)	3,327
Profit on disposal of investments		**-**	-	-
Gain on deemed partial disposal of associates		**210**	-	114
Restructuring costs		**(385)**	(2,383)	-
Impairment and related charges		**(818)**	(4,056)	-
Net finance charges		**(2,629)**	(2,895)	(2,939)
Share of (losses)/profits of associates		**(1,985)**	(1,282)	1,643
(Loss)/profit before taxation		**(6,057)**	(22,321)	2,145
Taxation		**531**	674	(454)
(Loss)/profit for the year		**(5,526)**	(21,647)	1,691
Attributable to				
Ordinary shareholders of Cathay Pacific		**(6,123)**	(21,876)	1,691
Preference shareholder of Cathay Pacific		**596**	228	-
Non-controlling interests		**1**	1	-
(Loss)/profit for the year		**(5,526)**	(21,647)	1,691
Dividends paid to ordinary shareholders		**-**	-	(1,495)
Consolidated statement of financial position summary	*HK$M*			
Property, plant and equipment and intangible assets		**139,025**	146,986	155,265
Long-term receivables and investments		**27,859**	29,394	30,878
Borrowings		**(89,854)**	(93,129)	(97,260)*
Liquid funds less bank overdrafts		**19,284**	19,341	14,864
Net borrowings		**(70,570)**	(73,788)	(82,396)*
Net current liabilities (excluding liquid funds, bank overdrafts and *current portion of borrowings*)		**(11,172)**	(14,249)	(23,690)
Other long-term payables and long-term contract liabilities		**(3,919)**	(4,210)	(4,806)
Deferred taxation		**(8,974)**	(10,872)	(12,475)
Net assets		**72,249**	73,261	62,776
Financed by:				
Funds attributable to the ordinary shareholders of Cathay Pacific**		**51,920**	53,529	62,773
Funds attributable to the preference shareholder of Cathay Pacific		**20,324**	19,728	-
Funds attributable to the shareholders of Cathay Pacific		**72,244**	73,257	62,773
Non-controlling interests		**5**	4	3
Total equity		**72,249**	73,261	62,776
Per ordinary share				
Ordinary shareholders' funds	*HK$*	**8.07**	8.32	15.96
EBITDA	*HK$*	**1.45**	(0.97)	4.91
(Loss)/earnings – basic and diluted	*HK cents*	**(95.1)**	(424.3)	39.1
Dividend	*HK$*	**-**	-	0.18
Ratios				
(Loss)/profit margin	*%*	**(12.1)**	(46.1)	1.6
Return on capital employed	*%*	**(2.0)**	(12.8)	3.5
Dividend cover	*Times*	**-**	-	2.4
Cash interest cover	*Times*	**6.2**	(5.3)	6.5
Gross debt/equity ratio	*Times*	**1.24**	1.27	1.55
Net debt/equity ratio	*Times*	**0.98**	1.01	1.31*
Adjusted net debt/equity ratio (excludes leases without asset transfer components)*	*Times*	**0.75**	0.75	0.99

* 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.

2018	2017	2016	2015	2014	2013	2012
73,119	66,408	66,926	73,047	75,734	71,826	70,133
28,316	23,903	20,063	23,122	25,400	23,663	24,555
9,625	6,973	5,762	6,173	4,857	4,995	4,688
111,060	97,284	92,751	102,342	105,991	100,484	99,376
(107,465)	(99,563)	(93,276)	(95,678)	(101,556)	(96,724)	(97,763)
3,595	(2,279)	(525)	6,664	4,435	3,760	1,613
-	586	-	-	-	-	-
-	244	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,114)	(1,761)	(1,301)	(1,164)	(1,158)	(1,019)	(884)
1,762	2,630	2,049	1,965	772	838	754
3,243	(580)	223	7,465	4,049	3,579	1,483
(466)	(308)	(497)	(1,157)	(599)	(675)	(409)
2,777	(888)	(274)	6,308	3,450	2,904	1,074
2,345	(1,259)	(575)	6,000	3,150	2,620	862
-	-	-	-	-	-	-
432	371	301	308	300	284	212
2,777	(888)	(274)	6,308	3,450	2,904	1,074
(590)	-	(1,259)	(2,046)	(1,022)	(551)	(1,338)
128,298	122,403	117,390	111,158	108,789	104,737	93,703
31,585	32,212	27,902	27,947	29,290	27,449	24,776
(73,877)	(78,394)	(70,169)	(63,105)	(65,096)	(67,052)	(59,546)
15,296	19,094	20,290	20,647	21,098	27,736	24,182
(58,581)	(59,300)	(49,879)	(42,458)	(43,998)	(39,316)	(35,364)
(20,329)	(18,649)	(21,727)	(23,961)	(22,478)	(19,110)	(15,711)
(4,649)	(3,502)	(7,517)	(15,838)	(10,487)	(1,318)	(3,205)
(12,385)	(11,892)	(10,643)	(8,781)	(9,263)	(9,429)	(8,061)
63,939	61,272	55,526	48,067	51,853	63,013	56,138
63,936	61,101	55,365	47,927	51,722	62,888	56,021
-	-	-	-	-	-	-
63,936	61,101	55,365	47,927	51,722	62,888	56,021
3	171	161	140	131	125	117
63,939	61,272	55,526	48,067	51,853	63,013	56,138
16.25	15.53	14.07	12.18	13.15	15.99	14.24
3.85	2.68	2.56	4.45	3.44	3.04	2.31
54.2	(29.1)	(13.3)	138.7	72.8	60.6	19.9
0.30	0.05	0.05	0.53	0.36	0.22	0.08
2.1	(1.3)	(0.6)	5.9	3.0	2.6	0.9
4.0	0.8	1.0	8.0	4.7	4.0	2.3
2.0	(6.4)	(2.9)	2.9	2.2	3.0	2.7
10.4	4.9	9.1	25.5	20.7	23.8	20.9
1.16	1.28	1.27	1.32	1.26	1.07	1.06
0.92	0.97	0.90	0.89	0.85	0.63	0.63
0.92	0.97	0.90	0.89	0.85	0.63	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.

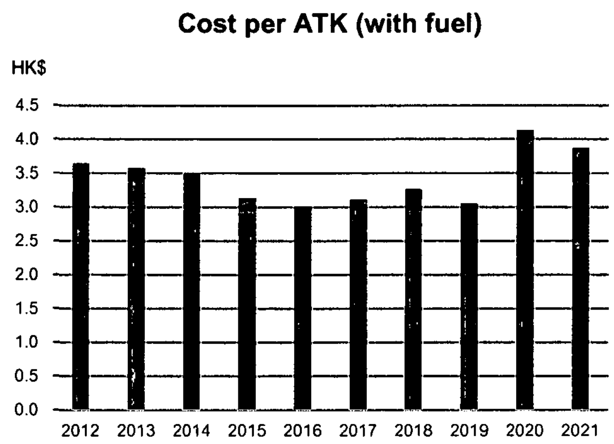
		2021	2020	2019
Cathay Pacific operating summary (and Cathay Dragon as at 31st December 2020 and previous years)				
Available tonne kilometres	*Million*	**11,354**	14,620	33,077
Revenue tonne kilometres	*Million*	**8,615**	10,220	24,090
Available seat kilometres	*Million*	**13,228**	34,609	163,244
Revenue passengers carried	*'000*	**717**	4,631	35,233
Revenue passenger kilometres	*Million*	**4,120**	20,079	134,397
Revenue load factor	*%*	**68.4**	67.7	77.4
Passenger load factor	*%*	**31.1**	58.0	82.3
Cargo carried	*'000 tonnes*	**1,333**	1,332	2,022
Cargo revenue tonne kilometres	*Million*	**8,220**	8,309	11,311
Cargo load factor	*%*	**81.4**	73.3	64.4
Excess baggage carried	*Tonnes*	**607**	563	2,179
Kilometres flown	*Million*	**175**	226	618
Block hours	*'000 hours*	**237**	304	880
Aircraft departures	*'000*	**42**	55	175
Length of scheduled routes network	*'000 kilometres*	**504**	622	670
Number of destinations at year end	*Destinations*	**255**	255	255
Staff number at year end	*Number*	**16,721**	19,452	27,342
ATK per staff	*'000*	**679**	752	1,256
On-time performance				
Departure (within 15 minutes)	*%*	**86.2**	86.7	76.3
Average aircraft utilisation	*Hours per day*			
A320-200		**-**	1.2	8.9
A321-200		**-**	1.1	9.1
A330-300		**1.1**	2.3	9.8
A340-300		**-**	-	-
A350-900		**4.0**	3.9	14.6
A350-1000		**10.3**	10.2	14.6
747-400		**-**	-	-
747-400F/BCF/ERF/8F		**12.3**	13.1	12.4
777-200/300		**0.1**	1.3	8.0
777-300ER		**2.1**	3.7	14.9
Fleet average		**3.4**	4.3	11.9
Fleet profile				
Cathay Pacific (and Cathay Dragon as at 31st December 2020)				
A320-200		**7**	11	-
A321-200		**5**	7	-
A321-200neo		**5**	2	-
A330-300		**51**	51	29
A340-300		**-**	-	-
A350-900		**28**	27	24
A350-1000		**15**	13	12
747-400		**-**	-	-
747-400F		**-**	-	-
747-400BCF		**-**	-	1
747-400ERF		**6**	6	6
747-8F		**14**	14	14
777-200		**-**	-	1
777-300		**17**	17	17
777-300ER		**45**	51	51
Total		**193**	199	155
Aircraft operated by Cathay Dragon (note 1):				
A320-200		**-**	-	15
A321-200		**-**	-	8
A330-300		**-**	-	25
Total		**-**	-	48

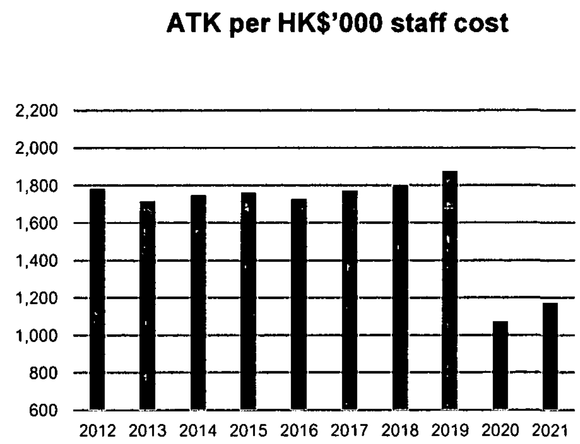
Note:
(1) Cathay Dragon's remaining aircraft will be transferred to Cathay Pacific and HK Express.
(2) The Group adopted HKFRS 16 with effect from 1st January 2019, and has changed its accounting policies in relation to lessee accounting. Under the transition methods chosen, the Group recognised the 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.

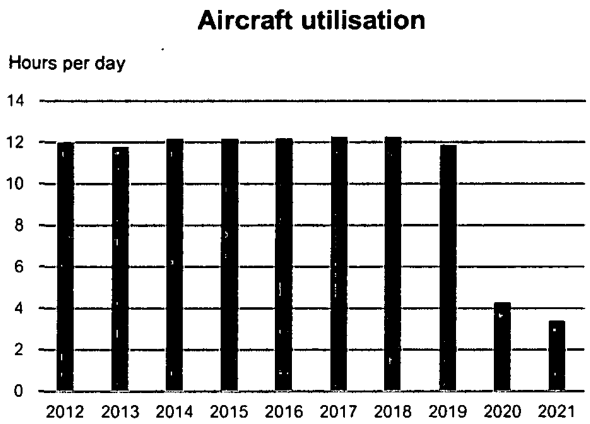
2018	2017	2016	2015	2014	2013	2012
32,387	31,439	30,462	30,048	28,440	26,259	26,250
24,543	23,679	22,418	22,220	20,722	18,696	18,819
155,362	150,138	146,086	142,680	134,711	127,215	129,595
35,468	34,820	34,323	34,065	31,570	29,920	28,961
130,630	126,663	123,478	122,330	112,257	104,571	103,837
79.6	79.7	79.5	79.9	78.1	76.6	75.7
84.1	84.4	84.5	85.7	83.3	82.2	80.1
2,152	2,056	1,854	1,798	1,723	1,539	1,563
12,122	11,633	10,675	10,586	10,044	8,750	8,942
68.8	67.8	64.4	64.2	64.3	61.8	64.2
2,329	2,449	2,471	2,596	2,699	2,599	2,711
611	596	579	576	550	512	502
877	857	826	823	789	735	715
177	175	172	173	167	160	154
715	653	636	620	586	576	602
232	200	182	179	210	190	179
26,623	26,029	26,674	26,833	25,755	24,572	23,844
1,217	1,208	1,142	1,120	1,104	1,069	1,101
72.7	71.2	72.1	64.7	70.1	75.5	77.4
8.8	9.3	9.3	9.4	9.2	9.1	8.8
10.1	9.4	9.4	9.8	9.9	8.8	8.9
10.4	10.7	11.4	12.1	12.4	12.0	12.3
-	3.8	8.3	8.5	11.6	13.3	12.7
15.0	14.1	12.7	-	-	-	-
12.6	-	-	-	-	-	-
-	-	5.2	5.7	8.2	10.9	12.7
12.8	12.5	11.7	11.9	11.8	10.9	11.4
8.6	8.8	9.4	8.6	8.8	8.3	8.4
15.6	16.0	16.0	15.9	16.1	15.8	15.7
12.3	12.3	12.2	12.2	12.2	11.8	12.0
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33	37	41	42	40	35	37
-	-	4	7	11	11	11
22	22	10	-	-	-	-
8	-	-	-	-	-	-
-	-	-	3	7	13	18
-	-	-	4	5	6	6
1	-	1	1	1	1	6
6	6	6	6	6	6	6
14	14	14	13	13	13	8
4	5	5	5	5	5	5
14	12	12	12	12	12	12
52	53	53	53	47	38	29
154	149	146	146	147	140	138
15	15	15	15	15	15	15
8	8	8	8	8	6	6
25	24	20	19	18	20	17
48	47	43	42	41	41	38

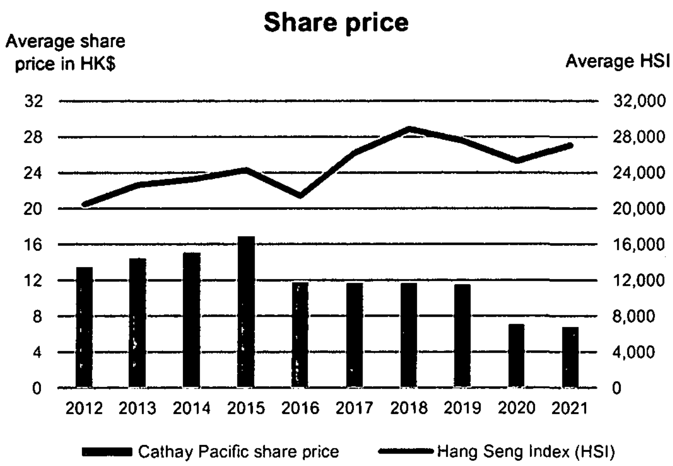
Note:

(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.









		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Productivity											
Cost per ATK (with fuel)	*HK$*	**3.88**	4.14	3.06	3.27	3.12	3.02	3.14	3.50	3.58	3.65
ATK per HK$'000 staff cost	*Unit*	**1,174**	1,074	1,879	1,801	1,775	1,730	1,764	1,750	1,720	1,785
Aircraft utilisation	*Hours per day*	**3.4**	4.3	11.9	12.3	12.3	12.2	12.2	12.2	11.8	12.0
Share prices	*HK$*										
High		**7.9**	10.0	13.9	14.7	13.4	14.0	20.6	17.7	16.8	15.9
Low		**6.0**	5.1	9.5	9.9	10.4	10.1	12.7	13.7	12.2	11.9
Year-end		**6.4**	7.2	11.5	11.1	12.1	10.2	13.4	16.9	16.4	14.2
Price ratios (Note)	*Times*										
Price/earnings		**(6.7)**	(1.7)	26.8	18.6	(37.8)	(69.8)	8.8	21.1	24.6	64.9
Market capitalisation/ funds attributable to the ordinary shareholders of Cathay Pacific		**0.8**	0.9	0.7	0.7	0.8	0.7	1.1	1.3	1.0	1.0
Price/cash flows		**3.5**	(3.3)	2.5	2.5	7.4	5.2	3.1	5.4	4.6	6.1

Note: Based on year end share price, where applicable.

Schedule M

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 = $\frac{\text{Profit/(loss) attributable to the ordinary shareholders of Cathay Pacific}}{\text{Weighted average number of ordinary shares (by days) in issue for the year}}$

Profit/(loss) margin = $\frac{\text{Profit/(loss) attributable to the shareholders of Cathay Pacific}}{\text{Revenue}}$

Shareholders' funds per ordinary share = $\frac{\text{Funds attributable to the shareholders of Cathay Pacific}}{\text{Total issued and fully paid ordinary shares at end of the year}}$

Ordinary shareholders' funds per ordinary share = $\frac{\text{Funds attributable to the ordinary shareholders of Cathay Pacific}}{\text{Total issued and fully paid ordinary shares at end of the year}}$

Return on capital employed = $\frac{\text{Operating profit and share of profits of associates less taxation}}{\text{Average of total equity and net borrowings}}$

Dividend cover = $\frac{\text{Profit/(loss) attributable to the ordinary shareholders of Cathay Pacific}}{\text{Dividends payable to ordinary shareholders}}$

Cash interest cover = $\frac{\text{Cash generated from operations}}{\text{Net interest paid}}$

Gross debt/equity ratio = $\frac{\text{Borrowings}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Net debt/equity ratio = $\frac{\text{Net borrowings}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Adjusted net debt/equity ratio excluding leases without asset transfer components = $\frac{\text{Net borrowings less lease liabilities without asset transfer components}}{\text{Funds attributable to the shareholders of Cathay Pacific}}$

Passenger/Cargo load factor = $\frac{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}{\text{Available seat kilometres/Available cargo tonne kilometres}}$

Revenue load factor = $\frac{\text{Total passenger, cargo traffic revenue}}{\text{Maximum possible revenue at current yields and capacity}}$

Breakeven load factor = A theoretical revenue load factor at which the traffic revenue equates to the net operating expenses.

Passenger/Cargo yield = $\frac{\text{Passenger revenue/Cargo revenue}}{\text{Revenue passenger kilometres/Cargo revenue tonne kilometres}}$

Cost per ATK = $\frac{\text{Total operating expenses of Cathay Pacific and Cathay Dragon}}{\text{ATK of Cathay Pacific and Cathay Dragon}}$

Corporate and Shareholder Information

Schedule N

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

Investor relations

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ADR	CPCAY

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Auditors
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Financial calendar

Year ended 31st December 2021	
Annual report available to shareholders	6th April 2022
Annual General Meeting	11th May 2022
Six months ending 30th June 2022	
Interim results announcement	August 2022
Interim dividend payable	October 2022

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.