CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

2022 Annual Results

Financial and Operational Highlights

Group Financial Statistics

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

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

Operating Statistics – Cathay Pacific

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

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

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

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

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

Chair's Statement

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

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

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

Financial Results

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

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

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

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

Prospects

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

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

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

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

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

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

Appreciation

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

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

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

Patrick Healy
Chair
Hong Kong, 8th March 2023

Chief Executive Officer's Review and Outlook

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

Review of 2022

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

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

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

Business Performance of Cathay Pacific

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

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

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

Business Performance of Subsidiaries and Associates

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

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

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

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

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

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

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

Outlook for 2023 and Beyond

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

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

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

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

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

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

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

Three Key Development Areas
To enable the success of our four lines of business, it is crucial that we look ahead and continue to build new capabilities for the future. The three key development areas to help us deliver on our corporate strategy are: making

the Greater Bay Area (GBA) part of our extended home market; transforming into a digital leader famous for our strong digital culture and capabilities; and becoming a leader in sustainability.

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

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

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

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

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

Outlook and Appreciation

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

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

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

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

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

Review of Operations

Capacity, Load Factor and Yield Change – Cathay Pacific

	Capacity ASK/AFTK (million)*			Load factor (%)			Yield
	2022	2021	**Change**	**2022**	2021	**Change**	**Change**
Passenger services							
Americas	**6,868**	4,870	**+41.0%**	**76.9**	40.5	**+36.4%pt**	**-17.2%**
Europe	**4,879**	2,662	**+83.3%**	**85.1**	45.5	**+39.6%pt**	**+0.6%**
Southwest Pacific	**2,711**	3,183	**-14.8%**	**73.8**	9.0	**+64.8%pt**	**-23.4%**
North Asia	**2,706**	1,344	**+101.3%**	**54.8**	28.1	**+26.7%pt**	**-16.9%**
Southeast Asia	**2,051**	1,016	**+101.9%**	**62.9**	22.2	**+40.7%pt**	**-9.3%**
South Asia, Middle East and Africa	**841**	153	**+449.7%**	**65.9**	30.4	**+35.5%pt**	**-22.8%**
Overall	**20,056**	13,228	**+51.6%**	**73.6**	31.1	**+42.5%pt**	**-12.1%**
Cargo services	**8,181**	10,094	**-19.0%**	**70.6**	81.4	**-10.8%pt**	**+18.5%**

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

Passenger Services

Home Market - Hong Kong and Greater Bay Area

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

Americas

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

Europe

- Flights to Hong Kong from France and the UK were banned between 8th January and 1st April under the Hong Kong SAR Government's place-specific flight-suspension mechanism.
- We saw increased demand for travel to Hong Kong from the UK and elsewhere in Europe, following the progressive adjustments to travel restrictions and quarantine requirements from 1st May onwards.
- We saw increased demand for travel between the UK and Australia via the Hong Kong hub in the second half of the year.

- We resumed operating flights to Madrid and Milan in October, and to Zurich in December.
- To cater to increased demand, we substantially increased the number of flights on our London Heathrow route in November and December, adding 31,500 seats over the two months.
- Our First class offering resumed on our prime London Heathrow route in early December.
- At 31st December 2022, we were operating flights serving nine destinations in Europe.

Southwest Pacific

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

North Asia

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

Southeast Asia

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

South Asia, Middle East and Africa

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

Cathay – A Premium Travel Lifestyle Brand

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

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

- We expanded into the wellness space with the launch of Cathay's wellness journey, our new virtual health companion in the Cathay lifestyle app. Our wellness journey rewards Hong Kong-based Cathay members with miles every day when they complete daily wellness goals.
- We launched a strategic wellness and insurance collaboration with Cigna Hong Kong to offer the exclusive Cigna Cathay Premier Health Plan – the only insurance product where members can directly earn and use miles when purchasing through Cathay. We also now enable members to purchase one more Cigna product through the Cathay website, allowing them to earn and spend miles on their health protection purchases.
- We collaborated with Hong Kong label Native Union to create a collection of tech accessories such as wireless chargers, charging cables and stow organisers that are inspired by our home city and created with the Cathay customer in mind. The pilot collection – the first under our travel lifestyle Cathay brand and our first move into the tech space – is available on our online shopping platform, the Cathay shop.
- We partnered with specialty coffee roaster Blue Bottle Coffee to launch a subscription service on the Cathay shop.
- We launched a series of offers in collaboration with Hong Kong's Central Market, including co-branded cocktail menus and signature drinks at select food and beverage outlets in Central Market. Customers could also earn extra miles when dining at select restaurants when paying with Miles Plus Cash.
- We partnered with Swiss watchmaker Breitling to introduce the Navitimer B01 Cathay Pacific Limited Edition in celebration of the 70th anniversary of the renowned pilots' watch. The timepiece is available on the online Cathay shop.
- Together with Hong Kong Aircraft Engineering Company Limited ("HAECO"), we launched a weekend Cathay x HAECO staycation experience for aviation enthusiasts in August that included accommodation and an exclusive tour of HAECO's maintenance facilities at Hong Kong International Airport.
- We opened Cathay's first experiential retail space in Hong Kong's Cityplaza shopping mall. This exclusive space aims to bring an "online to offline to online" shopping experience for customers by enabling them to scan the QR codes of products within the store, purchase them online through the Cathay shop using miles, cash or a combination of both, and pick them up in store or have them delivered.

Cargo Services

- Cathay Pacific Cargo launched its own fully featured chatbot to provide a quicker and more intuitive response to customers' cargo queries. Customers in Hong Kong can access the chatbot, which is available to provide help and advice 24 hours a day, directly from the cathaypacificcargo.com website.
- We launched our new Priority service that provides cargo customers with a suite of different options for time-sensitive shipments across our various cargo solutions, including the new top tier, First (PR1), which guarantees the highest commitment on speed and priority. The Priority solution enables customers to choose the tier best suited to their needs, and can be easily accessed through our online booking portal, Click & Ship, which was launched last year.
- We developed solutions to ship seasonal fruits and vegetables from Australia and Northeast Asia to Hong Kong. Customers of the Cathay shop in Hong Kong are able to order various fresh produce, which is delivered directly to their door with the aid of our cargo services.
- The joint business agreement between Cathay Pacific and Lufthansa Cargo on routes between Hong Kong and Europe was expanded with the entry of Swiss WorldCargo into the arrangement. The three airlines are now working closely together on network planning, sales, IT and ground handling initially on traffic from Hong Kong to Zurich and Frankfurt, providing greater choice and more attractive offers for our cargo customers.
- As part of our ongoing efforts to improve the quality of our service delivery, Cathay Pacific Cargo became one of the first carriers to pioneer two new Cargo iQ milestone measurements – freight out of warehouse (FOW) and freight into warehouse (FIW) control. These additional milestones will bring greater transparency to the overall shipment journey, and are now operational at the Cathay Pacific Cargo Terminal in Hong Kong, with plans in place to roll them out across our network in the near future. Cargo iQ is a not-for-profit membership group supported by the International Air Transport Association (IATA) composed of major airlines, freight forwarders, ground-handling agents, trucking companies and IT providers who work together to bring standardisation and transparency to the air cargo journey.
- We extended our Fly Greener carbon-offset programme to our air cargo business, enabling our cargo customers to work out the carbon emissions of shipments and the cost to offset them, and then make a contribution to purchase carbon-offset projects. All selected projects are certified under the Gold Standard to ensure their carbon reductions are verified, and come with societal and developmental benefits.
- Cathay Pacific Cargo consolidated and refreshed its comprehensive solution for pharmaceutical customers under a new name, Cathay Pharma, and made it easier for customers to identify all of the possible options for pharmaceutical shipments in a more streamlined way.

Fleet Development

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

Fleet Profile*

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

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

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

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

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

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

Financial Review

Revenue

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

Operating Expenses

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

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

Operating Results Analysis

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

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

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

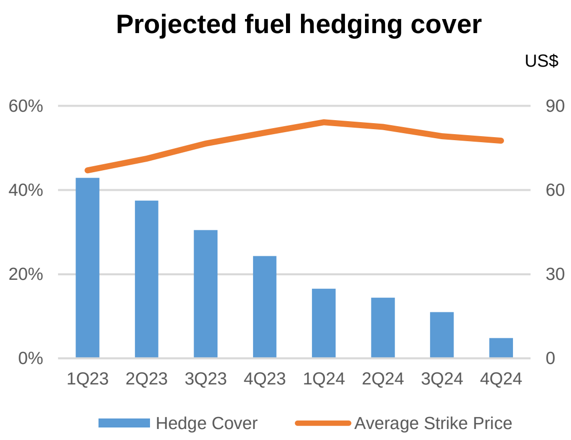
	HK$M	
2021 Cathay Pacific's loss before taxation	**(960)**	
Increase of revenue:		
- Passenger and cargo revenue	**3,953**	- Passenger revenue increased by 214.9% primarily due to a 258.3% increase in passenger traffic, partially offset by a 12.1% decrease in yield. - Cargo revenue decreased by 16.6%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

Fuel Expenditure and Hedging

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

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

- Fuel consumption in 2022 was 13.3 million barrels (2021: 15.0 million barrels), a decrease of 11.3% compared with a decrease in capacity of 11.0%.
- The Group's fuel hedging cover at 31st December 2022 is set out in the chart opposite.
- The Group's policy is to reduce exposure to fuel price risk by hedging a percentage of its expected fuel consumption. The Group uses fuel derivatives which are economically equivalent to forward contracts to achieve its desired hedging position. The chart opposite indicates the estimated percentage of projected consumption by year covered by hedging transactions at various Brent strike prices.
- The 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.



Assets

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

Borrowings and Capital

- Borrowings decreased by 14.2% to HK$77,106 million. Excluding lease liabilities previously classified as operating leases, borrowings decreased by 13.5% to HK$63,341 million, which are fully repayable by 2035, with 43% at fixed rates of interest after taking into account derivative transactions.
- Available unrestricted liquidity at 31st December 2022 totalled HK$27,188 million, comprising liquid funds of HK$18,277 million and committed undrawn facilities of HK$9,030 million, less pledged funds of HK$119 million.
- Net borrowings (after deducting liquid funds) decreased by 16.6% to HK$58,829 million. Excluding lease liabilities previously classified as operating leases, net borrowings decreased by 16.5% to HK$45,064 million.
- Funds attributable to the shareholders of Cathay Pacific decreased by 11.6% to HK$63,878 million. This was due to the Group's losses of HK$6,548 million, and a decrease in other comprehensive income of HK$1,818 million.
- Excluding lease liabilities previously classified as operating leases, the net debt/equity ratio decreased from 0.75 times to 0.71 times (against borrowing covenants of 2.0). Taking into account the effect of adopting HKFRS 16 on net borrowings, the net debt/equity ratio was 0.92 and 0.98 times at 31st December 2022 and 31st December 2021 respectively.
- Unused proceeds in relation to the issue of equity securities (including securities convertible into equity securities):

  - *HK$31.1 billion rights issue and preference shares and warrants issue in 2020. HK$9.6 billion unused proceeds were brought forward on 1st January 2022 and remains unused as at 31st December 2022. The Group intends to apply the HK$9.6 billion for general corporate purposes in accordance with the intentions previously disclosed by the Company.*

Review of subsidiaries and associates

- Hong Kong Express Airways Limited recorded an after-tax loss of HK$1,359 million in 2022, compared with a HK$1,978 million loss in 2021. Flight capacity amounted to 983 million available seat kilometres (less than 10% of annualised 2019 ASK), reflecting the airline's substantial capacity reductions for much of the year in response to significantly reduced demand as well as travel restrictions and quarantine requirements in place in Hong Kong and other markets amid the global COVID-19 pandemic. The average flown load factor was 68.3%, an increase of 59.5 percentage points compare with 2021.
- AHK Air Hong Kong Limited recorded an increase in profit in 2022 compared with 2021. In 2022, flight capacity (in terms of available cargo tonne kilometres) decreased by 6.2% to 888 million.
- Cathay Pacific Catering Services (H.K.) Limited ("CPCS") produced 4.1 million airline meals and handled 16,214 flights in 2022, representing a daily average of 11,104 meals and 44 flights, an increase of 136% and 15%, respectively, from 2021. The financial results of CPCS in 2022 improved compared to 2021. The financial results of flight kitchens outside Hong Kong in 2022 improved compared with 2021, with the exception of Canada, which reported a year-on-year decline.
- Cathay Pacific Services Limited ("CPSL") provided cargo-handling services for the Cathay Pacific Group and 17 other scheduled airlines, excluding chartered customers, in 2022. It handled 1.2 million tonnes of cargo in 2022, a decrease of 15% compared with 2021. The financial results in 2022 declined compared with 2021 and remained lower than pre-COVID-19 levels due to the reduced cargo capacity at Cathay Pacific caused by restrictions placed on locally based cargo aircrew between January and May 2022, and the softer cargo peak in the fourth quarter of 2022 compared with 2021.
- The financial results of Hong Kong Airport Services Limited in 2022 declined compared with 2021.
- The financial results of Vogue Laundry Services Limited in 2022 declined compared with 2021.
- Air China Limited ("Air China"), in which the Cathay Pacific Group had an 18.13% interest at 31st December 2022, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese Mainland. The Group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently the 2022 results include Air China's results for the 12 months ended 30th September 2022. For the 12 months ended 30th September 2022, Air China's financial results declined compared to those for the 12 months ended 30th September 2021. On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2022, but is expected to result in a gain from deemed partial disposal in 2023. Further details can be found in note 17 below, Non-adjusting events after the reporting period.
- Air China Cargo Co., Ltd. (Air China Cargo), in which the Cathay Pacific Group owns an equity and economic interest totalling 24%, is the leading provider of air cargo services in the Chinese Mainland. Following the dilution of economic interest in Air China Cargo during the year ended 31st December 2021, our share of Air China Cargo's results is based on its financial statements drawn up three months in arrear since September 2021. Our 2022 annual results include Air China Cargo's results for the 12 months ended 30th September 2022.

Corporate Responsibility

- Our Sustainable Development Report for 2022 will be published in April 2023. It will be available at https://www.cathaypacific.com/cx/en_HK/about-us/environment/overview/introduction.html
- In 2022, Cathay Pacific launched the Corporate Sustainable Aviation Fuel (SAF) Programme as part of our ongoing commitment to combat climate change. With financial support from eight corporate launch customers in our pilot phase, we are scaling up the use of SAF and for the first time we can supply SAF to flights departing from our home base at Hong Kong International Airport. This is in support of the commitments Cathay Pacific has made previously to achieving net-zero carbon emissions by 2050 with a mid-term target to use 10% SAF for the jet fuel consumption of all Cathay Pacific operating flights by 2030.
- The Cathay Pacific Group also supported Hong Kong International Airport's (HKIA) long-term carbon pledge to achieve Net Zero Carbon by 2050, with a midpoint target of 55% reduction of absolute ground emissions by 2035 from the 2018 baseline. This pledge would cover the Group's carbon emissions from its ground operations at its home base.
- Cathay Pacific continues to take part in various industry groups who share our view in support of the development of a science-based climate change target and corresponding sustainable decarbonisation actions for the aviation industry. This includes the IATA Sustainability and Environment Advisory Committee, the International Civil Aviation Organization (ICAO) Fuels Task Group under the Committee of Aviation Environmental Protection, the Clean Skies for Tomorrow Coalition, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials, and the Environmental Working Group of the Association of Asia Pacific Airlines.
- We have completed all the applicable requirements, including submission and verification of our emissions data, in accordance with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the European Union's Emissions Trading Scheme (EU ETS), and also the United Kingdom Emissions Trading Scheme (UK ETS).
- COVID-19 has severely hit many disadvantaged and low-income families in Hong Kong especially in the first half of 2022. To meet their different needs, we have worked with over 20 different non-profit organisations, making in-kind donations close to 390,000 different items in 2022, including blankets, sanitisers, infant kits, children kits, catering equipment, and refurbished tablet computers to support their online learning needs.
- The Cathay Pacific Group has been working with local non-profit organisations Feeding Hong Kong, Food Angel and Foodlink Foundation to help us channel surplus food to people in need. More than 110 tonnes of surplus food and around 7,000 pieces of mooncakes were donated in 2022.
- At 31st December 2022, the Cathay Pacific Group employed more than 21,200 people worldwide. Around 17,400 of these people are based in Hong Kong. Cathay Pacific employed more than 16,400 permanent employees worldwide. Around 77% of these people are based in Hong Kong.
- We regularly review our human resources and remuneration policies in the light of legislation, industry practice, market conditions and the performance of individuals and the Group.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2022

	Note	2022 HK$M	2021 HK$M
Revenue			
Passenger services		**14,333**	4,357
Cargo services		**30,554**	35,814
Other services and recoveries		**6,149**	5,416
Total revenue		**51,036**	45,587
Expenses			
Staff		**(10,571)**	(11,298)
Inflight service and passenger expenses		**(694)**	(366)
Landing, parking and route expenses		**(5,590)**	(5,743)
Fuel, including hedging gains		**(10,488)**	(7,031)
Aircraft maintenance		**(3,206)**	(5,152)
Aircraft depreciation and rentals		**(9,884)**	(10,444)
Other depreciation, amortisation and rentals		**(2,544)**	(2,381)
Others		**(4,513)**	(3,622)
Operating expenses		**(47,490)**	(46,037)
Operating profit/(loss) before non-recurring items		**3,546**	(450)
Restructuring costs		**-**	(385)
Impairment and related charges		**-**	(818)
Gain on deemed partial disposal of an associate		**-**	210
Operating profit/(loss)	*4*	**3,546**	(1,443)
Finance charges		**(3,074)**	(2,704)
Finance income		**165**	75
Net finance charges	*5*	**(2,909)**	(2,629)
Share of losses of associates		**(6,677)**	(1,985)
Loss before taxation		**(6,040)**	(6,057)
Taxation	*6*	**(507)**	531
Loss for the year		**(6,547)**	(5,526)
Attributable to			
Ordinary shareholders of Cathay Pacific		**(7,162)**	(6,123)
Preference shareholder of Cathay Pacific	*16*	**614**	596
Non-controlling interests		**1**	1
Loss for the year		**(6,547)**	(5,526)
Loss per ordinary share			
Basic and diluted	*7*	**(111.3)¢**	(95.1)¢
Loss for the year		**(6,547)**	(5,526)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		**(707)**	2,581
Share of other comprehensive income of associates		**227**	211
Exchange differences on translation of foreign operations		**(1,442)**	691
Items that are or may not be reclassified subsequently to profit or loss:			
Defined benefit plans		**108**	510
Revaluation of equity investments designated at fair value through other comprehensive income (non-recycling)		**(4)**	(5)
Other comprehensive income for the year, net of taxation	*8*	**(1,818)**	3,988
Total comprehensive income for the year		**(8,365)**	(1,538)
Total comprehensive income attributable to			
Ordinary shareholders of Cathay Pacific		**(8,980)**	(2,135)
Preference shareholder of Cathay Pacific		**614**	596
Non-controlling interests		**1**	1
		(8,365)	(1,538)

Consolidated Statement of Financial Position

at 31st December 2022

	Note	**2022** HK$M	2021 HK$M
ASSETS AND LIABILITIES			
Non-current assets and liabilities			
Property, plant and equipment	*9*	**118,855**	123,990
Intangible assets	*10*	**14,800**	15,035
Investments in associates		**16,492**	24,532
Other long-term receivables and investments		**3,297**	3,327
Deferred tax assets		**1,134**	846
		154,578	167,730
Interest-bearing liabilities	*11*	**(62,463)**	(67,504)
Other long-term payables		**(2,766)**	(3,441)
Other long-term contract liabilities		**(282)**	(478)
Deferred tax liabilities		**(8,117)**	(9,820)
		(73,628)	(81,243)
Net non-current assets		**80,950**	86,487
Current assets and liabilities			
Stock		**1,137**	1,269
Trade and other receivables	*12*	**6,921**	8,296
Assets held for sale		**1**	48
Liquid funds	*13*	**18,277**	19,284
		26,336	28,897
Interest-bearing liabilities	*11*	**(14,643)**	(22,350)
Trade and other payables	*14*	**(11,199)**	(10,095)
Contract liabilities		**(13,537)**	(7,925)
Taxation		**(4,023)**	(2,765)
		(43,402)	(43,135)
Net current liabilities		**(17,066)**	(14,238)
Total assets less current liabilities		**137,512**	153,492
Net assets		**63,884**	72,249
CAPITAL AND RESERVES			
Share capital	*15*	**48,322**	48,322
Reserves		**15,556**	23,922
Funds attributable to the shareholders of Cathay Pacific		**63,878**	72,244
Non-controlling interests		**6**	5
Total equity		**63,884**	72,249

Consolidated Statement of Cash Flows

for the year ended 31st December 2022

	2022 HK$M	2021 HK$M
Operating activities		
Cash generated from operations	**21,386**	11,705
Interest received	**129**	67
Interest paid	**(2,432)**	(1,946)
Tax paid	**(1,247)**	(991)
Net cash inflow from operating activities	**17,836**	8,835
Investing activities		
Net (increase)/decrease in liquid funds other than cash and cash equivalents	**(183)**	2,464
Proceeds from sales of property, plant and equipment	**50**	112
Net increase in other long-term receivables and investments	**(17)**	(17)
Payments for property, plant and equipment and intangible assets	**(3,729)**	(2,276)
Dividends received	**1,096**	-
Net repayments of loans to associates	**23**	210
Net cash (outflow)/inflow from investing activities	**(2,760)**	493
Financing activities		
New financing	**6,115**	13,906
Loan and lease repayments	**(22,351)**	(20,838)
Net cash outflow from financing activities	**(16,236)**	(6,932)
Net (decrease)/increase in cash and cash equivalents	**(1,160)**	2,396
Cash and cash equivalents at 1st January	**8,573**	6,166
Effect of exchange differences	**(73)**	11
Cash and cash equivalents at 31st December	**7,340**	8,573

Notes:

1. Basis of accounting

The annual results set out in this announcement are extracted from the Group's statutory financial statements for the year ended 31st December 2022.

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

The financial information relating to the years ended 31st December 2021 and 2022 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31st December 2021 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2022 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31st December 2021 and 2022. Those reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

2. Changes in accounting policies

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

Amendments to HKAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"

The amendments require that the recognition of expected losses on onerous contracts should include an assessment of both incremental costs and an allocation of direct costs. Previously, the standard only specified incremental costs. The amendments resulted in a change in accounting policy for performing an onerous contract assessment. The Group has assessed contracts existing at 1st January 2022 and determined this change would have no impact on opening equity balances as at 1st January 2022.

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

- HKFRS 17 "Insurance contracts"
- Amendments to HKAS 1 "Presentation of financial statements: Classification of liabilities as current or non-current"
- Amendments to HKAS 1 "Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies"
- Amendments to HKAS 8 "Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates"
- Amendments to HKAS 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction"

The Group has yet to assess the full impact of these developments. So far it is not expected that the adoption of them will have a significant impact on the consolidated financial statements.

3. Segment information

(a) Segment results

	2022					
	Cathay Pacific HK$M	**HK Express HK$M**	**Air Hong Kong HK$M**	**Airline services HK$M**	**Associates HK$M**	**Total HK$M**
Profit or loss						
Sales to external customers	**45,899**	**692**	**3,541**	**904**		**51,036**
Inter-segment sales	**483**	**-**	**5**	**1,545**		**2,033**
Segment revenue	**46,382**	**692**	**3,546**	**2,449**		**53,069**
Segment profit/(loss)	**4,473**	**(1,241)**	**927**	**(613)**	**-**	**3,546**
Net finance charges	**(1,991)**	**(389)**	**2**	**(531)**	**-**	**(2,909)**
	2,482	**(1,630)**	**929**	**(1,144)**	**-**	**637**
Share of losses of associates	**-**	**-**	**-**	**-**	**(6,677)**	**(6,677)**
Profit/(loss) before taxation	**2,482**	**(1,630)**	**929**	**(1,144)**	**(6,677)**	**(6,040)**
Taxation	**(1,022)**	**271**	**(153)**	**13**	**384**	**(507)**
Profit/(loss) for the year	**1,460**	**(1,359)**	**776**	**(1,131)**	**(6,293)**	**(6,547)**
Non-controlling interests	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Profit/(loss) attributable to the shareholders of Cathay Pacific	**1,460**	**(1,359)**	**776**	**(1,132)**	**(6,293)**	**(6,548)**
Other segment information						
Depreciation and amortisation	**10,755**	**744**	**5**	**685**		**12,189**
Purchase of property, plant and equipment and intangible assets	**6,958**	**64**	**2**	**60**		**7,084**

	2021					
	Cathay Pacific HK$M	HK Express HK$M	Air Hong Kong HK$M	Airline services HK$M	Associates HK$M	Total HK$M
Profit or loss						
Sales to external customers	41,829	20	3,106	632		45,587
Inter-segment sales	355	-	57	1,718		2,130
Segment revenue	42,184	20	3,163	2,350		47,717
Segment profit/(loss), before restructuring costs, impairment and related charges	1,222	(1,806)	898	(554)	-	(240)
Restructuring costs	(385)	-	-	-	-	(385)
Impairment and related charges	(777)	(41)	-	-	-	(818)
Segment profit/(loss)	60	(1,847)	898	(554)	-	(1,443)
Net finance charges	(1,972)	(328)	(1)	(328)	-	(2,629)
	(1,912)	(2,175)	897	(882)	-	(4,072)
Share of losses of associates	-	-	-	-	(1,985)	(1,985)
(Loss)/profit before taxation	(1,912)	(2,175)	897	(882)	(1,985)	(6,057)
Taxation	184	197	(149)	24	275	531
(Loss)/profit for the year	(1,728)	(1,978)	748	(858)	(1,710)	(5,526)
Non-controlling interests	-	-	-	(1)	-	(1)
(Loss)/profit attributable to the shareholders of Cathay Pacific	(1,728)	(1,978)	748	(859)	(1,710)	(5,527)
Other segment information						
Depreciation and amortisation	11,219	869	5	693		12,786
Purchase of property, plant and equipment and intangible assets	5,938	430	-	63		6,431

3. Segment information (continued)

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

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

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

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

The composition of reportable segments of the Group is determined according to the nature of the business, and is aligned with financial information provided regularly to the Group's executive management.

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

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

(b) Geographical information

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

4. Operating profit/(loss)

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

5. Net finance charges

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

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

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

6. Taxation

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

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and the status of negotiations.

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

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

7. Loss per ordinary share

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

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

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

8. Other comprehensive income

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

9. Property, plant and equipment

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

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

10. Intangible assets

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

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

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

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

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

10. Intangible assets (continued)

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

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

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

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

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

11. Interest-bearing liabilities

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

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

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

To allow for comparability of gearing ratios against group borrowing covenants, the Group has chosen to present a subset of net borrowings and the net debt/equity ratio which exclude leases without asset transfer components. Only lease liabilities which transfer ownership of the underlying asset to the Group by the end of the lease term or contain a purchase option that the Group is reasonably certain to exercise are included.

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

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

12. Trade and other receivables

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

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

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

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

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

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

13. Liquid funds

Liquidity risk

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

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

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

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

13. Liquid funds (continued)

(a) Financial arrangements

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

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

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

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

(b) Payment profile of financial liabilities

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

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

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

14. Trade and other payables

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

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

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

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

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

15. Share capital

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

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

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

15. Share capital (continued)

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

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

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

16. Dividends

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

The preference shares will accrue dividends at the rate of:

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

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

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

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

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

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

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

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

(b) Dividends payable to ordinary shareholders

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

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

Note 16(a) details the cumulative Arrears of Dividend as at 31st December 2022.

16. Dividends (continued)

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

To facilitate the processing of proxy voting for the annual general meeting to be held on 10th May 2023, the register of members will be closed from 5th May 2023 to 10th May 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 4th May 2023.

17. Non-adjusting events after the reporting period

On 16th January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors with proceeds of the issuance totalling RMB15 billion. Notwithstanding the dilution, the Group continues to have significant influence over Air China and would continue to equity account for its interest in Air China as an associate. This transaction had no impact on the results of the Group for the year ended 31st December 2022, but is expected to result in a gain from deemed partial disposal in 2023.

As the Group applies the equity method to its interest in Air China three months in arrears and the financial information of Air China as at and up to 16th January 2023 is not available, the gain from deemed partial disposal cannot be determined on the date these financial statements are issued. The gain will primarily arise from the Group's share of proceeds from the share subscription (i.e. 16.26%* RMB15 billion = HK$2.8 billion) less the carrying value of interest deemed to be disposed, which represents approximately 10% (i.e. (18.13%-16.26%)/18.13%) of the carrying value of the Group's interest in Air China . The carrying value of the Group's interest in Air China as at 31st December 2022, which has accounted for Air China's results up to 30th September 2022, was HK$11.0 billion. The amount of the gain from deemed partial disposal will be finalised once Air China's financial information for relevant subsequent period is made available to the Group and recognised in the Group's first half results for 2023.

18. Corporate governance

The Company is committed to maintaining a high standard of corporate governance. The Company complied with all the code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules throughout the year covered by the annual report.

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

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

Details of the Company's corporate governance principles and processes will be available in the 2022 Annual Report.

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

19. Annual report

The 2022 Annual Report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website *www.cathaypacific.com* on 3th April 2023, and copies will be dispatched to shareholders on 6th April 2023.

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

Executive Directors: Patrick Healy (Chair), Gregory Hughes, Ronald Lam, Lavinia Lau, Rebecca Sharpe;

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Xiao Feng, Zhang Zhuo Ping;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung.

By Order of the Board
Cathay Pacific Airways Limited
Patrick Healy
Chair
Hong Kong, 8th March 2023
Website: www.cathaypacific.com

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.