



A Cathay Pacific
Boeing 777-300ER.

AVIATION DIVISION

ADVANCING WORLD-CLASS SERVICE



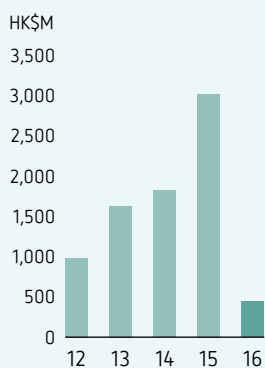
We aim to continue to improve our products and services on the ground and in the air, to expand our fleet by acquiring fuel efficient aircraft and to strengthen our aircraft engineering business.

OVERVIEW OF THE BUSINESS

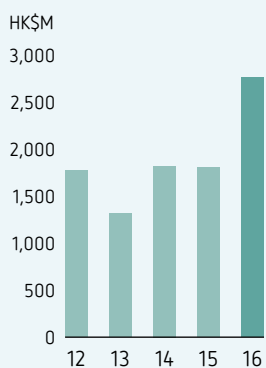
AVIATION DIVISION

The Aviation Division comprises significant investments in the Cathay Pacific group and the HAECO group.

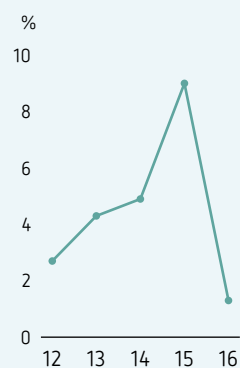
Profit Attributable to the Company's Shareholders



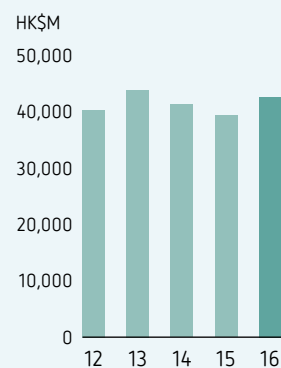
Net Cash Generated from Operating Activities



Return on Equity



Net Assets Employed



The Cathay Pacific group

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiary Hong Kong Dragon Airlines Limited (“Cathay Dragon”), its 60%-owned subsidiary AHK Air Hong Kong Limited (“Air Hong Kong”), an associate interest in Air China and an interest in Air China Cargo Co. Ltd. (“Air China Cargo”). Cathay Pacific also has interests in companies providing flight catering and ramp and cargo handling services, and owns and operates a cargo terminal at Hong Kong International Airport. It is listed on The Stock Exchange of Hong Kong Limited.

Cathay Pacific offers scheduled passenger and cargo services to 181 destinations in 43 countries and territories. At 31st December 2016, it operated 146 aircraft and had 59 new aircraft due for delivery up to 2024.

Cathay Dragon is a regional airline registered and based in Hong Kong. It operates 43 aircraft on scheduled services to 53 destinations in Mainland China and elsewhere in Asia.

Cathay Pacific owns 18.13% of Air China, the national flag carrier and a leading provider of passenger, cargo and other airline-related services in Mainland China. At 31st December 2016, Air China operated 262 domestic and 116 international, including regional, routes. Cathay Pacific has a cargo joint venture with Air China, Air China Cargo, which operated 15 freighters at 31st December 2016 and also carries cargo in the bellies of Air China's passenger aircraft.

Air Hong Kong, a 60%-owned subsidiary of Cathay Pacific, operates express cargo services for DHL Express, the remaining 40% shareholder, to 12 Asian cities. At 31st December 2016, Air Hong Kong operated 13 freighters.

Cathay Pacific and its subsidiaries employ more than 33,800 people worldwide (around 26,200 of them in Hong Kong).

The HAECO group

The HAECO group provides aviation maintenance and repair services. Its primary activities are aircraft maintenance and modification work in Hong Kong (by HAECO Hong Kong), in Xiamen (by HAECO Xiamen) and in the USA (by HAECO Americas).

Engine overhaul work is performed by HAECO's 50% joint venture company Hong Kong Aero Engine Services Limited (“HAESL”), by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited (“TEXL”) and by HAECO Americas. The HAECO group has other subsidiaries and joint venture

companies in Mainland China, which offer a range of aircraft engineering services and has a 70% interest in HAECO ITM Limited (“HAECO ITM”), an inventory technical management joint venture with Cathay Pacific in Hong Kong. HAESL's interest in its joint venture company Singapore Aero Engine Services Pte. Limited (“SAESL”) was disposed of in June 2016.

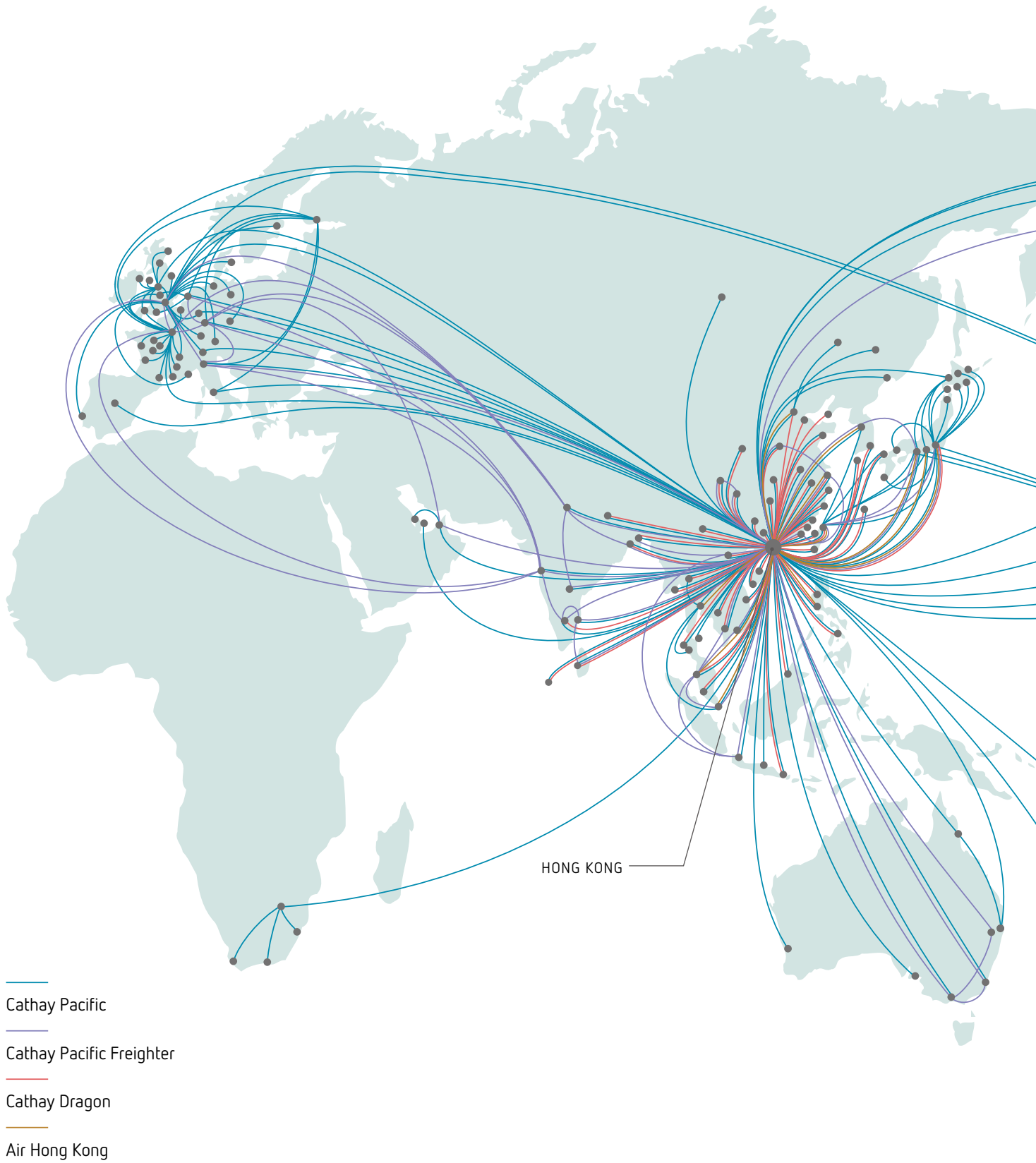
HAECO is listed on The Stock Exchange of Hong Kong Limited.

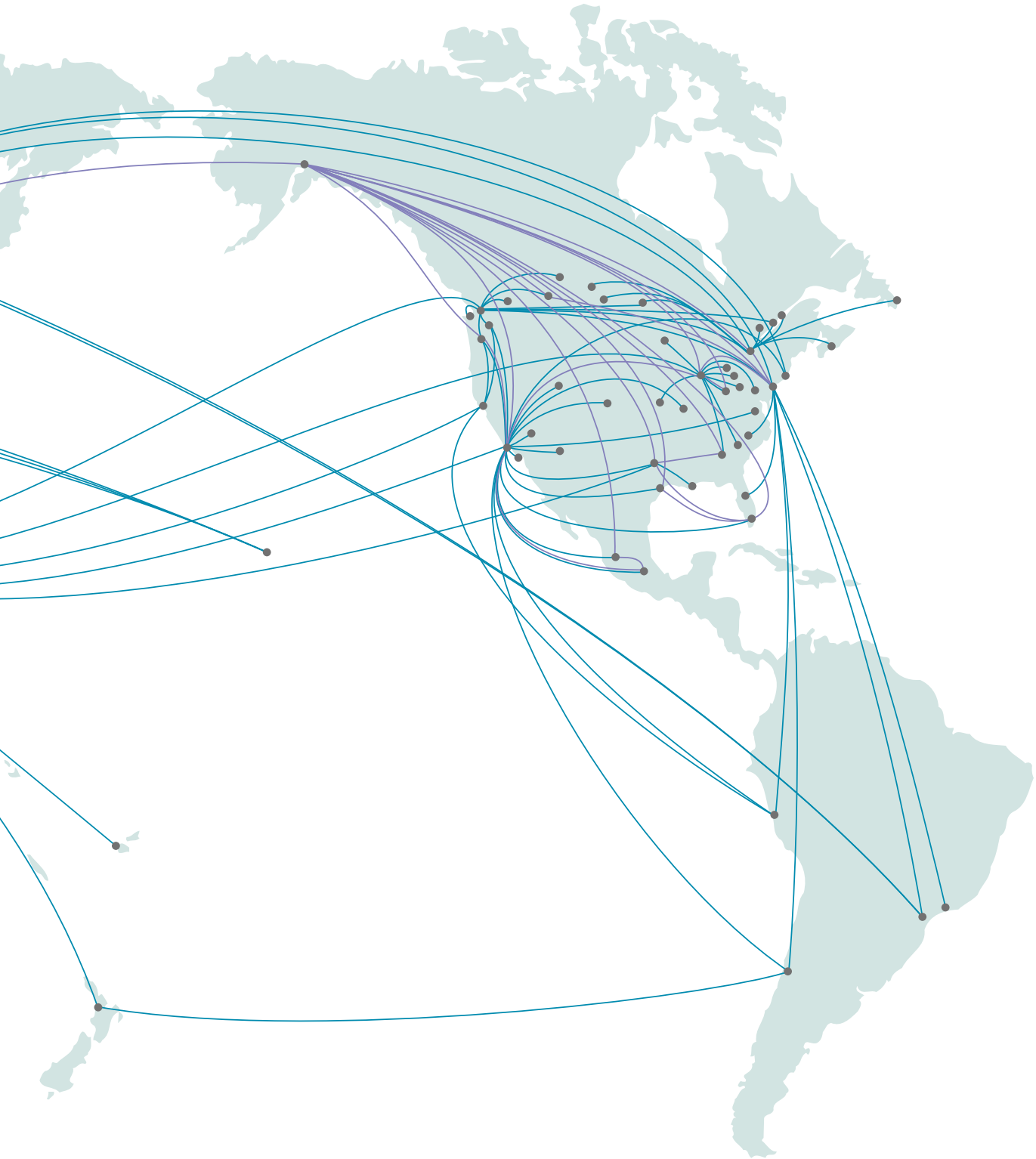
STRATEGY

The strategic objective of Cathay Pacific and HAECO (as listed companies in their own right) is sustainable growth in shareholder value over the long-term. The strategies employed in order to achieve this objective are these:

- The development and strengthening of Hong Kong as a centre for aviation services, including passenger, cargo and aircraft engineering services.
- The development and strengthening of the airline (Cathay Pacific and Cathay Dragon) and aircraft engineering (HAECO) brands.
- Developing the fleets of Cathay Pacific and Cathay Dragon (by investing in modern fuel efficient aircraft) with a view to their becoming two of the youngest, most fuel efficient fleets in the world.
- Maintaining and enhancing high standards of service to passenger, cargo and aircraft engineering customers.
- Strengthening the airlines' passenger and cargo networks and improving what they do on the ground and in the air.
- Continuing to build the strategic relationship with Air China.
- Increasing the range and depth of aircraft engineering services offered by HAECO.
- Endeavouring to minimise the impact of the airlines and of HAECO on the environment.

Cathay Pacific group – Network Coverage





2016 PERFORMANCE

Financial Highlights

	2016 HK\$M	2015 HK\$M
HAECO group		
Revenue	13,760	12,095
Operating profit	127	415
Attributable profit	731	349
Cathay Pacific group		
Share of post-tax (losses)/profits from associated companies	(259)	2,700
Attributable profit	441	3,017

Accounting for the Aviation Division

The Group accounts for its associate interest in the Cathay Pacific group using the equity method of accounting. The Group recognises its share of net profit or loss as a single line-item in the consolidated statement of profit or loss. For more information on the results and financial position of the Cathay Pacific group, please refer to the abridged financial statements on pages 195 and 196. The figures above do not include consolidation adjustments.

CATHAY PACIFIC GROUP

Cathay Pacific and Cathay Dragon – 2016 Performance

		2016	2015	Change
Available tonne kilometres ("ATK")	Million	30,462	30,048	+1.4%
Available seat kilometres ("ASK")	Million	146,086	142,680	+2.4%
Passenger revenue	HK\$M	66,926	73,047	-8.4%
Revenue passenger kilometres ("RPK")	Million	123,478	122,330	+0.9%
Revenue passengers carried	'000	34,323	34,065	+0.8%
Passenger load factor	%	84.5	85.7	-1.2%pt
Passenger yield	HK¢	54.1	59.6	-9.2%
Cargo revenue – group	HK\$M	20,063	23,122	-13.2%
Cargo revenue – Cathay Pacific and Cathay Dragon	HK\$M	17,024	20,079	-15.2%
Cargo and mail carried	Tonnes '000	1,854	1,798	+3.1%
Cargo and mail load factor	%	64.4	64.2	+0.2%pt
Cargo and mail yield	HK\$	1.59	1.90	-16.3%
Cost per ATK (with fuel)	HK\$	3.02	3.14	-3.8%
Cost per ATK (without fuel)	HK\$	2.12	2.06	+2.9%
Aircraft utilisation	Hours per day	12.2	12.2	–
On-time performance	%	72.1	64.7	+7.4%pt
Average age of fleet	Years	9.0	9.1	-1.1%
Fuel consumption – group	Barrels (million)	43.9	43.5	+0.9%



In 2016, Cathay Pacific took delivery of 10 A350-900 aircraft. These fuel efficient, technologically advanced aircraft are being used on selected long haul routes.

AIRLINE INDUSTRY BACKGROUND

The operating environment for a Hong Kong based airline was difficult in 2016, with a number of factors adversely affecting performance. Intense and increasing competition with other airlines was the most important. Other airlines significantly increased capacity. There were more direct flights between Mainland China and international destinations. Competition from low cost carriers increased. Overcapacity in the market was a particular competitive problem for cargo business. Three economic factors were also important, the reduced rate of economic growth in Mainland China, a reduction in the number of visitors to Hong Kong and the strength of the HK dollar. HK dollar strength made Hong Kong an expensive destination and caused revenues earned in other currencies to be reduced on conversion into HK dollars. All these factors put severe competitive pressure on yields. Airlines benefited from low fuel prices, but in our case the benefit was reduced by fuel hedging losses, largely incurred on hedges put in place when the fuel price was much higher than today.

2016 RESULTS SUMMARY

The Cathay Pacific group's attributable loss on a 100% basis was HK\$575 million in 2016, compared with a profit of HK\$6,000 million in 2015. The airlines' loss after tax was HK\$3,363 million (2015: profit of HK\$3,572 million), and the share of profits from subsidiaries and associates was HK\$2,788 million (2015: HK\$2,428 million).

Passenger Services

Passenger revenue in 2016 was HK\$66,926 million, a decrease of 8% compared with 2015. 34 million passengers were carried, an increase of 1% compared to the previous year.

Capacity increased by 2%, reflecting the introduction of new routes (to Madrid in June and to London Gatwick in September) and increased frequencies on some other routes. The passenger load factor decreased by 1.2 percentage points.

Yield decreased by 9% to HK54.1 cents. Competition with other airlines was intense, as indicated under "Airline Industry Background" above. Economy class demand was stable, but not as strong as in 2015. Premium class demand weakened considerably, especially on long-haul routes.

Cargo Services

Cathay Pacific and Cathay Dragon

Cathay Pacific and Cathay Dragon's cargo revenue in 2016 was HK\$17,024 million, a decrease of 15% compared to 2015. The tonnage carried in 2016 increased by 3% to 1.9 million tonnes compared to 2015. The market was very weak in the first quarter. Tonnage recovered from the second quarter, becoming seasonally strong in the fourth quarter.

The cargo capacity of Cathay Pacific and Cathay Dragon increased by 1%. Freight services to Portland and Brisbane West Wellcamp were introduced. The freighter capacity was managed in line with demand, and a higher proportion of cargo was carried in the bellies of passenger aircraft.



Re-opened in June 2016 after refurbishment, the new Business Class Lounge at The Pier is the largest of Cathay Pacific's lounges.

The cargo load factor increased by 0.2 of a percentage point to 64.4%.

Cargo yield fell 16% to HK\$1.59, reflecting strong competition, overcapacity, and the suspension of fuel surcharges.

Demand on European routes was weak. Demand on transpacific routes grew slightly in the second half of the year.

Air Hong Kong

Air Hong Kong achieved a marginal increase in profit for 2016 compared with 2015. Capacity (in terms of available tonne kilometres) increased by 0.1% to 777 million. The load factor decreased by 1.2 percentage points to 65.3%.

Operating Costs

Total fuel costs for the Cathay Pacific group (before the effect of fuel hedging) decreased by HK\$4,997 million (or 20%) compared with 2015. A 21% decrease in average fuel prices was partially offset by a 1% increase in consumption. Fuel is still the Cathay Pacific group's most significant cost, accounting for 30% of total operating costs in 2016 (compared to 34% in 2015). Fuel hedging losses of HK\$8,456 million reduced the benefit of low fuel costs. After taking fuel hedging losses into account, net fuel costs decreased by HK\$5,015 million (or 15%) compared to 2015.

There was a 3% increase in non-fuel costs per available tonne kilometre.

Congestion at Hong Kong International Airport and air traffic control constraints in the Greater China region continued to impose costs on Cathay Pacific. The airlines are doing more to improve the reliability of their operations, and this was reflected in a 7.4 percentage points improvement in on-time performance.

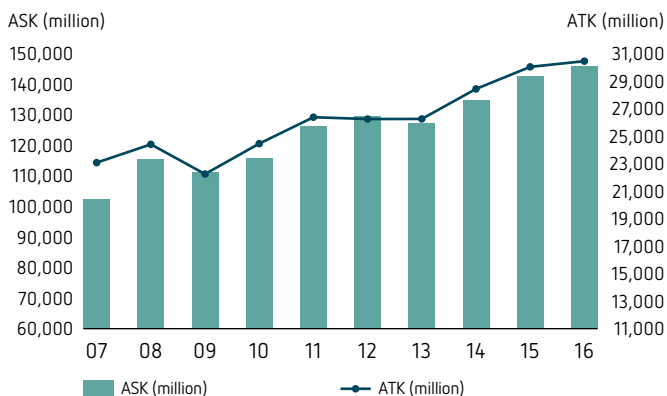
In response to weak revenues, Cathay Pacific has undertaken a critical review of its business. In the short term, it is implementing measures designed to improve revenues and reduce costs. The longer term strategy which is being developed in response to the review is designed to improve performance over a three-year period.

Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances.

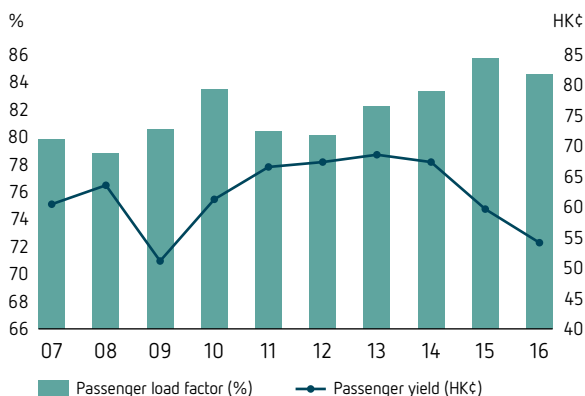
Cathay Dragon Rebranding

During the year, the Dragonair brand name was replaced by Cathay Dragon, bringing the brands of the two Cathay Pacific airlines into closer alignment. The first aircraft with the Cathay Dragon livery went into service in April 2016.

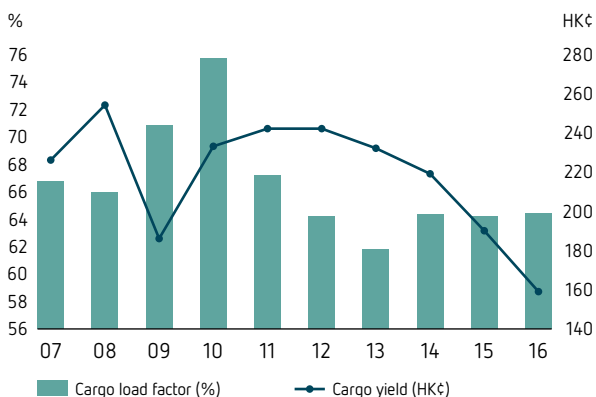
Capacity – Available Seat Kilometres and Available Tonne Kilometres



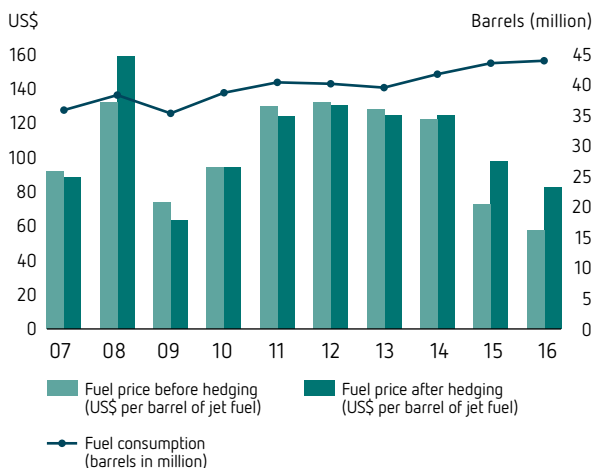
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption



Fleet Profile

At 31st December 2016, the total number of aircraft in the Cathay Pacific and Cathay Dragon fleets was 189, an increase of one since 31st December 2015.

In 2016, Cathay Pacific took delivery of 10 Airbus A350-900 aircraft. These fuel efficient, technologically advanced long-haul aircraft are being used on the Auckland, Düsseldorf, London Gatwick, Paris and Rome routes. 22 aircraft of this type are expected to be in service by the end of 2017. The Cathay Pacific group also took delivery of its final Boeing 747-8F freighter in August.

Cathay Pacific will start to take delivery of Airbus A350-1000 aircraft (which have a longer range and more capacity than Airbus A350-900 aircraft) in 2018 and expects to have 26 aircraft of this type in service by the end of 2020.

At 31st December 2016, the Cathay Pacific group had 59 new aircraft on order for delivery up to 2024.

The remaining three Boeing 747-400 passenger aircraft were retired during the year. Three Airbus A340-300 aircraft were retired in 2016 and the remaining four will be retired in 2017.

Fleet Profile*

Aircraft type	Number at 31st December 2016				Firm orders				Expiry of operating leases						
	Leased			Total	'17	'18	'19 and beyond	Total	'17	'18	'19	'20	'21	'22 and beyond	Options
	Owned	Finance	Operating												
Aircraft operated by Cathay Pacific:															
A330-300	23	12	6	41						3	1	2			
A340-300	4			4 ^(a)											
A350-900	5	3	2	10	12 ^(b)			12						2	
A350-1000						8	18	26							
747-400BCF			1	1						1					
747-400ERF		6		6											
747-8F	3	11		14											
777-200	5			5											
777-200F															3 ^(c)
777-300	12			12		2	3	5 ^(d)							
777-300ER	19	11	23	53					1	2			5	15	
777-9X							21	21							
Total	71	43	32	146	12	10	42	64	5	3	2	5	17	3	
Aircraft operated by Cathay Dragon:															
A320-200	5		10	15					2	1	1	3	3		
A321-200	2		6	8								1	2	3	
A330-300	10		10 ^(e)	20					6		2		2		
Total	17		26	43					6	2	3	2	7	6	
Aircraft operated by Air Hong Kong:															
A300-600F	4	4	2	10							2				
747-400BCF			3 ^(e)	3					3						
Total	4	4	5	13					3	2					
Grand total	92	47	63^(e)	202	12	10	42	64^(d)	6	10	8	4	12	23	3

* Includes parked aircraft. The table does not reflect aircraft movements after 31st December 2016.

(a) Cathay Pacific is accelerating the retirement of its Airbus A340-300 aircraft. Three of these aircraft were retired in 2016. One Airbus A340-300 was retired in January 2017. The remaining three such aircraft will be retired before the end of 2017.

(b) Two of these Airbus A350-900 aircraft were delivered after 31st December 2016, one in February 2017, the other in March 2017.

(c) Purchase options for aircraft to be delivered before the end of 2019.

(d) Five Boeing 777-300 used aircraft will be delivered from 2018.

(e) 57 of the 63 aircraft which are subject to operating leases are leased from third parties. The remaining six of such aircraft (three Boeing 747-400BCFs and three Airbus A330-300s) are leased within the Cathay Pacific group.



The rebranding of Dragonair as Cathay Dragon brings the brands of the two Cathay Pacific airlines into closer alignment.

Other Operations

Air China

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, the 2016 results include Air China's results for the 12 months ended 30th September 2016, adjusted for any significant events or transactions for the period from 1st October 2016 to 31st December 2016.

In the year ended 30th September 2016, Air China's results improved, principally as a result of low fuel prices and strong passenger demand, partly offset by the adverse effect of the devaluation of the Renminbi.

In July 2015, Air China proposed an issue of A shares. On 10th March 2017, the procedures for Air China's registration of the new A shares were completed. As a consequence, Cathay Pacific's shareholding in Air China was diluted from 20.13% to 18.13%.

Air China Cargo

Air China Cargo's 2016 financial results were better than those of 2015. Savings from lower fuel prices were partially offset by unrealised exchange losses on loans denominated in United States dollars and lower yield in the highly competitive air cargo market.

OUTLOOK

The operating environment in 2017 is expected to remain challenging. Strong competition from other airlines and the adverse effect of the strength of the Hong Kong dollar are expected to continue to put pressure on yield. The cargo market got off to a good start, but overcapacity is expected to persist. Cathay Pacific expects to continue to benefit in 2017 from the fact that fuel prices are much lower than their previous high levels, but to a lesser extent (because of some increase in oil prices in recent months) than in 2016. Cathay Pacific also expects to incur further fuel hedging losses in 2017, but these should be less than in 2016. The subsidiaries and associates are expected to continue to perform satisfactorily.

The objective of the Cathay Pacific group is to provide sustainable growth in shareholder value over the long term. Cathay Pacific is confident of longer-term success. The group celebrated its 70th anniversary in 2016 and the commitment to Hong Kong and its people remains unwavering.

Ivan Chu

HONG KONG AIRCRAFT ENGINEERING COMPANY (“HAECO”) GROUP

Financial Highlights

	2016 HK\$M	2015 HK\$M
Revenue		
HAECO Hong Kong	3,879	3,628
HAECO Americas	2,836	2,554
HAECO Xiamen	1,640	1,712
TEXL	4,808	3,719
Others	597	482
Net operating profit	38	339
Attributable profit		
HAECO Hong Kong	194	167
HAECO Americas	(238)	(158)
HAECO Xiamen	94	69
TEXL	196	149
Share of profit of:		
HAESL and SAESL	218	194
Other subsidiary and joint venture companies	52	56
Attributable profit (excluding gain on disposal of HAESL’s interest in SAESL and impairment charges)	516	477
Gain on disposal of HAESL’s interest in SAESL, net of associated expenses	783	–
Impairment charges attributable to:		
HAECO Americas	(285)	–
HAECO Landing Gear Services	(39)	(13)
Attributable profit	975	464
Swire Pacific share of attributable profit	731	349

Operating Highlights

		2016	2015
Airframe services manhours sold			
HAECO Hong Kong	Million	2.67	2.80
HAECO Americas	Million	3.24	3.02
HAECO Xiamen	Million	3.21	3.46
Line services movements handled			
HAECO Hong Kong	Average per day	307	303
Engines overhauled			
TEXL		90	89
HAESL		114	115



The HAECO group continues to invest in strengthening its technical capabilities in order to widen the range of services it can offer to customers.

AVIATION MAINTENANCE AND REPAIR INDUSTRY BACKGROUND

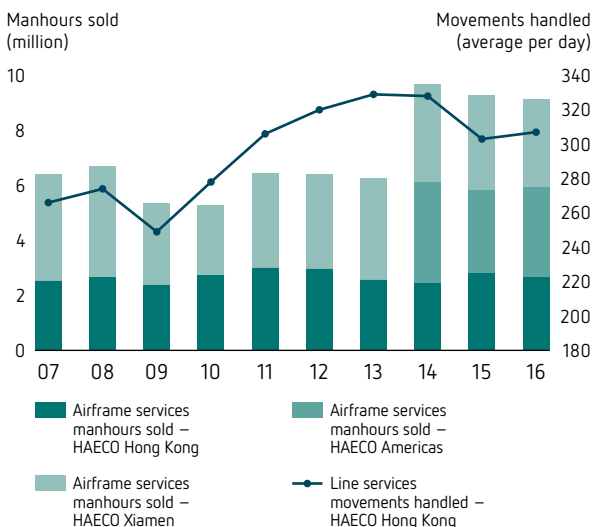
Orders for new aircraft are firm. Aircraft manufacturers have record order books and are increasing production. More aircraft means in principle more demand for their maintenance and repair. But new aircraft need less maintenance and repair than older aircraft and original equipment manufacturers are doing more maintenance and repair than they used to. On balance, maintenance and repair demand is still expected to grow in the medium and longer term.

2016 RESULTS SUMMARY

The HAECO group's profit attributable to shareholders in 2016 on a 100% basis was HK\$975 million. This included a gain (before associated expenses) of HK\$805 million on disposal of HAESL's interest in SAESL and was after an impairment charge of HK\$285 million in respect of the goodwill recorded on the acquisition of the HAECO Americas business.

Disregarding the gain on disposal in 2016 and impairment charges in both years, the HAECO group's 2016 attributable profit was HK\$516 million, 8% higher than in 2015. The benefits of more engine repair work at HAESL and TEXL, more line services work at HAECO Hong Kong and better results at HAECO Xiamen were partly offset by a higher loss in HAECO Americas' cabin and seat businesses and the HAECO group's share of SAESL's results for the first half year of 2016, being lower than that for the whole of 2015.

HAECO group – Key Operating Highlights



A total of 9.12 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2016, 2% fewer than in 2015. Manhours sold increased at HAECO Americas but decreased at HAECO Hong Kong and HAECO Xiamen.

HAECO Hong Kong

Excluding expenses arising in connection with the disposal of SAESL, HAECO Hong Kong recorded a 16% increase in profit in 2016 to HK\$194 million. This mainly reflected more line services activity.

Manhours sold for airframe services decreased by 5% to 2.67 million in 2016. The reduction reflected deferral of work by some customers. 77% of the work was for airlines based outside Hong Kong.

The average number of aircraft movements handled increased in 2016 by 1% to 307 per day. Line services manhours sold increased because of this increase in volume and the fact that more work was done per movement.

Manhours sold in 2016 for component and avionics work (together with those sold by HAECO Component Overhaul (Xiamen)) were 0.21 million, an increase of 4% compared to 2015. The increase reflected additional component maintenance capabilities.

HAECO Americas

HAECO Americas recorded a loss of HK\$523 million (including an impairment charge in respect of goodwill of HK\$285 million) in 2016. Excluding the impairment charge, HAECO Americas' 2016 loss was HK\$238 million, compared to a loss of HK\$158 million in 2015.

The bigger loss principally reflected losses on some seat contracts, and a reduction in the number of seats sold and in cabin integration work. Airframe services results improved, with more manhours having been sold. However, this was offset in part by costs incurred with a view to improving efficiency and work flow.

Manhours sold for airframe services increased by 7% to 3.24 million in 2016, largely as a result of more airframes being overhauled. Profits also benefited from more higher-margin checks being done, but were adversely affected by the payment of consultancy fees. The line services business was closed having regard to a review of its long term viability.

In 2016, the cabin and seats business lost more money than in 2015. 30 cabin integrations were done compared with 40 in 2015. Rescheduling caused some of the reduction. Approximately 3,400 premium economy and economy class seats were shipped in 2016, compared with approximately 4,200 in 2015. Demand for our old seats fell. The new ones were not available until the second quarter of 2016. Money was lost on some seat contracts. More Panasonic communication equipment installation kits were done.

An impairment charge of HK\$285 million was made in respect of the goodwill which recorded the acquisition of the HAECO Americas business. The charge relates to the cabin and seats business. It reflects a reduction in the expected profitability of the seats business and a weak cabin integration order book.

HAECO Xiamen

HAECO Xiamen recorded a 36% increase in attributable profit compared with 2015, to HK\$94 million. Fewer airframe services manhours were sold but hourly rates were higher. More line services work was done and more aircraft parts were manufactured. More technical training was done. Operating costs were lower.

Manhours sold for airframe services decreased by 7% to 3.21 million in 2016. Less work was performed for a major North American customer. A typhoon disrupted work in the fourth quarter. Profitability benefited from the fact that services are priced in US dollars (which increased in value against Renminbi) and a high proportion of costs are incurred in Renminbi.

An average of 50 aircraft movements were handled per day in 2016, 9% more than in 2015. The profit from line services increased accordingly.

Revenue from private jet work declined slightly in 2016. Less work was done.

TEXL

Profits increased by 32% at TEXL to HK\$196 million.

In 2016, TEXL completed 48 engine performance restorations and 42 quick turn repairs on GE90 aircraft engines, compared to 30 engine performance restorations and 59 quick turn repairs in 2015. With more engine work and more component repair work, TEXL recorded a higher profit in 2016 than that in 2015.

HAESL and SAESL

The agreements entered into in November 2015 for the restructuring of shareholdings in HAESL and SAESL were completed in June 2016. The gain to HAESL arising from selling its 20% shareholding in SAESL under the restructuring was US\$229 million. 45% of the gain to HAESL, equivalent to approximately HK\$805 million, has been included in the profit of the HAECO group in 2016. Under the restructuring, HAECO increased its shareholding in HAESL from 45% to 50%. HAESL is now 50% owned by HAECO and 50% by Rolls-Royce. HAESL no longer has any shareholding in SAESL.

Excluding the non-recurring profit described above, HAESL recorded a 43% increase in attributable profit in 2016, primarily because more work was done per engine. Engine output was 114 in 2016 compared with 115 in 2015.

The HAECO group's share of SAESL's results for the first half of 2016 was HK\$12 million, compared with the share of its results for the whole of 2015 of HK\$50 million.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for 275 aircraft in 2016, compared with 259 in 2015. However, profits decreased in 2016. This reflected lower demand for the loan of aircraft parts and higher finance charges.

Taikoo (Xiamen) Landing Gear Services Company Limited ("HAECO Landing Gear Services") did more work in 2016 than in 2015, but its losses increased. This principally reflected an impairment charge of HK\$57 million made in respect of plant, machinery and tools. The impairment charge reflected the fact that less work is expected because of strong competition.

OUTLOOK

The prospects for the HAECO group's different businesses in 2017 are mixed.

HAECO Hong Kong expects its results to be affected again by deferral of airframe services work by some customers. Demand for line services in Hong Kong is expected to be firm. The component and avionics overhaul business is expected to improve gradually with the development of new capabilities.

Demand for HAECO Americas airframe services is expected to increase in 2017. However, its airframe services results will depend on the outcome of efforts to improve efficiency and work flow. The number of seats sold is expected to grow, but sales of the new Vector seats are expected to remain modest. Forward bookings for cabin integration work are weak. Fewer Panasonic communication equipment installation kits are expected. Demand for HAECO Xiamen's airframe services is expected to improve. Demand for TEXTL's overhaul services is expected to be stable in 2017. HAESL is expected to have a similar level of workload in 2017 to that in 2016. But its results will be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines from 2018. HAECO Landing Gear Services is expected to do more work in 2017, but to continue to make losses.

The municipal government of Xiamen announced that the proposed new airport at Xiang'an would commence operations in 2020. This remains subject to the National Development and Reform Commission's approval. Management maintains regular communications with the local authorities about the new airport and its opening, which will be material to the operations of the HAECO group in Xiamen.

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Augustus Tang