

AVIATION DIVISION



A Cathay Pacific Airbus A350-1000 aircraft

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.

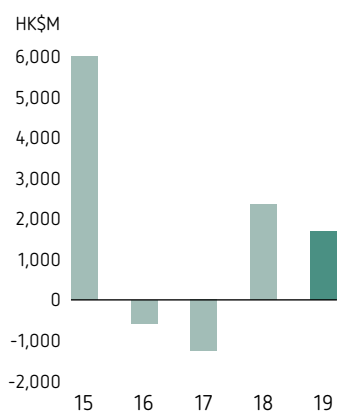


AVIATION DIVISION

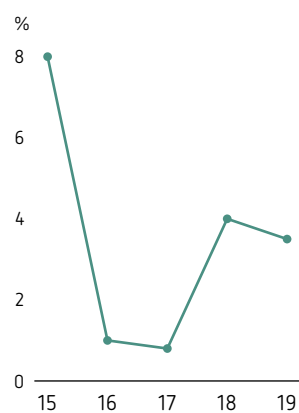
The Aviation Division comprises a significant investment in the Cathay Pacific group and the HAECO group.

Cathay Pacific group (100% Basis)

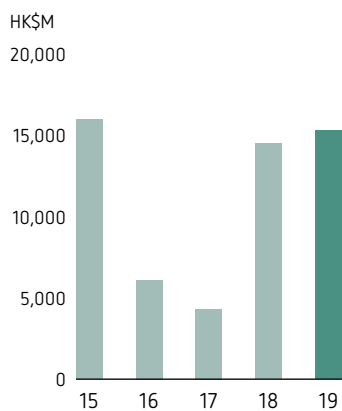
Profit/(Loss) Attributable to the Shareholders of Cathay Pacific



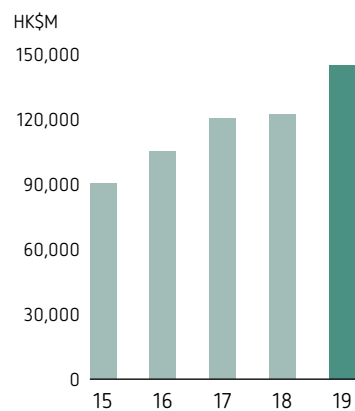
Return on Capital Employed



Net Cash Generated from Operating Activities

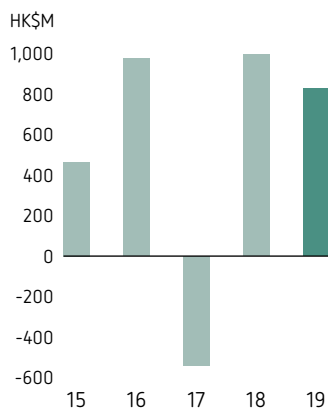


Capital Employed

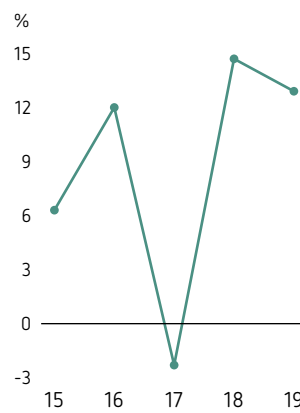


HAECO group (100% Basis)

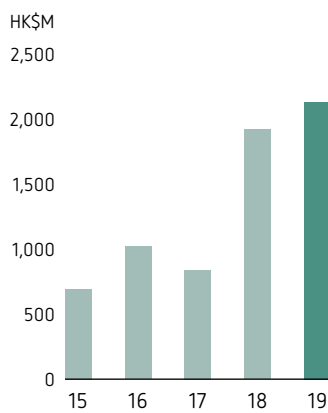
Profit/(Loss) Attributable to the Shareholders of HAECO



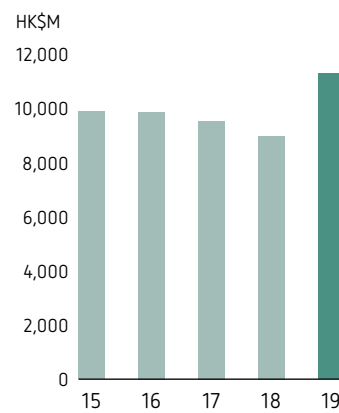
Return on Capital Employed



Net Cash Generated from Operating Activities



Capital Employed



The Cathay Pacific group

The Cathay Pacific group includes Cathay Pacific, its wholly-owned subsidiaries Cathay Dragon, HK Express and Air Hong Kong and associate interests in Air China and Air China Cargo. Cathay Pacific also has interests in companies providing flight catering and passenger and ramp 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 77 destinations in 33 countries and territories (244 and 54 respectively including code share agreements). At 31st December 2019, it operated 155 aircraft and had 33 new aircraft due for delivery up to 2024.

Cathay Dragon is a regional airline registered and based in Hong Kong and offers scheduled services to 49 destinations in Mainland China and elsewhere in Asia (57 including code share agreements). At 31st December 2019, it operated 48 aircraft and had 16 new aircraft due for delivery up to 2024.

HK Express is a low-cost airline registered and based in Hong Kong and offers scheduled services within Asia. At 31st December 2019, it operated 24 aircraft and had 21 new aircraft due for delivery up to 2024.

Air Hong Kong operates express cargo services for DHL Express to 12 Asian cities. At 31st December 2019, Air Hong Kong operated nine freighters.

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. Cathay Pacific has a cargo joint venture in Mainland China, Air China Cargo, which operated 15 freighters at 31st December 2019 and also carries cargo in the bellies of Air China's passenger aircraft.

Cathay Pacific and its subsidiaries employed more than 34,200 people worldwide (around 28,200 of them in Hong Kong) at 31st December 2019.

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) and by HAECO's subsidiary Taikoo Engine Services (Xiamen) Company Limited (TEXL). HAECO Americas also manufactures aircraft seats. 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, an inventory technical management joint venture with Cathay Pacific in Hong Kong.

HAECO is a wholly-owned subsidiary of Swire Pacific.

STRATEGY

The strategic objective of Cathay Pacific (as a listed company in its own right) is sustainable growth in shareholder value over the long term. The strategies employed by Cathay Pacific in order to achieve this objective (and the strategic objectives of HAECO) 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, Cathay Dragon and HK Express) and aircraft engineering (HAECO) brands.
- Developing the fleets of Cathay Pacific, Cathay Dragon and HK Express (by investing in modern fuel-efficient aircraft) with a view to their becoming three 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.

2019 PERFORMANCE

Financial Highlights

	2019 HK\$M	2018 HK\$M
HAECO group		
Revenue	15,901	14,892
Operating profit	1,048	1,140
Swire Pacific share of attributable profit	825	760
Cathay Pacific group		
Share of post-tax profits from associated companies	761	1,056
Swire Pacific share of attributable profit	1,550	1,781

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 218 and 219. The figures above do not include consolidation adjustments.

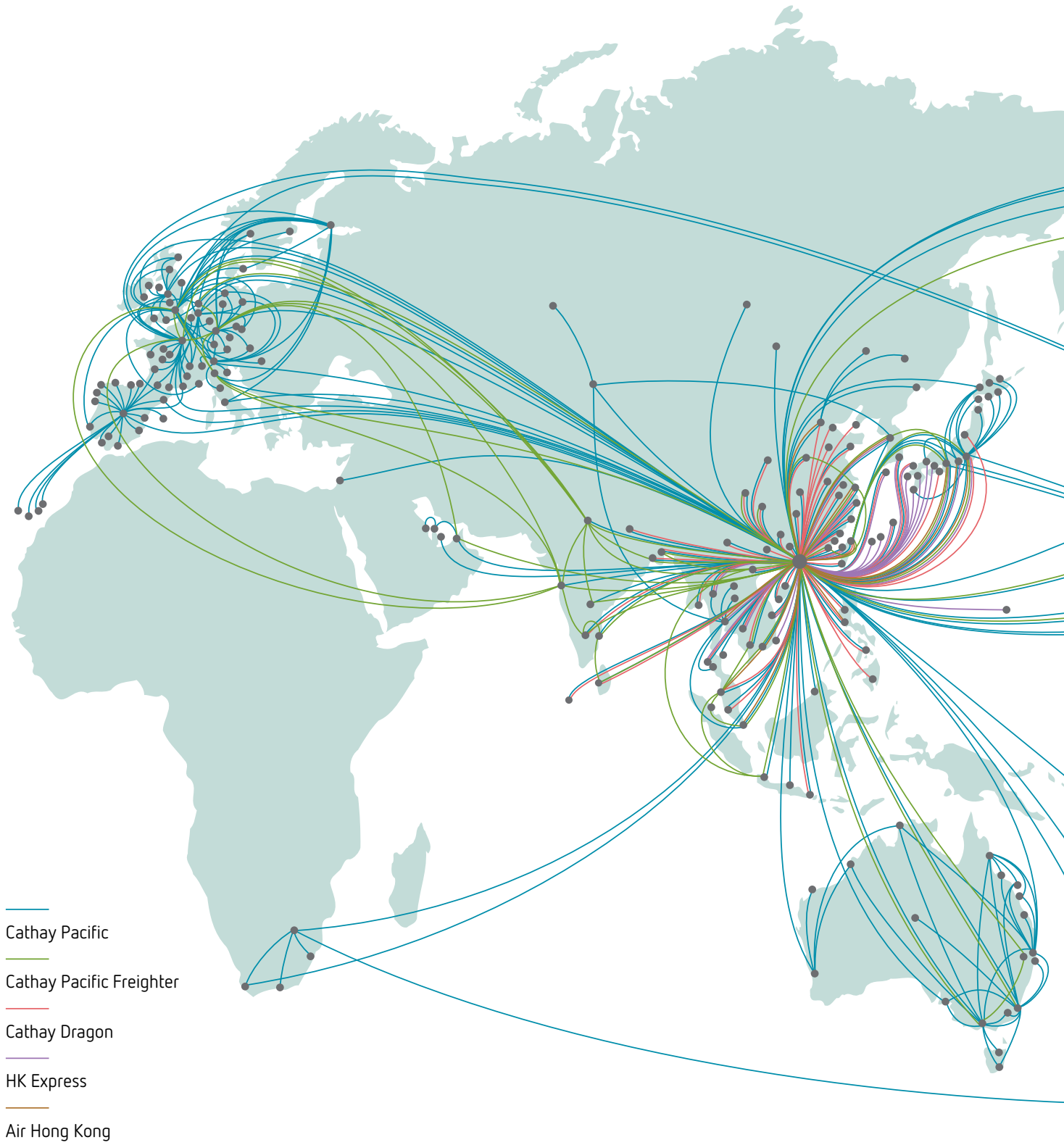
CATHAY PACIFIC GROUP

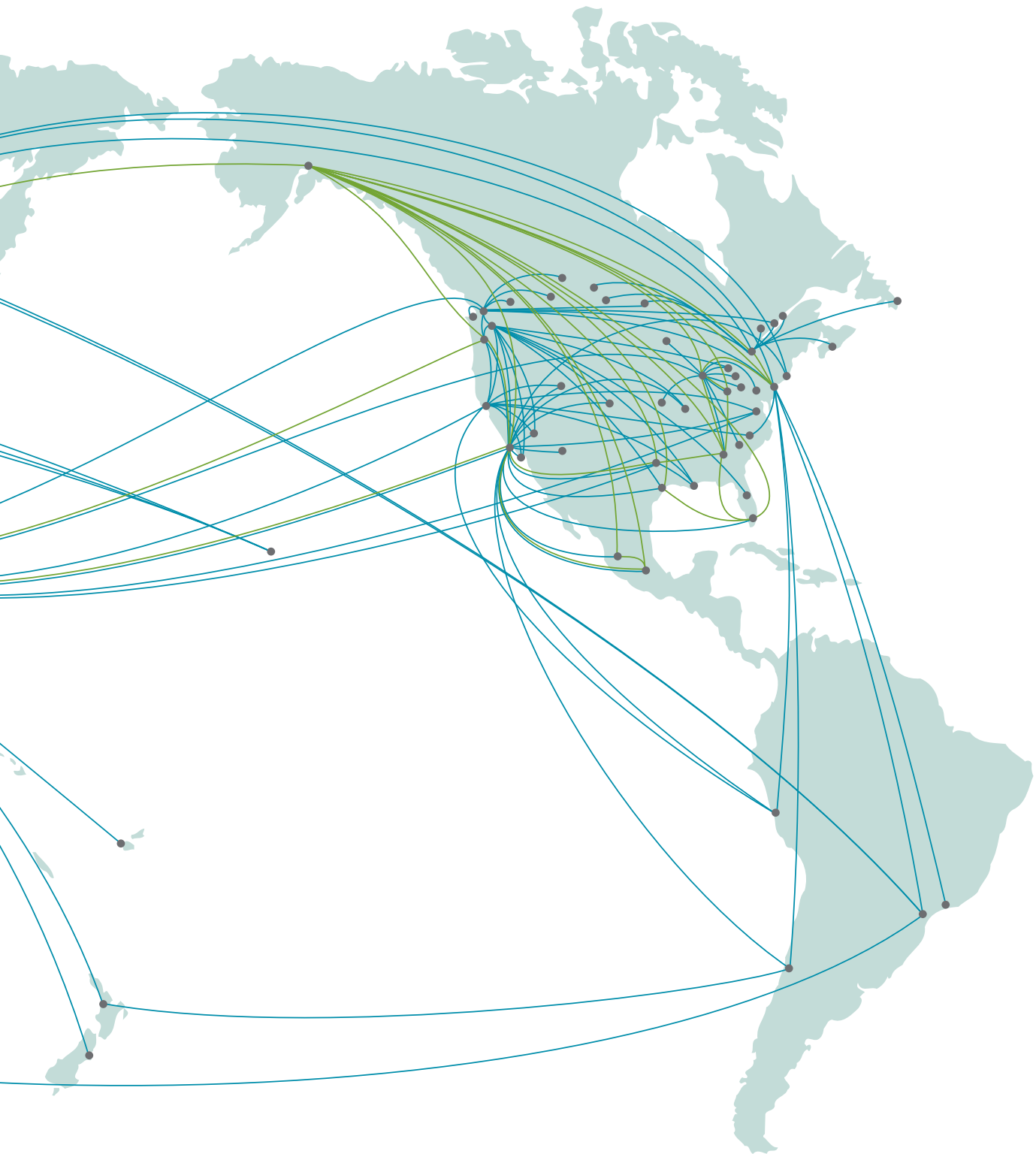
Cathay Pacific and Cathay Dragon – 2019 Performance

		2019	2018	Change
Available tonne kilometres (ATK)	Million	33,077	32,387	+2.1%
Available seat kilometres (ASK)	Million	163,244	155,362	+5.1%
Available cargo tonne kilometres (AFTK)#	Million	17,558	17,616	-0.3%
Revenue tonne kilometres (RTK)	Million	24,090	24,543	-1.8%
Passenger revenue	HK\$M	72,168	73,119	-1.3%
Passenger revenue per ASK	HK\$	44.2	47.1	-6.2%
Revenue passenger kilometres (RPK)	Million	134,397	130,630	+2.9%
Revenue passengers carried	'000	35,233	35,468	-0.7%
Passenger load factor	%	82.3	84.1	-1.8%pt
Passenger yield	HK\$	53.6	55.8	-3.9%
Cargo revenue – group#	HK\$M	23,810	28,316	-15.9%
Cargo revenue – Cathay Pacific and Cathay Dragon#	HK\$M	21,154	24,663	-14.2%
Cargo revenue per AFTK#	HK\$	1.20	1.40	-14.3%
Cargo revenue tonne kilometres (RFTK)#	Million	11,311	12,122	-6.7%
Cargo carried#	'000 Tonnes	2,022	2,152	-6.0%
Cargo load factor#	%	64.4	68.8	-4.4%pt
Cargo yield#	HK\$	1.87	2.03	-7.9%
Cost per ATK (with fuel)	HK\$	3.06	3.27	-6.4%
Cost per ATK (without fuel)	HK\$	2.19	2.25	-2.7%
Aircraft utilisation	Hours per day	11.9	12.3	-3.3%
On-time performance	%	76.3	72.7	+3.6%pt
Average age of fleet	Years	10.3	9.9	+0.4yrs
Fuel consumption – group	Barrels (million)	46.6	45.8	+1.7%
Fuel consumption per million RTK	Barrels	1,867	1,830	+2.0%
Fuel consumption per million ATK	Barrels	1,360	1,387	-1.9%

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

Cathay Pacific group – Network Coverage





2019 AIRLINE INDUSTRY REVIEW

2019 was a turbulent year for the Cathay Pacific group. With its three-year transformation programme starting to bear fruit it delivered a positive performance in the first half notwithstanding a difficult environment brought about by geopolitical and trade tensions. However, with social unrest in Hong Kong intensifying over the second half of the year and mounting US-China trade tensions, the group experienced a sharp drop in both inbound and outbound passenger traffic. The environment in which Cathay Pacific's airlines operated was incredibly challenging as the Hong Kong economy slipped into recession. As a result, the second-half results – traditionally stronger than first-half results – fell well below what was hoped for.

2019 RESULTS SUMMARY

The Cathay Pacific group's attributable profit on a 100% basis was HK\$1,691 million in 2019, compared with a profit of HK\$2,345 million in 2018. Cathay Pacific and Cathay Dragon reported an attributable profit after tax of HK\$241 million (2018: profit of HK\$384 million), and the share of profits from subsidiaries and associates was HK\$1,450 million (2018: HK\$1,961 million).

Overall, passenger and cargo yields were under intense pressure in 2019 and both were below those in 2018. Events in Hong Kong in the second half of the year significantly reduced load factors, forward bookings and the number of passengers carried. Inbound traffic was hit hard, particularly on short-haul and Mainland China routes. Outbound traffic also decreased. Demand for premium travel was weak and the airlines became increasingly reliant on lower-yielding transit traffic, which was relatively less affected. Cathay Pacific and Cathay Dragon carried 1% fewer passengers in 2019 than in 2018.

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

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

Cathay Pacific and Cathay Dragon benefited from lower fuel prices for most of the year, but were adversely affected by a strong US dollar. There was a 3% decrease in non-fuel costs per available tonne kilometres (ATK), reflecting the airlines' focus on productivity and efficiency as part of the successful transformation programme.

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

Passenger Services

Cathay Pacific and Cathay Dragon

Passenger revenue in 2019 was HK\$72,168 million, a decrease of 1% compared to 2018. RPK traffic increased by 3%, while ASK capacity increased by 5%, albeit this was less than originally expected. Consequently the load factor decreased by 1.8 percentage points, to 82.3%. Yield decreased by 4% to HK53.6 cents, reflecting a strong US dollar, intense competition and reduced travel in the second half of 2019 as a result of the social unrest in Hong Kong.

In October, Cathay Pacific introduced a number of short-term tactical measures, including frequency cuts on more than a dozen routes during the winter season and suspending the service to Medan indefinitely. It examined expenditure to focus on increased productivity and cost savings, along with implementing a hiring freeze, prioritising projects and deferring or cancelling non-critical expenditure.

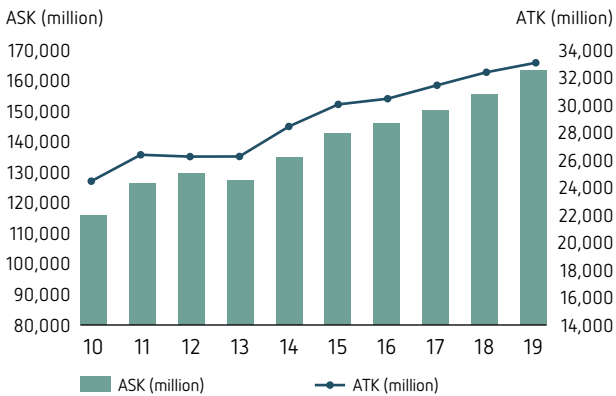
HK Express

HK Express recorded a loss during the post-acquisition period. For the period from 20th July to 31st December 2019 capacity amounted to 4,583 million available seat kilometres. The average load factor was 91.5% during the period.

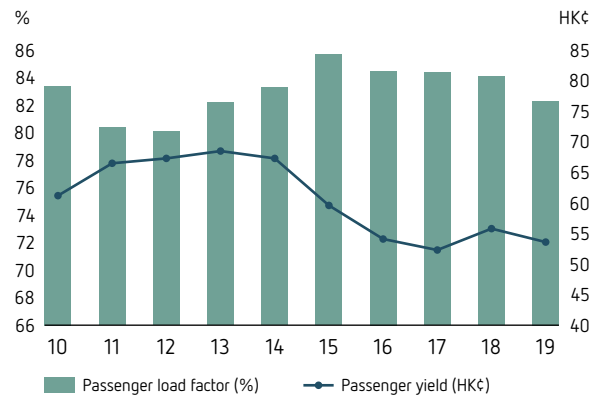
HK Express became a wholly-owned subsidiary of Cathay Pacific in July 2019.



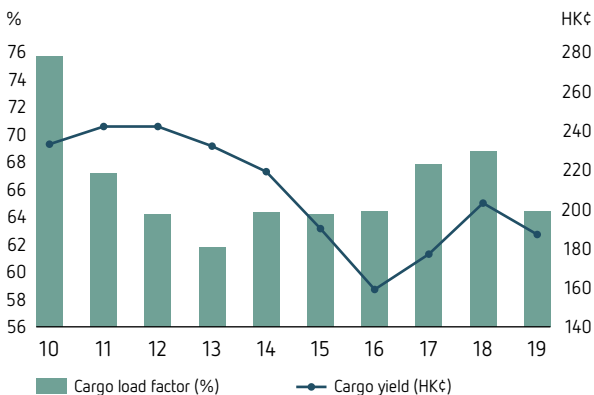
Capacity – Available Seat Kilometres and Available Tonne Kilometres



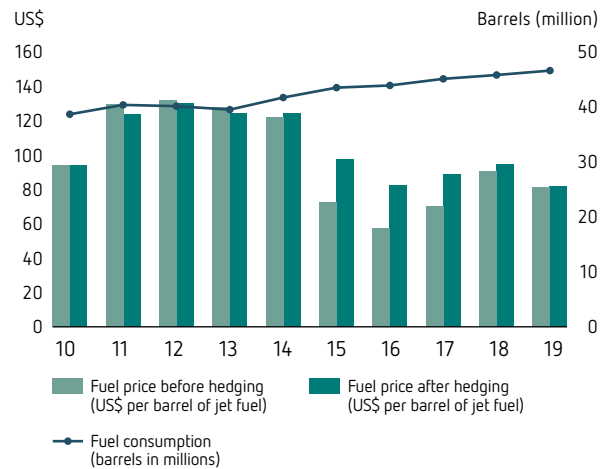
Passenger Services Load Factor and Yield



Cargo Services Load Factor and Yield



Fuel Price and Consumption





Cathay Pacific has improved its first and business class services and products.

Cargo Services

Cathay Pacific and Cathay Dragon

The cargo revenue of Cathay Pacific and Cathay Dragon in 2019 was HK\$21,154 million, a decrease of 14%. RFTK traffic decreased by 7%, while AFTK capacity decreased by 0.3%. Consequently the load factor decreased by 4.4 percentage points to 64.4%. Tonnage carried decreased by 6%. Yield decreased by 8% to HK\$1.87, reflecting a strong US dollar and weakened cargo demand resulting from intensified US-China trade tensions.

Air Hong Kong

On a 100% like for like basis, Air Hong Kong experienced a decrease in profit for 2019 compared with 2018. Capacity (in terms of available tonne kilometres) decreased by 4% to 703 million. The load factor increased by 2.5 percentage points to 68.6%.

Operating Costs

Total fuel costs for Cathay Pacific and Cathay Dragon (before the effect of fuel hedging) decreased by HK\$3,110 million (or 10%) compared with 2018. Prices decreased but the airlines flew more. After taking hedging losses into account, fuel costs

decreased by HK\$4,454 million (or 13%) compared to 2018. The net cost of fuel is the most significant cost of Cathay Pacific and Cathay Dragon, accounting for 28.4% of operating costs in 2019 (compared to 31.4% in 2018).

Non-fuel costs per ATK decreased slightly, reflecting a focus on productivity and efficiency.

Fleet Profile

At 31st December 2019, the total number of aircraft in the Cathay Pacific group's fleet was 236.

In 2019, Cathay Pacific took delivery of two Airbus A350-900 and four Airbus A350-1000 aircraft and now has a total of 24 Airbus A350-900 and 12 Airbus A350-1000 aircraft in the fleet. It also took delivery of three used Boeing 777-300 aircraft during the year. Three Boeing 777-200 aircraft were retired. Four Airbus A330-300 and one Boeing 777-300ER leased aircraft were returned to their lessors.

At 31st December 2019, the Cathay Pacific group had 70 new aircraft on order for delivery up to 2024. This includes an order for 32 Airbus A321-200neo aircraft. These aircraft are intended to replace and increase Cathay Dragon's and HK Express' existing narrow-body fleets.

Fleet profile*

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

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

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

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

(a) The operating lease of one Airbus A320-200 aircraft expired in February 2020. The aircraft was returned to its lessor.

(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.

(c) These aircraft are operating leased.

(d) These aircraft, ordered by Cathay Dragon, will be operated by HK Express from 2022.

Air China and Air China Cargo

The Cathay Pacific group's share of Air China's results is based on its financial statements drawn up three months in arrears. Consequently, the 2019 results include Air China's results for the 12 months ended 30th September 2019, adjusted for any significant events or transactions for the period from 1st October 2019 to 31st December 2019.

For the 12 months ended 30th September 2019, Air China's financial results improved compared to the 12 months ended 30th September 2018.

In October 2019, the Cathay Pacific group's equity and economic interest in Air China Cargo Company Limited (ACC) of 49% was reduced to 34.78%, when the China National Aviation Holding Company (CNAHC) group injected equity interests and cash to increase its shareholding in ACC to 65.22%. A gain of HK\$114 million was recorded on this deemed partial disposal.

ACC's 2019 financial results worsened from 2018.

OUTLOOK

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

The passenger business is expected to be under severe pressure this year and the cargo business will continue to face headwinds. However, there is cautious optimism about cargo following the recent reduction in US-China trade tensions and cargo capacity has been maintained intact. The US dollar is expected to remain strong in 2020, and intense competition, especially in long-haul economy class, will continue to place significant pressure on passenger yields.

Augustus Tang

HONG KONG AIRCRAFT ENGINEERING COMPANY (HAECO) GROUP

Financial Highlights

	2019 HK\$M	2018 HK\$M
Revenue		
HAECO Hong Kong	4,612	4,253
HAECO Americas	2,730	2,644
HAECO Xiamen	2,138	2,165
TEXL	4,978	4,893
Others	1,443	937
	15,901	14,892
Operating profit	1,048	1,140
Attributable profit/(loss)		
HAECO Hong Kong	243	261
HAECO Americas	(190)	(290)
HAECO Xiamen	225	233
TEXL	180	182
Share of profits of:		
HAESL	415	374
Other subsidiary and joint venture companies	186	191
Attributable profit (excluding non-recurring items)	1,059	951
Impairment charges in respect of:		
Goodwill	(204)*	–
Customer relationships	(30)*	–
Gain on acquisition of additional interests in a joint venture company which became a subsidiary	–	42
Attributable profit	825	993
Swire Pacific share of attributable profit	825	760

* representing impairment charges of HAECO Americas

Note: In November 2018 (when a scheme of arrangement became effective) HAECO became a wholly-owned subsidiary of Swire Pacific. Before that HAECO was 75% owned by Swire Pacific.

Operating Highlights

		2019	2018
Airframe services manhours sold			
HAECO Hong Kong	Million	2.80	2.70
HAECO Americas	Million	3.22	2.85
HAECO Xiamen	Million	4.07	4.11
Line services movements handled			
HAECO Hong Kong	Thousand	116	117
Mainland China and overseas	Thousand	45	46
Engines overhauled			
TEXL		88	90
HAESL		244	212

2019 AVIATION MAINTENANCE AND REPAIR INDUSTRY REVIEW

There is continued growth in worldwide aircraft fleets, particularly in Mainland China and elsewhere in Asia. More aircraft means in principle more demand for their maintenance and repair. But new aircraft engines, components and airframes need less maintenance, and original equipment manufacturers are doing more maintenance and repair. This is partly offset by the need to maintain more sophisticated seats and in-flight entertainment systems. On balance, maintenance and repair demand is still expected to grow in the medium and longer term.

2019 RESULTS SUMMARY

In 2019, most HAECO businesses performed solidly and (disregarding impairment charges) there were lower losses at HAECO Americas. The HAECO group overall reported an attributable profit of HK\$825 million in 2019, including impairment charges of HK\$234 million in respect of intangible assets (including goodwill) attributable to HAECO Americas. This compares with a profit of HK\$993 million on a 100% basis in 2018, including a gain of HK\$42 million associated with the acquisition of additional interests in a joint venture company.

Disregarding the impairment charges in 2019 and the gain associated with the acquisition of additional interests in a joint venture company in 2018, the HAECO group's 2019 attributable profit was HK\$1,059 million, compared with HK\$951 million on a 100% basis in 2018. The higher profit primarily reflected reduced losses at HAECO Americas and growth in the volume of work at HAESL.

A total of 10.09 million airframe services manhours were sold by HAECO Hong Kong, HAECO Americas and HAECO Xiamen in 2019, 0.43 million more than in 2018. There was more airframe services work at HAECO Hong Kong and HAECO Americas in 2019. There was less airframe services work at HAECO Xiamen.

At 31st December 2019, HAECO had outstanding capital commitments of HK\$5,686 million.

HAECO Hong Kong

HAECO Hong Kong recorded a 7% decrease in recurring profit in 2019, to HK\$243 million. This mainly reflected higher finance expenses due to the adoption of a new accounting standard in relation to leases. Excluding the impact of this new accounting standard, the profit would have increased by 7%, with more airframe services work and a better work mix in line services.

2.80 million airframe services manhours were sold in 2019, 4% more than those in 2018. In line services, approximately 116,000 aircraft movements were handled in 2019, slightly below those in 2018. The reduction in volume was more than offset by a better work mix.

HAECO Americas

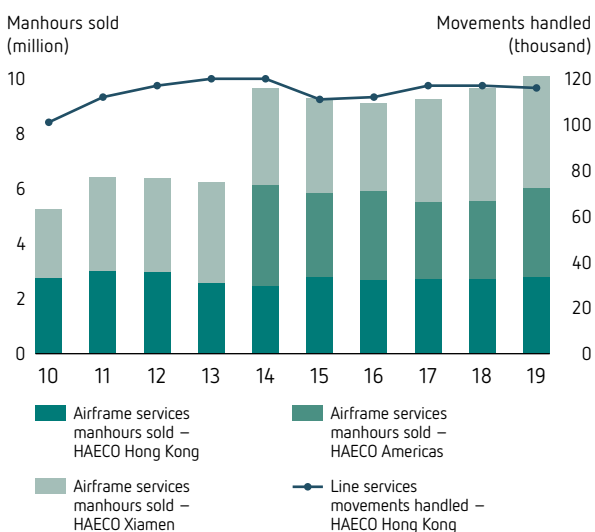
HAECO Americas recorded a loss of HK\$424 million in 2019 (including impairment charges of HK\$234 million in respect of intangible assets (including goodwill)), HK\$134 million higher than the loss of HK\$290 million in 2018. Excluding the impairment charges, HAECO Americas' 2019 loss was HK\$190 million, HK\$100 million less than in 2018. The reduced loss reflected more airframe services work, efficiency gains and higher margins from seat sales.

Demand for HAECO Americas' airframe services increased. 3.22 million manhours were sold in 2019 compared with 2.85 million in 2018. The fifth hangar at Greensboro was used more, and more higher margin work was done.

Fewer seats were sold, but at higher margins. More Panasonic communication equipment installation kits were sold. Interior reconfiguration margins were lower.

As required by applicable accounting standards, a review of the carrying value of the business of HAECO Americas was undertaken. As a result of this review (which took into account the prospects for the cabin solutions business), impairment charges of HK\$234 million were made in 2019 in respect of intangible assets (including goodwill).

HAECO group – Key Operating Highlights



HAECO is one of the world's leading independent aircraft engineering and maintenance groups.



HAECO Xiamen

HAECO Xiamen recorded a 3% reduction in profit attributable to HAECO in 2019, to HK\$225 million. This primarily reflected an adverse foreign exchange movement. Disregarding this movement, the profit was slightly higher than in 2018. There was less airframe services work, but more parts manufacturing work.

In airframe services, 4.07 million manhours were sold in 2019, slightly lower than in 2018. Revenue from parts manufacturing work increased by 28% in local currency terms. In line services, a total of 22,000 aircraft movements were handled in 2019, 3% more than in 2018.

TEXL

TEXL recorded a 1% decrease in profit attributable to HAECO in 2019, to HK\$180 million. In 2019, TEXL performed 49 performance restoration worksopes and 39 quick turn worksopes on GE90 aircraft engines (compared with 52 performance restoration worksopes and 38 quick turn worksopes in 2018). The reduction in profit in 2019 principally reflected slightly lower demand for GE90 aircraft engine performance restoration services.

HAESL

HAESL recorded an 11% increase in profit attributable to HAECO in 2019, to HK\$415 million. The increase in profit reflected an increase in engine volume and a heavier work mix. 244 engines were overhauled in 2019, compared with 212 in 2018. HAESL continues to invest heavily in new facilities and tooling, and to recruit additional manpower, in order to accommodate further growth.

Other Principal Subsidiary and Joint Venture Companies

HAECO ITM provided inventory technical management services for an average of 296 aircraft in 2019, 2% more than in 2018. However, its operating profit in 2019 was lower than in 2018. This mainly reflected higher operating costs. The 2019 result was also adversely affected by prior year adjustments relating to revenue.

HAECO Landing Gear Services and HAECO Composite Services both recorded higher profits in 2019 than in 2018. They did more work.

OUTLOOK

Demand for HAECO's airframe services is expected to be affected by less airframe maintenance being required as a result of COVID-19's effect on aircraft usage. Demand for line services in Hong Kong is being affected by a reduction in flights caused by COVID-19. Demand for engine services is expected to increase (though in time COVID-19's effect on aircraft usage will have some effect), with a varied mix of work. More seats are expected to be sold. Forward bookings for cabin integration work are low.

In May 2019, the Xiamen municipal government advised HAECO Xiamen that construction of a new airport in the Xiang'an district of Xiamen had been approved by the Chinese Central Government. Management is discussing with the Xiamen authorities the relocation of HAECO Xiamen's premises from the existing location to the new airport, which will be material to its operations in Xiamen.

Frank Walschot