

FS responds to media enquiries on business restructuring of Cathay Group

In response to media enquiries on the business restructuring plan announced by Cathay Pacific Airways Limited (Cathay Group) today (October 21), the Financial Secretary, Mr Paul Chan, said the following:

“The aviation industry worldwide has been hard hit by the COVID-19 pandemic. As Hong Kong's most important local airline, the Cathay Group is also facing unprecedented operational and financial pressure. If this life-or-death issue is not properly addressed, the situation would harm Hong Kong's international aviation hub status and development in the region, and adversely impact other local economic activities to the detriment of the overall interests of Hong Kong.

“The purpose of the Government's investment in the Cathay Group through the Land Fund is to help the Group weather the extreme business environment, uphold Hong Kong's status as an international aviation hub in the region and keep any adverse impact to other aspects of the economy at bay, while at the same time generate a return for the Government. When we injected capital this June, we stated clearly that the Government has no intention of becoming a long-term shareholder of the Cathay Group or participating in its daily operation, which is still in the hands of its board of directors and management. At that time, the Cathay Group had already said that it will pay close attention to the business environment and conduct assessment, and submit in the fourth quarter of this year to the board of directors a proposal on its mode of business operation and the scale most suitable to the Group to satisfy Hong Kong's air travel demand and sustain the Group's operation. The Cathay Group subsequently filed an application under the Government's Employment Support Scheme with a view to continuing its operation while safeguarding employment.

“As a matter of fact, the business environment has been made very difficult for the aviation industry by the epidemic around the globe in the past six months or so. In spite of support from their governments or state funds, many major international airlines have inevitably resorted to downsizing or business restructuring to lower costs, with a view to tiding over this difficult period.

“The business restructuring plan is a commercial decision by the Cathay Group. Though without the right to vote, the two observers appointed by me to the Cathay Group's board of directors have expressed opinions on its plan and reminded the Group's management of the need to keep the impact caused to its employees and the society to the minimum in restructuring its business.

“As the supervisory body, the Transport and Housing Bureau has already required the Cathay Group, in adjusting its operation mode and scale, to fully consider the potential impact on Hong Kong's status as an international

aviation hub and the aviation network, and to ensure that the Group is well equipped to start off again after the epidemic and provide impetus for the relaunch of the local aviation industry as well as Hong Kong's overall economy."