



Notice via email

Date : 21 October 2020

From : Cathay Pacific Airways Limited

To : Trade Partners

Cathay Pacific Group announces corporate restructuring

Dear Valued Travel Partner,

We hope you and your team are keeping well during these unprecedented times. We understand that these have been challenging times for everyone in the travel industry. In line with the challenges our industry is facing, you may have read the news about the changes in our company and network operation.

Major elements of the changes include reducing approximately 8,500 positions across the entire Group. In addition, Cathay Dragon, the Group's wholly owned regional subsidiary, will cease operations with immediate effect. We will seek regulatory approval for a majority of Cathay Dragon's routes to be operated by Cathay Pacific and HK Express, a wholly-owned subsidiary. Our aim is to create a more focused, efficient and competitive business.

We have attached a copy of the press release for your kind information. Please also visit our [website](#) for more details on assisting your customers holding Cathay Dragon flights.

Rest assured, our team remains committed to moving our mutual business interests forward. Most of all, our team remains ready to serve you and your customers.

Thank you for your continued business and partnership in these difficult times, and we wish you, your family and your colleagues a safe and healthy time ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Patton Chan", written in a cursive style.

Patton Chan
General Manager Sales & Distribution, Hong Kong and GBA

Encl. Press release on 21 October 2020

Cathay Pacific Group announces corporate restructuring

Group will cease Cathay Dragon operations, and reduce workforce and passenger capacity as it adapts to the new travel reality



The Cathay Pacific Group today announces a corporate restructuring in response to the continued impact of the COVID-19 pandemic on the aviation market.

The restructuring will enable the Company to secure its future, so it can protect as many jobs as possible, whilst meeting its responsibilities to the Hong Kong aviation hub and its customers.

The Group will create a more focused, efficient and competitive business. It will do this by harnessing Cathay Pacific's strengths and unparalleled customer experience, while leveraging the potential of its low-cost carrier, HK Express.



Major elements of the restructuring include:

- Reducing approximately 8,500 positions across the entire Group, which accounts for around 24% of its established headcount. Through a recruitment freeze and natural attrition, the Group has been able to reduce this to 5,900 actual jobs (or 17% of its established headcount). This means some 5,300 Hong Kong-based employees being made redundant, and approximately 600 employees based outside of Hong Kong also possibly being affected subject to local regulatory requirements.
- Cathay Dragon, the Group's wholly owned regional subsidiary, will cease operations with immediate effect. It is intended that regulatory approval will be sought for a majority of Cathay Dragon's routes to be operated by Cathay Pacific and HK Express, a wholly-owned subsidiary.
- Hong Kong-based cabin and cockpit crew members of Cathay Pacific will be asked to agree to changes in their conditions of service which are designed to match remuneration more closely to productivity and to enhance market competitiveness.
- Executive pay cuts will continue throughout 2021 and a third voluntary Special Leave Scheme for non-flying employees will be introduced for the first half of next year. There will be no salary increases for 2021 nor the payment of the annual discretionary bonus for 2020 across the board for all employees. Outport colleagues will be subject to local arrangements.

Cathay Pacific Chief Executive Officer Augustus Tang said: "The global pandemic continues to have a devastating impact on aviation and the hard truth is we must fundamentally restructure the Group to survive. We have to do this to protect as many jobs as possible, and meet our responsibilities to the Hong Kong aviation hub and our customers.

"Our immediate priority is to support those affected by today's announcement. We are deeply saddened to part ways with our talented and respected colleagues, and I want to thank them for their hard work, achievements and dedication."

Cathay Pacific will be offering severance packages that go well beyond statutory requirements. It will also be extending medical benefits and staff travel entitlements, as well as providing counselling and job transition support services. There will be no offset against pension contributions.



Mr Tang said: "We have taken every possible action to avoid job losses up to this point. We have scaled back capacity to match demand, deferred new aircraft deliveries, suspended non-essential spend, implemented a recruitment freeze, executive pay cuts and two rounds of Special Leave Schemes.

"But in spite of these efforts, we continue to burn HK\$1.5-2 billion cash per month. This is simply unsustainable. The changes announced today will reduce our cash burn by about HK\$500 million per month.

"We have studied multiple scenarios and have adopted the most responsible approach to retain as many jobs as possible. Even so, it is quite clear now recovery is going to be slow. We expect to operate well under 25% of 2019 passenger capacity in the first half of 2021 and below 50% for the entire year."

On Cathay Dragon, Mr Tang said: "Over its 35 years, Cathay Dragon has earned a well-deserved reputation for excellence, thanks to its outstanding service and distinct hospitality, delivered by a remarkable team.

"Whilst this is a difficult time, we are a resilient Group and a proud Hong Kong brand. I believe in this plan and I know we will prevail. We remain absolutely confident in the long-term future of Cathay Pacific, the Hong Kong aviation hub and the critical role Hong Kong will play in the Greater Bay Area and beyond."

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