

2000 in Review

BUILDING FOR THE FUTURE

The year 2000 was an eventful one for Cathay Pacific. We embarked upon a major expansion plan involving a significant increase in our fleet, the addition of new staff, extra flights and new destinations, and the introduction of a range of new products and services. We also unveiled a number of new e-Business strategies which will help revolutionise the way we do business.

REFINING OUR PRODUCT

- Cathay Pacific will extend its popular new First Class cabin to the Airbus aircraft with the installation of the new cabins on twelve A340s and four A330s which began in early 2001.
- We also announced that we will become one of the first airlines to offer inflight email and Intranet on our entire fleet, with installation commencing in the middle of 2001.
- We have also implemented major new developments at The Wing, our First Class and Business Class lounges at Hong Kong International Airport, including a new day spa which was opened in February. In addition we have introduced wireless Internet access, which means our passengers now have access to the Internet directly from laptop computers or WAP mobile phones anywhere in the lounge.
- We began offering our passengers some of the world's best inflight food with dishes from one of Hong Kong's most famous Chinese restaurants. The "Best Chinese Food in the Air" promotion started in October with a selection of Chinese cuisine from the acclaimed Yung Kee Restaurant.
- The Asia Miles travel reward programme has also grown in 2000 with the addition of new partners during the year. In particular, a new dining category was added to allow members to earn miles at their favourite restaurants. Asia Miles now has over 60 partners and 800,000 members.
- Once again, Cathay Pacific received a number of awards during the year, including the best managed airline in Asia by Aviation Week & Space Technology, Asia's SuperBrand for airlines in the Reader's Digest SuperBrands 2000 Survey and an award for serving the most outstanding single wine by Business Traveller magazine.

NEW DESTINATIONS – NEW PARTNERSHIPS

- The oneworld global airline alliance continued to deliver benefits to Cathay Pacific by offering passengers seamless travel across the alliance's network of more than 550 destinations.
- The Cathay Pacific global network has been further strengthened with the addition of 24 new flights a week in its Summer 2000 Schedule and a further 20 in its Winter 2000 Schedule. These new flights are mainly to regional destinations.
- Two new passenger destinations were added to the network in 2000. Services to Karachi started in September whilst Wellington joined the network in July through a codeshare agreement with Qantas New Zealand. Passenger services to Delhi will be launched in March 2001.
- During the year, Cathay Pacific also entered new codeshare agreements with British Airways, Malaysian Airlines and Turkish Airlines.
- Freighter services were introduced to three new destinations: Delhi, Penang and San Francisco. This means that Cathay Pacific's freighter aircraft now fly to 19 destinations worldwide.

- In March, Cathay Pacific commenced joint operations with DHL Worldwide Express at Hong Kong International Airport by launching overnight express cargo and passenger flights between Hong Kong and Osaka, Seoul, Singapore and Taipei.
- As part of our continual research into new routes, we operated a commercial transpolar flight from Toronto to Hong Kong using the long-range A340-300. The flight was a trial for launching non-stop flights between Hong Kong and the East Coast of North America with a much reduced flight time.

OUR FLEET GETS BIGGER AND BETTER

- During 2000, we took delivery of a new B747-400 freighter and a B777-200 aircraft, and placed additional orders for five A330s and one B747-400 freighter – all scheduled for delivery in 2001. Together with the previous orders, eight new A330s and two new B747-400 freighters will join the fleet by the end of 2001.
- In addition, we have agreed to lease four A340-300s which will be delivered in 2001 and will coincide with the expiry of the lease of three A340-300s from Air China.
- As a result the number of aircraft operated in 2001 will increase by eleven – a 17% increase in fleet size.
- We signed a five year lease agreement with ILFC for three A340-600s to be delivered in 2002 and 2003.
- We have also been involved in discussions with the leading aircraft manufacturers throughout the year on the possible acquisition of new long-haul aircraft.
- Our passenger fleet had an average age of just 5.5 years at the end of 2000, among the lowest of major airlines.

FLEET PROFILE

Aircraft type	Number per fleet as at 31st December 2000				Firm orders			Expiry of operating leases			Options	
	Owned	Leased		Total	'01	'02	'03	Total	'01	'02		'03
		Finance	Operating									
Aircraft operated by Cathay Pacific:												
B747-400	2	15	2	19					1	1		
B747-200F	3	1		4								
B747-400F	1	2		3	2			2				
B777-200	1	4		5								
B777-300		7		7								3 ^(a)
A330-300		12		12	8			8				1 ^(b)
A340-300		11	3	14	4			4 ^(c)	3			
A340-600						2	1	3 ^(c)				
Total	7	52	5	64	14	2	1	17	3	1	1	4
Aircraft not operated by Cathay Pacific:												
B747-200	2			2								
B747-300	2	4		6 ^(d)								
B747-200F		3		3 ^(e)								
Total	4	7		11								

(a) Operating lease options, expiring in 2007, are for any B777 model.

(b) Option, to be exercised in 2002, is interchangeable between A330/A340.

(c) Aircraft on five year operating leases.

(d) One aircraft not leased out as at 31st December 2000.

(e) Aircraft operated by AHK.

WELCOMING THE NEW TECHNOLOGIES

- With the firm aim of becoming Asia's leading e-Business airline, we have unveiled a series of e-Business projects in the areas of passengers, cargo, procurement, internal procedures and future opportunities.
- We relaunched our flagship website, www.cathaypacific.com in October, together with an enhanced version of the new cargo website www.cathaypacificcargo.com.
- We also became a founding shareholder of a portal offering online travel sales to both the public and travel agents. The portal will be launched in the middle of 2001.
- In addition, Cathay Pacific joined with 12 other airlines to launch Aeroxchange, the industry's largest e-Business procurement marketplace, which commenced operations in October.
- In order to give our passengers greater choice and convenience, we are introducing a range of e-Business services. These include notiFLY, the flight paging service, inflight email and Intranet and wireless Internet access for passengers at The Wing in Hong Kong International Airport.
- As a major contribution to increased efficiency and cost-effectiveness, we have launched a number of e-Business initiatives to help staff work smarter. These include a world-class Intranet and e-Learning programmes.
- We became the first airline in the world to install the new global Internet network infrastructure provided by telecommunications company SITA which allows us to provide wider access, higher speed and greater reliability.
- Additionally, we signed an agreement to implement the Ultramain maintenance management and integrated logistics software which will integrate our maintenance and engineering operations.

IT'S OUR PEOPLE THAT MAKE US UNIQUE

- People have always been the biggest factor in making Cathay Pacific a world leader – both on the ground and in the air. As part of our expansion plans, we have recruited over 1,100 additional operational staff throughout the network.
- In fact, in a survey conducted by executive search company Morgan and Banks, Cathay Pacific was ranked as one of Hong Kong's three best employers. The survey polled executives from more than 300 corporations on criteria such as staff benefits, staff communications and staff training.
- Staff remuneration is reviewed regularly with reference to individual performance, market conditions and legislation. Cathay Pacific has a profit sharing scheme to reward eligible employees for their contribution to the airline's financial performance.
- The airline has improved and expanded its internal training programmes, giving staff flexible career choices and the ability to develop new skills.
- As a result of our recruitment drive in 2000, we now employ over 14,300 people in 35 countries. More than 10,000 of these are working in Hong Kong.

A VITAL ROLE IN THE HONG KONG COMMUNITY

- Hong Kong's environment and community interests have long been high on the agenda for Cathay Pacific. We have now proudly served as title sponsor for the Hong Kong Chinese New Year Parade for the past three years.
- A special offer was launched during the year for Hong Kong's senior citizens, granting a 25 percent discount on Economy Class fares to almost all destinations on our international network.
- In an effort to teach young people about the world of aviation, the first induction course for the Cathay Pacific Junior Pilot Club was organised at Cathay Pacific City in April.
- Cathay Pacific held an open day for community groups to tour our new version of the "Spirit of Hong Kong" B747-400 at Hong Kong International Airport.
- We were particularly pleased to contribute more than HK\$1.9 million to the Life Education Activity Programme (LEAP) which teaches children about the dangers of substance abuse.
- Cathay Pacific made a number of further donations to the Cathay Pacific Wheelchair Bank, which provides specially adapted wheelchairs to children suffering neuro-muscular diseases. The bank now lends out almost 150 wheelchairs.
- Other charitable events during 2000 included our "Change for Good" inflight fund-raising programme which raised a total of HK\$4.4 million for charity, and the Cathay Pacific Charitable Travel Fund which donated 314 air tickets to 171 charity organisations. We also provided air tickets to Hong Kong universities for their international student exchange programmes, and discounted air travel to Project Orbis, an organisation which helps restore sight to the blind.
- As part of a scheme to promote awareness on environmental issues among young people, we sponsored over 40 students from Hong Kong and around Asia to participate in the Cathay Pacific International Wilderness Experience Programme in South Africa.
- Cathay Pacific operations became leaner and cleaner, too, with the launch of a waste minimisation and recycling programme on our aircraft and across our ground operations. The comprehensive system to recycle waste materials helped us save over HK\$10 million and we have subsequently extended our environmental programme to a number of our affiliated aviation businesses by helping them set up Environmental Management Systems and to apply for ISO 14000 certification.
- Cathay Pacific was awarded the Eco-Business Environmental Reporting – Gold Award 2000, one of Hong Kong's leading environmental awards, for the publication of the Environmental Report 1998 and 1999.