

2004 was the second best year in the history of Cathay Pacific Airways. An improving Hong Kong economy, together with buoyant global economies led to new passenger and cargo records. 2004 would have been our best year on record had it not been for a sharp rise in the price of fuel. We have continued to expand our fleet and have further commitments for an additional 15 aircraft which will be delivered by 2007. We have also established a strategic partnership with Air China by taking a 10% stake in the Mainland carrier at its initial public offering.

AWARD WINNING PRODUCTS AND SERVICES

- We were the world's only airline to be named "Best of the Best" in luxury travel brands by the *Robb Report* in its prestigious annual survey among travel writers.
- We were awarded first place in the "Quality – Products and Services" and "Delivering on its Promises" categories in the 2004 Hong Kong Brand Admiration Survey. The airline also came second in the overall "Most Admired Brand" category.
- Our cabin crew and frontline staff uniforms are being enhanced with a refreshed look created by celebrity designer Eddie Lau. Simplified with a sharper silhouette, the uniform will be introduced in 2005.
- Our Hong Kong lounges were voted the world's best in the global Skytrax poll. We won the "Best Airline Lounge 2004" award and took the separate "Best First Class Lounge" and "Best Business Class Lounge" titles.
- The Hong Kong Tourism Board presented us with its "2004 Thank You Award" in recognition of our efforts to get Hong Kong back on its feet after SARS.
- *Business Traveller* and Wine International awarded us their "Best Business Class Cellar" and "First Class Most Original Wine List" titles along with "Best Business Class Fortified or Sweet Wine" and "Best First Class White Wine".

- The Hong Kong Association for Customer Service Excellence presented us with a "Gold" award for Support and Service and a "Silver" award for Counter Service.
- *Readers' Digest* Asia awarded us the "Platinum SuperBrand" award in its Asia's SuperBrands Survey 2004 in recognition of our outstanding quality and service.
- Asia Miles continues to grow and now has more than 2.3 million members worldwide. Members can earn and redeem Asia Miles through Cathay Pacific and 17 other world-class partner airlines, plus over 220 partners in other reward categories.

HUB DEVELOPMENT

- We commenced a daily passenger service to Beijing in December 2004 and in early 2005 we launched a three times weekly service to Xiamen. A second daily service to Beijing will be introduced later this year pending government approval.
- A daily freighter service to Shanghai commenced on 27th January 2005.
- We launched a third daily passenger service to Sydney – more than any other airline – in October 2004. A fourth weekly service to Perth will commence in 2005.
- More frequent services were introduced to Bahrain, Brisbane, Colombo, Dubai, Manila, Osaka, Riyadh, Surabaya and Taipei, further strengthening Hong Kong as a global aviation hub.



“Within two years, Cathay Pacific Airways and Air Hong Kong will together operate more than 110 wide-bodied aircraft.”

FLEET PROFILE

Aircraft type	Number as at 31st December 2004				Firm orders				Expiry of operating leases					Options
	Owned	Leased		Total	'05	'06	'07	Total	'05	'06	'07	'08	'12	
Aircraft operated by Cathay Pacific:														
B747-400	14	4	3	21 ^(a)	2	4		6			1	1	1	
B747-200F	4	3		7										
B747-400F	1	4		5	1			1						
B777-200	1	4		5										
B777-300	1	9		10	1	1		2						3 ^(b)
A330-300		23		23	3 ^(c)	1	2	6						
A340-300		11	4	15						4				
A340-600			3	3							2	1		
Total	21	58	10	89	7	6	2	15		4	3	2	1	3
Aircraft operated by AHK:														
A300-600F	2	2	1 ^(d)	5	2	2		4		1				2 ^(e)

(a) Includes two aircraft under reconfiguration and not operating.

(b) Operating lease options expire in 2007 and are for any B777 model.

(c) These aircraft are on six year operating leases.

(d) This aircraft is on a wet lease.

(e) Purchase options expire in 2005.

- We commenced a new non-stop service to New York. With our existing one-stop service via Vancouver we are the only airline to operate twice daily to New York from Hong Kong.
- New codeshare services with **oneworld** partner Iberia started to Barcelona and Madrid.
- Moscow was added to our network with a new codeshare service with Aeroflot – Russian Airlines.

THE GROWING FLEET

- At the end of the year we had 89 aircraft operating in our fleet, including 77 passenger aircraft and 12 freighters.
- We took delivery of one new B777-300 in February 2004. One of our B747-200 freighters previously leased to AHK Air Hong Kong Limited (“AHK”) was returned.
- In February 2005 we took delivery of another new B747-400 freighter.
- We are to acquire eight second hand B747-400s, two of which were delivered in 2004. These will be reconfigured before joining our passenger and freighter fleets. Cathay Pacific will be the first airline to participate in Boeing’s new B747-400 passenger-to-freighter conversion programme. We will have converted six B747-400 passenger aircraft into Special Freighters by 2007.
- Six new A330-300s and two B777-300 aircraft have been ordered and will be delivered by 2007.
- Within two years Cathay Pacific and AHK will be operating more than 110 aircraft.
- Our all-cargo subsidiary AHK took delivery of four A300-600 General Freighter aircraft in 2004. A further four A300-600s have been ordered and will be delivered by 2006.

PIONEER IN TECHNOLOGY

- The response time on our overseas websites improved significantly, enhancing the experience for our customers using these sites.
- The number of online ticket bookings and the number of online passenger check-ins doubled between 2003 and 2004.
- We completed the installation of NETVIGATOR inflight email across our entire fleet, making it available to all first and business class passengers as well as to passengers in the first ten rows of economy class.
- The use of e-tickets increased substantially. Together with our **oneworld** partners, we will be the first alliance to offer interline e-tickets on all member airlines.
- Our Ultramain aircraft maintenance management system now controls work on all aircraft fleets.

DEDICATED STAFF

- We celebrated the graduation of the 19th class in our Cadet Pilot Programme, bringing the total number of graduates to 264 since commencement in 1988. We expect 36 cadets per year to earn their wings through this programme in the future.
- In addition, another 86 First Officers and 58 Second Officers joined the Company and we expect to hire a further 110 pilots in 2005.
- We hired 597 cabin crew in 2004 and anticipate adding 1,200 more in 2005 as we add new flights and increase frequencies.
- By the end of the year, we employed more than 15,000 people in 29 countries, of which 10,800 are employed in Hong Kong.
- Cathay Pacific regularly reviews its human resource and remuneration policy in the light of local legislation, industry practice, market conditions and the performance of both individuals and the Company.

CONTRIBUTION TO THE HONG KONG COMMUNITY

- One thousand local students aged between 13 and 18 years completed our first “I Can Fly” programme through which they learnt about aviation and took part in community service activities. We have recruited another 1,000 students for the second “I Can Fly” programme.
 - We were title sponsor of the Cathay Pacific International Chinese New Year Night Parade – the centrepiece of Hong Kong’s Chinese New Year celebrations – for the seventh year.
 - We continued our 10-year association with the Life Education Activity Programme (LEAP), which teaches young people about the dangers of drug abuse and promotes healthy lifestyles. LEAP reaches 70,000 students in more than 160 schools each year.
 - We have used event sponsorship to offer new opportunities to young people in Hong Kong. Champion sportsmen and women competing in Cathay Pacific sponsored events have coached young players, Broadway actors have staged master classes for aspiring actors and 48 school children have been given scholarships to the Manchester United Soccer School in Hong Kong.
 - The tenth annual Cathay Pacific International Wilderness Experience Programme brought young people together from around the region on a nine-day ecological course in South Africa.
 - We signed a three-year contract with the Hong Kong Jockey Club to be the first ever title sponsor of the Hong Kong International Races.
 - We continued to sponsor the Hong Kong Rugby Sevens, the Hong Kong Squash Open and Hong Kong Cricket Sixes.
- The Company and staff raised more than HK\$7 million to support relief efforts for survivors of the Indian Ocean tsunami. The airline matched every staff contribution dollar for dollar.

ENVIRONMENT

- The Hong Kong Council on Smoking and Health (COSH) awarded us a Grand Award in the Hong Kong Smoke Free Workplace Leading Company Awards 2004 to recognise us providing a smoke-free working environment for employees. We were also recently granted the Indoor Air Quality Certification by the Hong Kong Government for the air quality at Cathay City.
- Our Environmental Report documents our environmental achievements and makes a commitment to integrate environmental responsibilities into our business strategy.
- Our waste management strategy ensures the systematic identification of the best methods for the management of waste from ground and flight operations and identifies areas for improvement.
- An on-going air quality monitoring programme incorporates regular monitoring of our aircraft cabins, offices and training facilities.
- Fuel efficiency and reduced emissions remain priorities and considerable effort is placed on route planning and the development of optimal flight plans to conserve fuel use.
- We sponsored the planting of 10,000 saplings as part of the Corporate Afforestation Programme on Lantau Island.