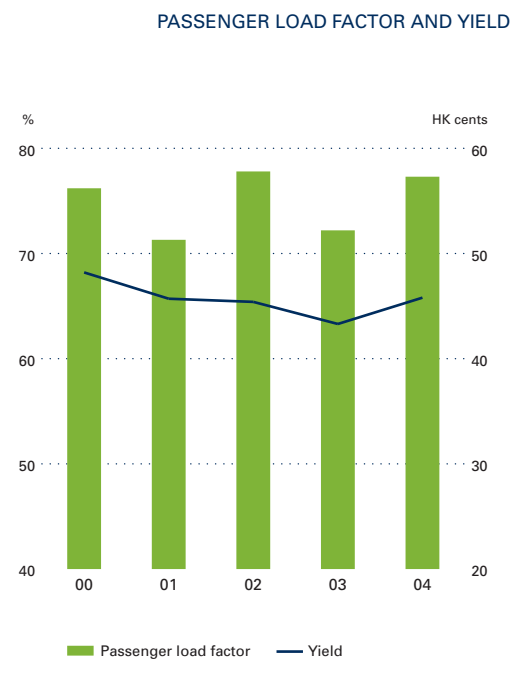
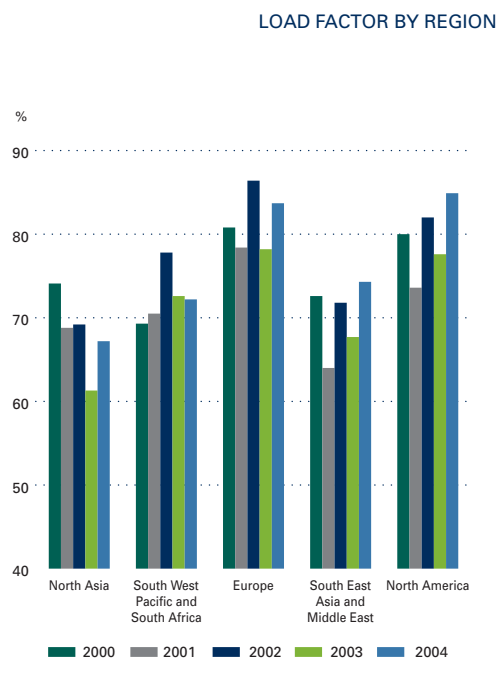


New records were set for both passenger numbers and passenger revenue as capacity increased 24.9% over 2003. Additional frequencies were added to a number of routes, a non-stop service was launched to New York and new codeshare services commenced to Barcelona, Madrid and Moscow. Demand from both business and leisure travellers remained strong throughout the year. The average load factor was 77.3%. Passenger yield increased 5.8% to HK\$45.8 cents.



AVAILABLE SEAT KILOMETRES ("ASK"), LOAD FACTOR AND YIELD BY REGION:

	ASK (million)			Load factor (%)			Yield
	2004	2003	Change	2004	2003	Change	Change
North Asia	12,290	9,436	+30.2%	67.2	61.3	+5.9%pt	-1.1%
South West Pacific and South Africa	12,466	10,109	+23.3%	72.2	72.6	-0.4%pt	+9.1%
Europe	15,194	12,712	+19.5%	83.7	78.2	+5.5%pt	+13.1%
South East Asia and Middle East	15,764	12,775	+23.4%	74.3	67.7	+6.6%pt	-1.7%
North America	18,348	14,248	+28.8%	84.9	77.6	+7.3%pt	+9.2%
Overall	74,062	59,280	+24.9%	77.3	72.2	+5.1%pt	+5.8%



“Strengthening our
network connections
in Hong Kong
and Beijing”

Comments by region are as follows:

NORTH ASIA

- We now operate a daily service to Beijing, further strengthening Hong Kong's connections to Mainland China.
- The introduction of visa-free entry into Japan spurred demand among Hong Kong leisure travellers. With an improving Japanese economy, demand from Japan also increased.
- Competition and additional capacity in the Taiwan market placed further pressure on yield.

SOUTH WEST PACIFIC AND SOUTH AFRICA

- We launched a third daily service to Sydney, more than any other airline, and added capacity to Brisbane and Melbourne. A fourth weekly service to Perth will commence in 2005.
- Another two flights to Auckland were added to the winter schedule to make it a 12 times weekly service.
- The South African market performed well with high first and business class load factors.

EUROPE

- Load factors to and from Europe remained high throughout the year with sustained demand from both leisure and business travellers.
- This demand coupled with favourable currency movements helped to raise yield, especially during the second half of the year.

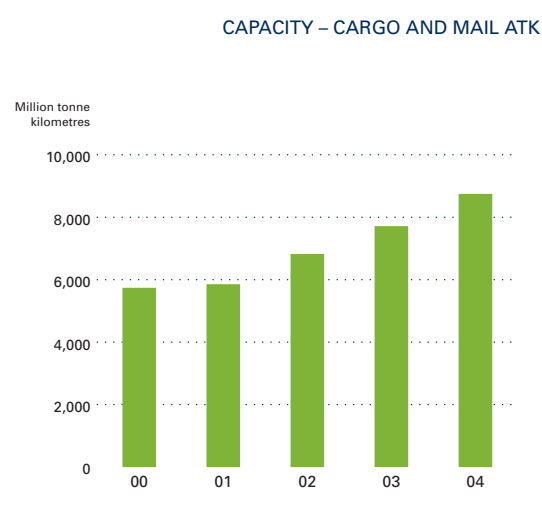
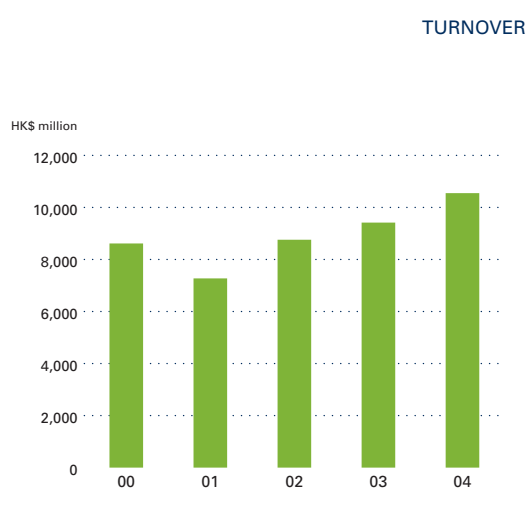
SOUTH EAST ASIA AND MIDDLE EAST

- A number of new carriers entered the market in the region and the additional capacity put pressure on yield.
- Campaigns to grow the leisure travel market between Singapore and Hong Kong stimulated demand.
- Extra flights were launched to Denpasar in the summer and to Surabaya in the winter.
- The market responded well to the new thrice weekly service between Singapore and Colombo which, with the current Colombo to Bangkok flights, created a daily Sri Lanka service.
- The Middle East performed well throughout the year and services were added to Bahrain, Dubai and Riyadh.

NORTH AMERICA

- Passenger numbers increased on all Canadian routes, though competition from other airlines maintained pressure on yield.
- Strong support from business travellers to and from the United States raised both revenue and yield.
- In addition to our daily service via Vancouver, we launched a daily non-stop service between Hong Kong and New York. Both flights were successful with high load factors in first and business class.

It was a record year for cargo tonnage and revenue. Hong Kong continues to play an important role as the gateway to the Pearl River Delta, with demand on trunk services to Europe, Japan and the United States remaining strong. The launch of freighter services to Shanghai in January 2005 was another positive step forward in the Mainland market. AHK now operates a fleet of five A300-600 aircraft, and has confirmed orders for three more, enabling it to develop Hong Kong as an express cargo hub. Cargo yield decreased 1.1% to HK\$1.76.



- At the end of 2004 we operated a fleet of five B747-400 and seven B747-200 freighter aircraft following the return of one leased B747-200 from AHK.
- Three additional wet-leased B747-200 freighters provided additional capacity.
- A new B747-400 freighter was delivered in February 2005.
- We are the world's first airline to take part in the new B747-400 passenger-to-freighter conversion programme and have so far committed to convert six aircraft with options to convert six more. The first conversion will be completed this year.
- During 2004, we carried 972,416 tonnes of freight, setting a new annual record. Cargo ATKs grew by 13.4% while load factor for the year remained at 68.7%.
- Cargo revenue grew by 12.0% to HK\$10,549 million, a new record.
- The adverse effect of higher fuel prices was partially relieved by cargo fuel surcharges.
- A thrice weekly freighter service was launched to Munich, strengthening our European operations.
- Freight services to Shanghai commenced in January 2005.

	ATK (million)			Load factor (%)			Yield
	2004	2003	Change	2004	2003	Change	Change
Cathay Pacific	8,748	7,715	+13.4%	68.7	68.7	–	-1.1%

AHK AIR HONG KONG LIMITED

- AHK, in which Cathay Pacific holds a 60% interest, is an all cargo carrier with a major focus on express cargo services for DHL Express.
- During the year, AHK expanded its express cargo network to Osaka, Penang and Taipei. It commenced operations to Seoul in February 2005. Together with Bangkok, Singapore and Tokyo, the company is now serving seven cities in Asia.
- The company took delivery of four A300-600 freighters in the second half of the year, replacing previously wet-leased aircraft. Another four A300-600 freighters will be delivered, two in 2005 and two in 2006. A B747-200 freighter was returned to Cathay Pacific in mid October.
- Capacity, due to the network expansion, increased by 47.4% over 2003 whilst the load factor increased by 2.0 percentage points.
- Yield increased by 12.0% due to the expansion of the high yield express cargo business.
- AHK recorded a higher profit in 2004 as compared to 2003.

CATHAY PACIFIC CATERING SERVICES (H.K.) LIMITED (“CPCS”)

- CPCS, a wholly owned subsidiary of Cathay Pacific, is the principal flight kitchen in Hong Kong.
- The company produced 17.7 million meals and accounts for 70% of the airline catering market in Hong Kong. Business volume increased by 35% over 2003.
- The company recorded a satisfactory profit in 2004 despite reducing meal prices and experiencing increased costs arising from the higher crude oil price and strong currencies.
- The performance of other inflight catering kitchens in Asia and Canada also recorded a healthy recovery from 2003 when the industry was badly affected by SARS.

HONG KONG AIRPORT SERVICES LIMITED (“HAS”)

- HAS, in which Cathay Pacific holds a 70% interest, is the largest franchised ramp handling company at Hong Kong International Airport.
- The company handled a record number of flights.
- As a result of the improving business environment and the continuation of stringent cost controls, HAS achieved a record profit in 2004 despite operating in a very competitive market.

HONG KONG AIRCRAFT ENGINEERING COMPANY LIMITED (“HAECO”)

- HAECO, in which Cathay Pacific holds a 27% interest, provides aircraft maintenance, modification and overhaul services at Hong Kong International Airport.
- The company achieved a consolidated profit after tax of HK\$438 million, 27% above last year.
- HAECO has signed an agreement with the Airport Authority Hong Kong to build a second hangar at Hong Kong International Airport (HKIA). The new hangar, which is scheduled to open in early 2007, will strengthen HKIA’s status as an aircraft maintenance hub.
- Taikoo (Xiamen) Aircraft Engineering Company Limited, 54% owned by HAECO and 9% owned by Cathay Pacific, had a profitable year. A fourth hangar is scheduled to open in early 2006.
- Hong Kong Aero Engine Services Limited, HAECO’s joint venture with Rolls-Royce plc and SIA Engineering Pte Limited, continued to achieve good results through high workloads.

HONG KONG DRAGON AIRLINES LIMITED (“DRAGONAIR”)

- Dragonair, in which Cathay Pacific holds a 22% interest, operates passenger services to 30 destinations in Asia, including 21 in Mainland China. Dragonair also provides freighter services to ten destinations in Europe, Middle East, Japan, Taiwan and Mainland China.

- Dragonair reported an improved profit in 2004 due to a strong recovery in passenger traffic after SARS together with the launch of new routes.
- Dragonair recorded a 51.3% increase in passenger revenue in 2004. Passenger numbers and load factor increased by 49.2% and 5.5 percentage points respectively while yield decreased by 2.3%.
- Dragonair uplifted 342,413 tonnes of cargo in 2004, 26.8% higher than 2003. Cargo revenue increased by 33.8% with the addition of a fourth freighter in July 2004. Cargo load factor decreased by 4.2 percentage points to 76.2%. Cargo yield increased by 5.8%.
- Dragonair increased the weekly passenger services to Shanghai to 87 and frequencies to most other Mainland China destinations were also increased. The company temporarily suspended scheduled services to Phuket as demand for air traffic fell substantially following the tsunami disaster.
- Dragonair took delivery of one A330, two A320s and one B747-200F during the year, increasing the fleet size to 30 by end of 2004.
- With the relaxation of Individual Travel Scheme to more provinces in Mainland China and the implementation of the Closer Economic Partnership Arrangement, Dragonair continues to be optimistic about the demand for air travel between Hong Kong and Mainland China.

	ASK / ATK* (million)			Load factor (%)			Yield
	2004	2003	Change	2004	2003	Change	Change
Passenger services	9,176	6,483	+41.5%	64.9	59.4	+5.5%pt	-2.3%
Cargo services	1,425	1,069	+33.3%	76.2	80.4	-4.2%pt	+5.8%

* Capacities of passenger and cargo services are measured in available seat kilometres ("ASK") and available tonne kilometres ("ATK") respectively.

FLEET PROFILE

Aircraft type	Number as at 31st December 2004				Firm orders			Expiry of operating leases		
	Owned	Leased		Total	'05	'06	'07 & beyond	Total	'06	'07 & beyond
		Finance	Operating							
A320	2	2	6	10	1			1	2	4
A321	2		4	6						4
A330	2	3	5	10	3*	3*		6	1	4
B747-200F	1			1						
B747-300SF	3			3						
B747-400SF						2	3	5		
Total	10	5	15	30	4	5	3	12	3	12

* Aircraft will be on operating lease.