

Cathay Pacific Airways Limited - Abridged Financial Statements

To provide shareholders with information on the results and financial position of the group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated profit and loss account for the year ended 31st December 2005 and consolidated balance sheet as at 31st December 2005.

CATHAY PACIFIC AIRWAYS LIMITED

Consolidated Profit and Loss Account

for the year ended 31st December 2005

	2005 HK\$M	2004 HK\$M
Turnover	50,909	42,761
Operating expenses	(46,766)	(37,514)
Operating profit	4,143	5,247
Finance charges	(1,605)	(1,628)
Finance income	1,161	1,045
Net finance charges	(444)	(583)
Share of profits of associated companies	269	298
Profit before taxation	3,968	4,962
Taxation	500	446
Profit for the year	3,468	4,516
Profit attributable to		
– Cathay Pacific shareholders	3,298	4,417
– Minority interests	170	99
	3,468	4,516
Dividends		
Interim – paid	676	674
Final – proposed	947	1,520
	1,623	2,194
	HK¢	HK¢
Basic earnings per share	97.7	131.4
Diluted earnings per share (note)	97.4	130.7

Note:

Cathay Pacific Airways adopted a share option scheme on 10th March 1999 whereby certain flight deck crew of Cathay Pacific Group were granted options to subscribe for a total of 68,327,000 shares at a price of HK\$7.47 per share. During the year, 10,417,000 shares were subscribed for through the exercise of such share options. Diluted earnings per share are calculated to adjust for the effects of the remaining share options not yet exercised.

Cathay Pacific Airways Limited - Abridged Financial Statements

CATHAY PACIFIC AIRWAYS LIMITED

Consolidated Balance Sheet

at 31st December 2005

	2005 HK\$M	2004 HK\$M
ASSETS AND LIABILITIES		
Non-current assets		
Fixed assets	50,156	50,259
Intangible assets	260	348
Investments in associated companies	1,731	1,743
Other long-term receivables and investments	5,453	5,589
	57,600	57,939
Current assets		
Stock	657	524
Trade and other receivables	6,538	5,347
Liquid funds	13,459	11,474
	20,654	17,345
Current liabilities		
Current portion of long-term liabilities	4,849	7,096
Related pledged security deposits	(1,286)	(2,127)
Net current portion of long-term liabilities	3,563	4,969
Trade and other payables	7,625	7,163
Unearned transportation revenues	3,864	3,622
Taxation	2,527	1,497
	17,579	17,251
Net current assets	3,075	94
Total assets less current liabilities	60,675	58,033
Non-current liabilities		
Long-term liabilities	27,745	27,698
Related pledged security deposits	(8,853)	(10,036)
Net long-term liabilities	18,892	17,662
Retirement benefit obligations	72	102
Deferred taxation	6,460	7,280
	25,424	25,044
NET ASSETS	35,251	32,989
CAPITAL AND RESERVES		
Share capital	676	674
Reserves	34,292	32,181
Funds attributable to Cathay Pacific shareholders	34,968	32,855
Minority interests	283	134
TOTAL EQUITY	35,251	32,989

Contingencies

- (a) Cathay Pacific Airways has under certain circumstances undertaken to maintain specified rates of return within Cathay Pacific Group's leasing arrangements. The Directors of Cathay Pacific Airways do not consider that an estimate of the potential financial effect of these contingencies can practically be made.
- (b) At 31st December 2005, contingent liabilities existed in respect of guarantees given by Cathay Pacific Group on behalf of associated companies and staff relating to bank loans and other liabilities of up to HK\$218 million (2004: HK\$435 million).
- (c) Cathay Pacific Airways files tax returns in many jurisdictions and in certain of these the returns have remained in dispute for a number of years. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.