

CATHAY PACIFIC AIRWAYS LIMITED



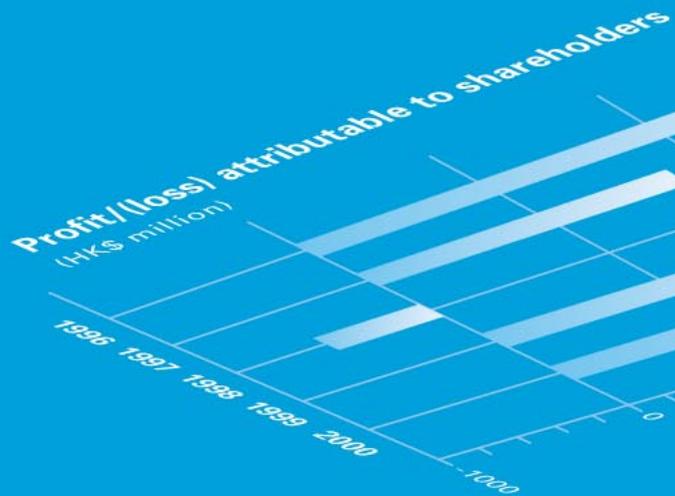
ANNUAL REPORT 2000



Contents

2	Financial and Operating Highlights
3	Chairman's Letter
8	2000 in Review
12	Review of Operations
18	Financial Review
25	Directors and Advisers
28	Directors' Report
33	Auditors' Report
34	Principal Accounting Policies
39	Consolidated Profit and Loss Account
40	Consolidated Balance Sheet
41	Company Balance Sheet
42	Consolidated Cash Flow Statement
43	Consolidated Statement of Recognised Gains and Losses
43	Reconciliation of Movements in Consolidated Shareholders' Funds
44	Notes to the Accounts
72	Principal Subsidiary and Associated Companies
74	Statistics
79	Glossary
80	Corporate and Shareholder Information

A Chinese translation of this Annual Report is available upon request from the Company's Registrars.
 本年報中文譯本，於本公司之股份登記處備索。





CATHAY PACIFIC



Cathay Pacific Airways is an international airline based in Hong Kong offering scheduled passenger and cargo services to 51 destinations around the world.

The airline is deeply committed to Hong Kong where it was founded in 1946. Cathay Pacific has made substantial investments in Hong Kong's aviation industry which, in addition to its fleet of aircraft, include catering, maintenance, ground handling and its own corporate headquarters at Hong Kong International Airport.

Cathay Pacific has a 75 percent shareholding in the all-freight carrier AHK Air Hong Kong Limited, which operates scheduled cargo services to Japan, Europe and the Middle East. In association with Hong Kong Dragon Airlines Limited, our global network extends to a further 27 destinations in China and around the region.

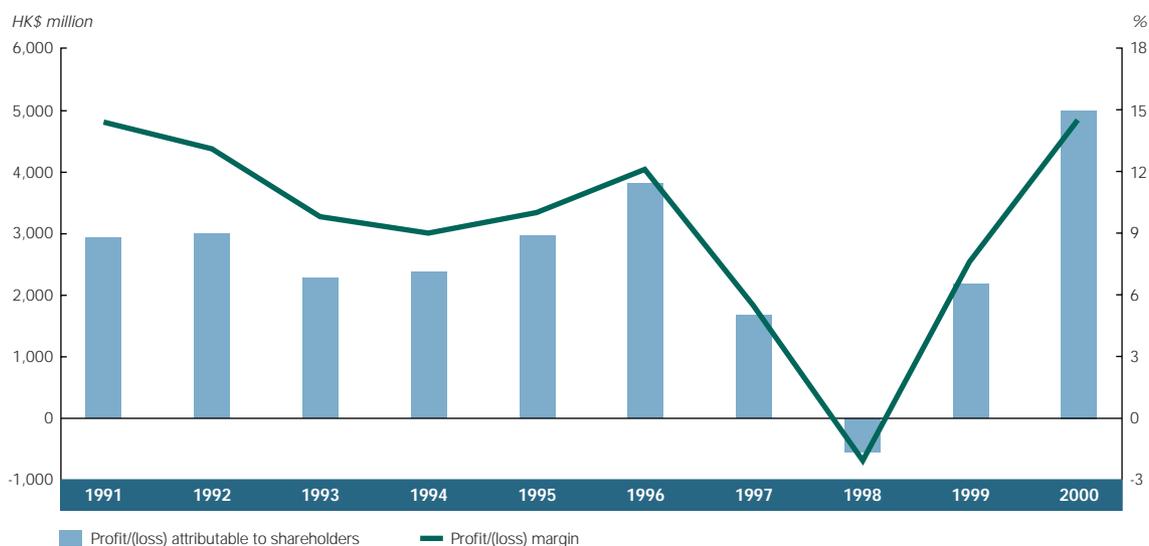
Cathay Pacific is a founder member of the oneworld global alliance whose combined network serves over 550 destinations worldwide. Other members of **oneworld** are Aer Lingus, American Airlines, British Airways, Finnair, Iberia, LanChile and Qantas.

Cathay Pacific is a member of the Swire Group and is listed on the Stock Exchange of Hong Kong.

Financial and Operating Highlights

Financial (Group)		2000	1999	Change
Results				
Turnover	<i>HK\$ million</i>	34,523	28,702	+20.3%
Profit attributable to shareholders	<i>HK\$ million</i>	5,005	2,180	+129.6%
Earnings per share	<i>HK cents</i>	148.4	64.4	+130.4%
Dividend per share	<i>HK cents</i>	65.0	30.0	+116.7%
Profit margin	<i>%</i>	14.5	7.6	+6.9%pt
Balance Sheet				
Shareholders' funds	<i>HK\$ million</i>	31,324	27,215	+15.1%
Net borrowings	<i>HK\$ million</i>	9,886	13,216	-25.2%
Shareholders' funds per share	<i>HK\$</i>	9.35	8.04	+16.3%
Net debt/equity ratio	<i>Times</i>	0.32	0.49	-0.17 times
Operating (Cathay Pacific)				
Available tonne kilometres ("ATK")	<i>Million</i>	11,630	10,867	+7.0%
Passenger load factor	<i>%</i>	76.2	71.4	+4.8%pt
Passenger yield	<i>HK cents</i>	48.2	45.4	+6.2%
Cargo and mail load factor	<i>%</i>	72.5	71.5	+1.0%pt
Cargo and mail yield	<i>HK\$</i>	2.07	1.85	+11.9%
Cost per ATK	<i>HK\$</i>	2.32	2.24	+3.6%
Cost per ATK without fuel	<i>HK\$</i>	1.86	1.94	-4.1%
Aircraft utilisation	<i>Hours per day</i>	12.9	12.4	+4.0%
On-time performance	<i>%</i>	84.0	83.5	+0.5%pt

Group profit/(loss)



Chairman's Letter

The year 2000 was a major milestone for Cathay Pacific. The Group made an attributable profit of HK\$5,005 million, compared with a profit of HK\$2,180 million in 1999. Turnover rose to HK\$34,523 million, an increase of 20.3 percent over the previous year, and a substantial turn around from two years ago.

This record result was due to the strengthening of our regional economies with the attendant increase in demand for passenger and cargo services. Passenger load factor was higher than we have achieved in the recent past with demand being particularly strong in both our Hong Kong and North Asian markets. During the year we set a new record for the number of passengers carried. However, whilst this strong demand enabled us to increase yields, these still remain below the levels we achieved before the Asian economic crisis.

Cathay Pacific's cargo operation enjoyed strong growth across most routes. Cargo turnover rose by 20.8 percent and now makes up 29.4 percent of our total revenue. The increase in our cargo business was helped by the delivery of a new Boeing 747-400 freighter aircraft and the launch of new cargo destinations.

As demand for air travel continues to grow we are increasing our capacity and during 2001 eleven additional wide-bodied aircraft will join our fleet. These aircraft will enable us to add more frequencies to key regional and long-haul destinations and will assist in the development of Hong Kong International Airport as the leading airport in Asia.

We are continuing to invest in our product and will install our very successful new First Class cabins on our long-haul Airbus fleet. We have also added new attractions at The Wing, our award-winning airport lounge in Hong Kong.

The **oneworld** global alliance and our travel reward programme, Asia Miles, continue to grow and develop and now provide significant benefits to our passengers.

Our e-Business initiatives are moving forward and include a new flagship website, a cargo website, an online travel exchange and an e-marketplace. We are confident that these and the other e-Business initiatives we have in hand will help us realise our aim of becoming Asia's leading e-Business airline.

I am particularly pleased with the financial result we achieved in the context of a 60 percent increase in the average price of fuel, which increased our total operating cost by over HK\$2 billion.

If we are to repeat or, indeed, improve upon the result in the current year, we will need stable yields and reducing unit costs. There is no doubt 2001 will be a challenging year; nevertheless, we look to the future with confidence.

I would like to end by thanking all our staff for the contribution they have made during the year; without their commitment we would not have been able to report such an excellent result.

James Hughes-Hallett

Chairman

7th March 2001

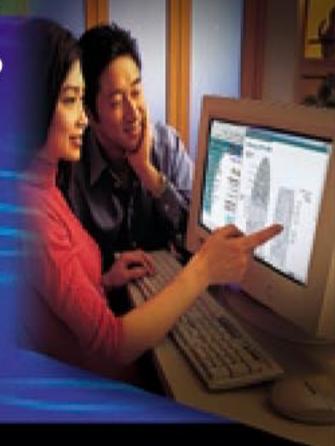


A Vision for High-Tech Travel

Cathay Pacific is making rapid progress towards its aim of becoming Asia's leading e-Business airline. Our passengers can now enjoy a whole range of innovative and state-of-the-art services throughout their journey. A variety of new and enhanced features are available at our award-winning website, www.cathaypacific.com. Here are just some of the ways where the latest technologies enable passengers to enhance their travel on Cathay Pacific.

Planning the trip

Passengers can check schedules and seat availability on Cathay Pacific flights, and book their trips online. Passengers can also access a wide range of travel information through our new Downloadable Timetable.





Online check-in

Passengers can now check in and select their seats on Cathay Pacific flights from the comfort of home with our comprehensive Online Check-In service, from 48 hours up to 90 minutes before departure.



Before flying

By registering for our notiFLY Flight Paging service, travellers can have the latest flight information sent directly to them via mobile phone or email account. They can also check the latest flight status on our website or with their WAP phones.





At the airport

Our luxurious airport lounges in Hong Kong offer free Internet access and wireless Internet access for travellers with laptop computers. Desktop computers at The Wing are installed with broadband, high-speed Internet access. These facilities are being progressively introduced at Cathay Pacific lounges around the world.



During the flight

With our new inflight email system, passengers will soon be able to send and receive emails on board using their laptop computers. Passengers will also be able to surf the "Best of the Web". In-seat power keeps laptop batteries charged throughout the flight.



Frequent-flyers

Members of The Marco Polo Club and Asia Miles can check their mileage with their personal digital assistant (PDA) or WAP phones and bid for exciting offers on our website. They will soon be able to claim awards for free flights online as well.



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.

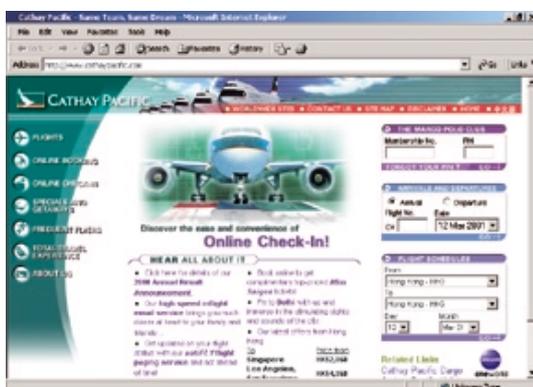
^(c) Aircraft on five year operating leases.

^(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 Aeroexchange, 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.



Review of Operations

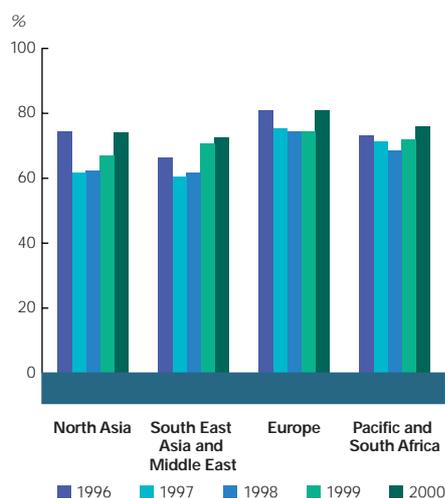
Passenger services

With the recovery of Asian economies, 2000 was an encouraging year. Passenger revenue was helped by both the increase in passenger numbers and the rise in yields. North Asian and North American routes performed strongly. However our European routes were affected by weakening European currencies.

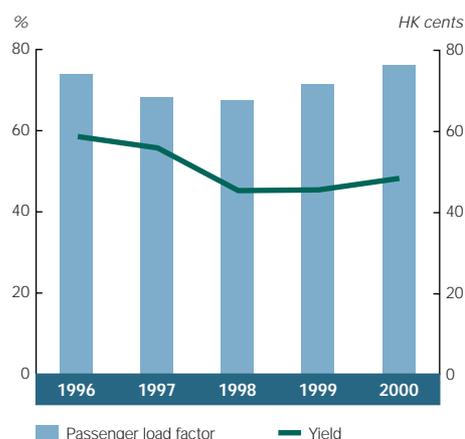
Available seat kilometres ("ASK"), load factor and yield:

	ASK (million)			Load Factor (%)			Yield
	2000	1999	Change	2000	1999	Change	Change
North Asia	9,912	9,475	+4.6%	74.1	67.0	+7.1%pt	+9.5%
South East Asia and Middle East	12,097	11,261	+7.4%	72.6	70.6	+2.0%pt	+5.2%
Europe	14,565	13,905	+4.7%	80.8	74.5	+6.3%pt	+1.4%
Pacific and South Africa	25,335	23,473	+7.9%	76.0	71.8	+4.2%pt	+7.1%
Overall	61,909	58,114	+6.5%	76.2	71.4	+4.8%pt	+6.2%

Load factor by region



Passenger load factor and yield



- Substantial growth was seen in our key markets of Australia, Canada, Hong Kong, Japan, Korea, the Philippines, Taiwan and U.S.A. The number of business-related passengers increased, improving load factors in first and business classes.

- Revenue generated from our **oneworld** alliance continued to increase with seamless travel now being offered to more offline destinations. The addition of extra frequencies helped to increase market share.

Highlights by sector are as follows:**North Asia**

- The strong yen and an increase in Japanese visitors to Hong Kong led to an improvement in the revenue earned from our Japanese routes.
- Further benefits were seen from the codeshare arrangements with Japan Airlines launched in 1999.
- The Korean market was very strong with growth recorded across all passenger classes. Our Taiwanese routes also performed well during the year.

South East Asia and Middle East

- South East Asian routes experienced a continuing recovery during 2000, and traffic between the region and the US West Coast grew substantially during the year.
- The performance of our Middle East routes remained satisfactory despite intense competition.
- Successful codeshare arrangements commenced with Malaysian Airlines in September and, in the same month, we introduced three services a week to Karachi.

Europe

- Weak European currencies adversely affected yields, although this was partly offset by increased first and business class traffic and by fare increases.

- Load factors on the European routes remained high throughout the year and our traditionally weaker routes produced improved results.
- Codeshare arrangements with Swissair enhanced the performance of the Zurich route.

Pacific and South Africa

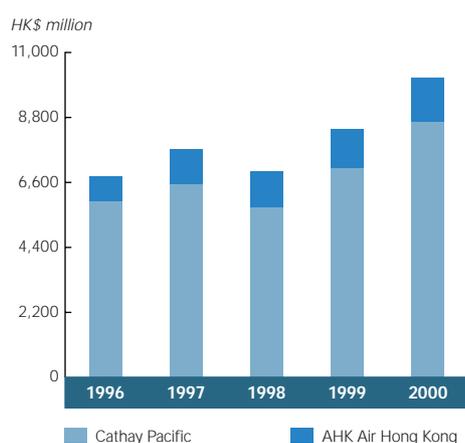
- The performance of our North American routes was outstanding in terms of both load factors and yields.
- Australian routes performed satisfactorily, although the service to Perth faced intense competition.
- Our codeshare arrangement with South African Airways further strengthened the performance of our Johannesburg route.



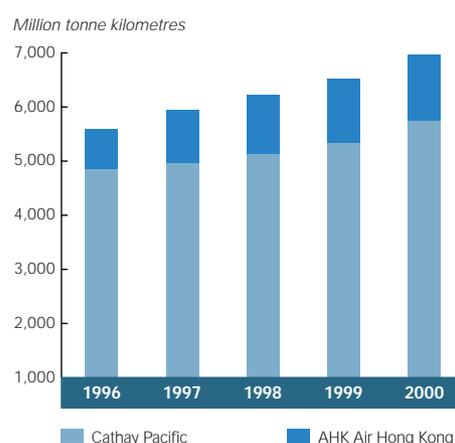
Cargo services

	ATK (million)			Cargo and mail load factor (%)			Yield
	2000	1999	Change	2000	1999	Change	Change
Cathay Pacific	5,740	5,337	+7.6%	72.5	71.5	+1.0%pt	+11.9%
AHK Air Hong Kong	1,234	1,188	+3.9%	73.9	67.6	+6.3%pt	+1.8%

Turnover



Capacity – cargo and mail ATK



Cathay Pacific Airways Limited

- Cathay Pacific Cargo operates a fleet of three B747-400 freighters and four B747-200 freighters serving 19 destinations worldwide.
- One new B747-400 freighter joined the fleet in September whilst a further two will be delivered in 2001.
- Three new freighter destinations were added: Delhi, Penang and San Francisco.
- The strong global demand for air cargo continued, leading to an excellent performance for Cathay Pacific Cargo. Turnover increased by 21.8% as compared with 1999. Approximately 65.3% of this cargo was carried by passenger aircraft, with the remainder being carried by freighters.
- Cargo available tonne kilometres grew by 5.4% for freighter aircraft and 7.6% for the fleet as a whole, whilst cargo load factors on passenger aircraft averaged 65.7%, and load factors on freighter aircraft averaged 80.1%.
- Yields on cargo shipments from Hong Kong to all major markets continued to improve and fuel surcharges were introduced during the year to help compensate for the impact of rising fuel prices.
- In March, we introduced dedicated overnight services for DHL Worldwide Express between Hong Kong and Osaka, Seoul, Singapore and Taipei. These overnight services enable DHL to offer a superior express freight product in these markets.

- Cathay Pacific Cargo introduced its own website in October. This provides our customers facilities for booking cargo space on-line and tracing the status of their shipments in real-time. Additional features will be added in the months ahead.
- A new courier service for small parcels, RPX, was introduced in November in association with sales agent Linehaul Express.

AHK Air Hong Kong Limited (“AHK”)

- AHK, a 75% owned subsidiary, is an all-cargo carrier with scheduled services to Japan, Europe and the Middle East. Services to Seoul will commence in the second quarter of 2001.



- The company operates a fleet of three B747-200 freighters leased from Cathay Pacific.
- The company reported a good profit despite higher fuel prices and increased competition.
- Capacity increased by 3.9% over 1999, whilst yields and load factors improved by 1.8% and 6.3 percentage points over 1999 respectively.

Review of affiliated businesses and associated companies

Cathay Pacific Catering Services (H.K.) Limited

- This wholly-owned subsidiary is the largest flight kitchen in Hong Kong. It serves 33 airlines, representing 64% market share in airline catering at Hong Kong International Airport.
- The company achieved an encouraging result with 14.4 million meals produced during the year. Purchasing and pricing opportunities are being explored to improve profit margins.

Hong Kong Airport Services Limited (“HAS”)

- HAS, in which Cathay Pacific holds a 70% interest, is the leading franchised ramp handling company at Hong Kong International Airport providing aircraft loading, passenger steps and air bridge operations, cargo and mail delivery and crew transport services.
- With over 30 customers, it has maintained over 50% of market share in an extremely competitive environment.
- The company is also contracted to operate passenger, staff and other bus services for the Airport Authority.
- The economic upturn generated considerable traffic growth in 2000, which has resulted in a good year for the company.

Hong Kong Dragon Airlines Limited (“Dragonair”)

	ASK/ATK* (million)			Load Factor (%)			Yield
	2000	1999	Change	2000	1999	Change	Change
Passenger services	4,885	4,398	+11.1%	66.2	62.5	+3.7%pt	+1.6%
Cargo services	754	554	+36.1%	76.2	56.6	+19.6%pt	-38.8%

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

- Dragonair, in which Cathay Pacific holds a 19% interest, is a Hong Kong-based airline operating scheduled and charter services to 27 destinations in Asia, 17 of which are in Mainland China.
- With one A321 and one A320 joining the fleet in the second quarter of 2000, Dragonair now operates a fleet of 14 aircraft and an additional two A330s and two B747-300 freighter aircraft will join in 2001.
- In April, the airline commenced a twice weekly service to Sanya. Frequencies to major destinations in Mainland China were also increased in the second half of the year and, to meet seasonal demand, a twice weekly service to Kathmandu was introduced in the Winter Schedule.
- Dragonair carried 2.7 million passengers and achieved a passenger load factor of 66.2%, representing a growth of 3.7 percentage points.
- In the second half of the year, the company operated its first ever all-cargo flights to Shanghai and Europe with a B747-200 freighter wet-leased from Atlas Air. The cargo load factor, including both freighter and passenger aircraft, improved by 19.6 percentage points to 76.2%. The cargo yield reduced by 38.8% as a result of the introduction of long-haul services.



- Fleet profile as at 31st December 2000:

Aircraft type	Number per fleet as at 31st December 2000			Firm orders				Expiry of operating leases				Options
	Leased		Total	'01	'02	'03 & beyond	Total	'01	'02	'03	'04 & beyond	
	Finance	Operating										
A320	1	5	6 ^(a)		1 ^(b)	5	6			4	1	
A321		3	3		1 ^(b)		1				3	
A330	2	3	5	2 ^(b)	1		3	1	1	1		1 ^(c)
B747-300F				2			2					
Total	3	11	14	4	3	5	12	1	1	5	4	1

^(a) One A320 has been leased out for the period June 1999 to March 2001 and is not included in the table.

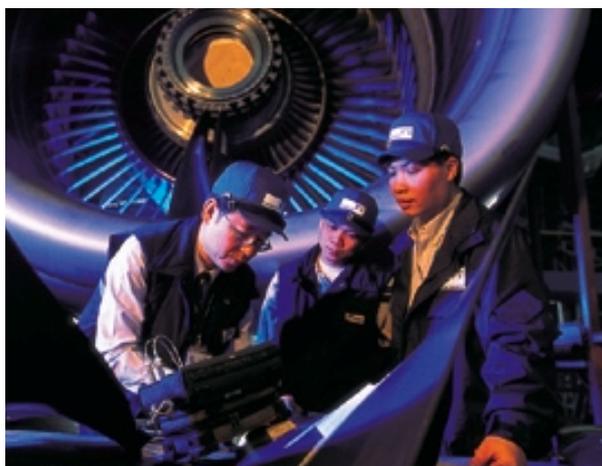
^(b) One A330 in 2001, the A320 and A321 in 2002 will be on operating leases.

^(c) Option is for aircraft delivery in 2003.

- In March, a new Air Services Agreement between the General Administration of Civil Aviation of China and the Government of Hong Kong Special Administrative Region was finalised. Dragonair's charter routes to Mainland China were upgraded to scheduled services and the representative offices in a number of major cities in Mainland China were granted full sales and ticketing rights for both passenger and cargo services.
- The airline's headquarters was relocated to Chek Lap Kok on completion of Dragonair House in June.
- In October, Dragonair introduced new uniforms for cabin crew and airport staff, and launched its new loyalty club, Elite, to provide more benefits to its valued customers.
- The company reported an improved profit as a result of an increase in passenger numbers and a rise in yields. However, higher fuel prices had a negative effect.
- With the finalisation of the new Air Services Agreement and China joining the World Trade Organisation, demand for air travel and cargo between Hong Kong and Mainland China is expected to increase. Management of Dragonair is optimistic about the future of the airline.
- The company achieved a profit after tax of HK\$400 million, 574% higher than in the previous year. This increase was mainly due to profit arising on the sale of properties and interests in joint ventures and effective cost saving initiatives.
- Line maintenance services were under severe competition at Hong Kong International Airport, whilst traffic volumes have started to rise as airlines increase capacity. Airframe maintenance activity at the hangar facility remained high.
- Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO), 42% owned by HAECO and 9% by Cathay Pacific, had a profitable year. In August, TAECO performed its first passenger aircraft to freighter conversion for a B747 aircraft and in November TAECO performed its first C check on an A330.
- Hong Kong Aero Engine Services Limited (HAESL), HAECO's joint venture with Rolls-Royce plc and SIA Engineering Pte Limited, achieved good results with higher workloads.

Hong Kong Aircraft Engineering Company Limited ("HAECO")

- HAECO, in which Cathay Pacific holds a 27% interest, provides aircraft maintenance and overhaul services at Hong Kong International Airport.



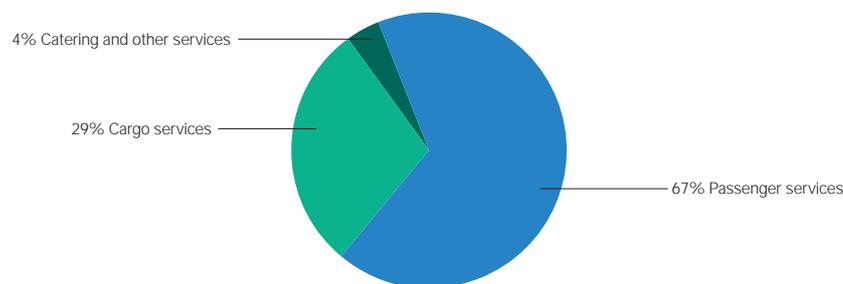
Financial Review

The Group's attributable profit was HK\$5,005 million as compared with a profit of HK\$2,180 million in 1999. The improvement reflects a further recovery in Asian markets.

Turnover

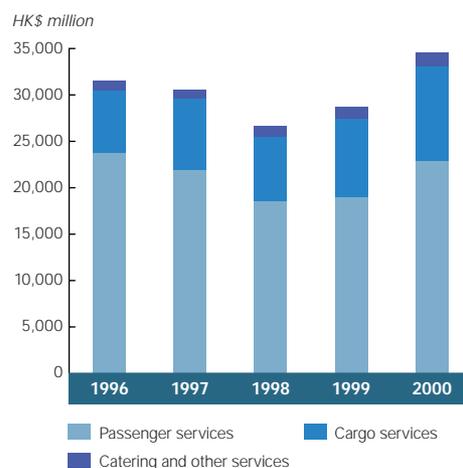
	Group		Cathay Pacific	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Passenger services	22,878	18,979	22,878	18,979
Cargo services	10,136	8,391	8,615	7,071
Catering and other services	1,509	1,332	–	–
Turnover	<u>34,523</u>	<u>28,702</u>	<u>31,493</u>	<u>26,050</u>

Composition of group turnover



- Group turnover was up by 20.3% compared with 1999.
- Turnover of passenger services rose by 20.5% to HK\$22,878 million as a result of an improvement in both load factors and yields.
- The number of passengers carried increased by 12.8% to 11.9 million.
- Passenger traffic (measured by revenue passenger kilometres) increased by 13.6% against a 6.5% increase in passenger seat capacity (measured by available seat kilometres), which resulted in an increase in the passenger load factor from 71.4% to 76.2%.
- Passenger yield improved by 6.2% to HK¢48.2 as a result of higher front-end traffic and price increases.

Group turnover



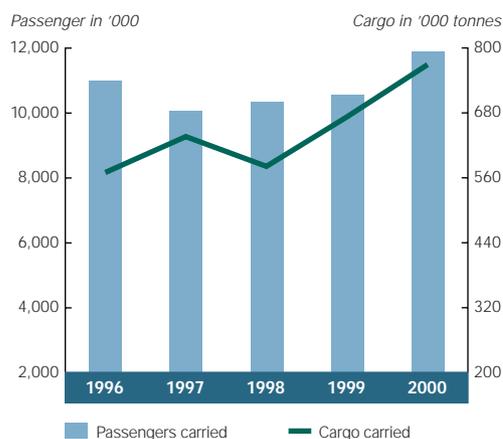
- First and business class revenues increased by 25.6% whilst economy class revenue showed a smaller increase of 16.6%.
- Turnover from cargo services reported a growth of 20.8% to HK\$10,136 million. This reflects the continued demand for exports from Asian countries and the impact of our partnership with DHL Worldwide Express which commenced in March.
- Cathay Pacific's cargo and mail load factor increased by 1.0 percentage points to 72.5% as cargo and mail revenue tonne kilometres rose by 9.0% against an increase of 7.6% in capacity. AHK Air Hong Kong's load factor increased by 6.3 percentage points to 73.9%.
- At the Cathay Pacific company level, the increase in turnover of HK\$5,443 million was a result of an increase in:

	HK\$M
+6.5% Passenger capacity	1,231
+7.6% Cargo and mail capacity	534
+4.8%pt Passenger load factor	1,334
+1.0%pt Cargo and mail load factor	105
+6.2% Passenger yield	1,334
+11.9% Cargo and mail yield	905
	5,443

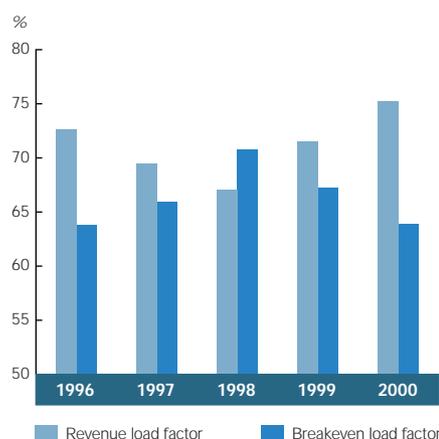
- Revenue load factor improved by 3.7 percentage points to 75.2%.
- Breakeven load factor reduced by 3.3 percentage points to 63.9%.
- Cathay Pacific's traffic turnover sensitivity is set out below:

	HK\$M
Annual effects of:	
One percentage point change in passenger load factor at 2000 passenger yield	298
One percentage point change in cargo and mail load factor at 2000 cargo and mail yield	119
One Hong Kong cent change in passenger yield per revenue passenger kilometre at 2000 passenger load factor	472
One Hong Kong cent change in cargo and mail yield per cargo and mail tonne kilometre at 2000 cargo and mail load factor	42

Cathay Pacific: passengers and cargo carried



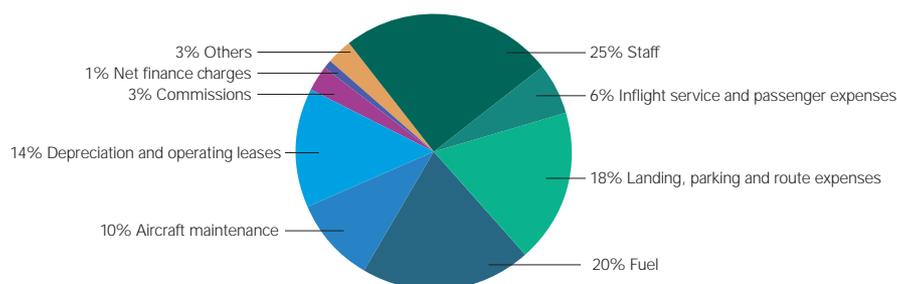
Revenue and breakeven load factor



Operating expenses

	Group			Cathay Pacific		
	2000 HK\$M	1999 HK\$M	Change	2000 HK\$M	1999 HK\$M	Change
Staff	7,482	7,299	+2.5%	6,742	6,511	+3.5%
Inflight service and passenger expenses	1,677	1,381	+21.4%	1,677	1,381	+21.4%
Landing, parking and route expenses	5,079	4,971	+2.2%	4,724	4,642	+1.8%
Fuel	5,770	3,641	+58.5%	5,319	3,357	+58.4%
Aircraft maintenance	2,920	2,714	+7.6%	2,796	2,533	+10.4%
Aircraft depreciation and operating leases	3,264	2,855	+14.3%	3,127	2,711	+15.3%
Other depreciation and operating leases	980	1,031	-4.9%	726	773	-6.1%
Commissions	719	663	+8.4%	711	657	+8.2%
Exchange loss	166	41	+304.9%	160	38	+321.1%
Others	1,177	1,295	-9.1%	686	935	-26.6%
Operating expenses	29,234	25,891	+12.9%	26,668	23,538	+13.3%
Net finance charges	367	918	-60.0%	307	855	-64.1%
Total operating expenses	29,601	26,809	+10.4%	26,975	24,393	+10.6%

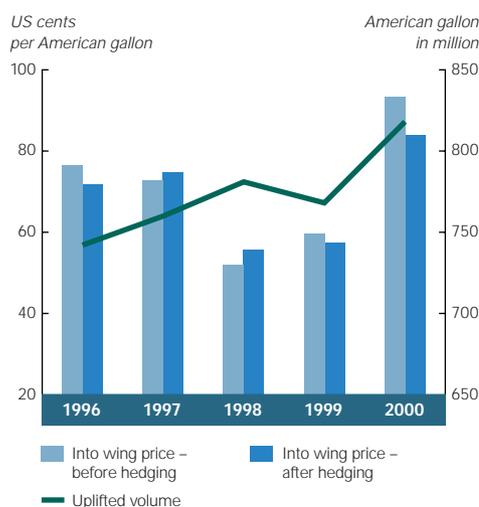
Cathay Pacific: total operating expenses



- Staff costs increased due to the increase in staff numbers arising from planned capacity growth and the re-introduction of a profit sharing scheme.
- Inflight service and passenger expenses increased as a result of the higher passenger numbers.
- Landing, parking and route expenses increased due to additional flights; lower landing and parking charges at Hong Kong International Airport helped reduce the overall increase.
- Fuel costs increased as a result of higher fuel prices.

- Aircraft maintenance costs increased primarily due to an increase in engine overhaul workload.
- Aircraft depreciation and operating lease costs increased mainly due to the full year charge in respect to aircraft which joined the fleet in 1999.
- Net finance charges decreased due to lower average borrowings and favourable interest rate movements.
- The interest cover improved to 14.4 times.
- Cathay Pacific's cost per ATK increased by 3.6% to HK\$2.32 mainly due to the higher fuel price. The cost per ATK without fuel reduced by 4.1%.

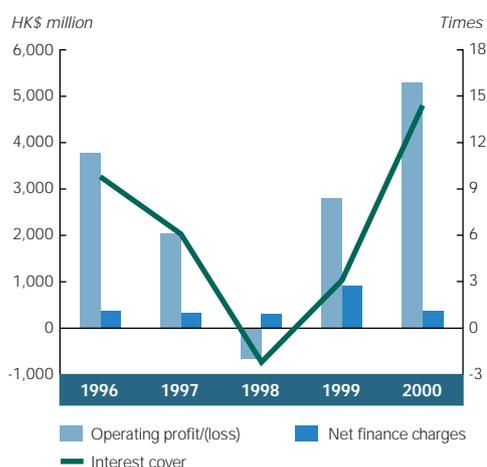
Cathay Pacific: fuel price and consumption



Associated companies

- The share of profits after tax of associated companies increased significantly by 163% to HK\$245 million.
- The increase was due to the improved performance of both HAECO and Dragonair, as compared with last year.

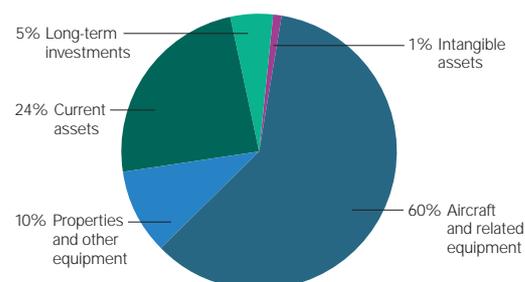
Group interest cover



Dividends

- The total amount paid and proposed for 2000 is HK\$2,182 million, representing a dividend cover of 2.3 times. Dividend per share increased by 116.7% to HK¢65.

Group total assets



Assets

- Total assets as at 31st December 2000 amounted to HK\$69,408 million.
- Additions to fixed assets were HK\$4,213 million, comprising HK\$4,127 million for aircraft purchases including advance payments and HK\$86 million for properties and other equipment.

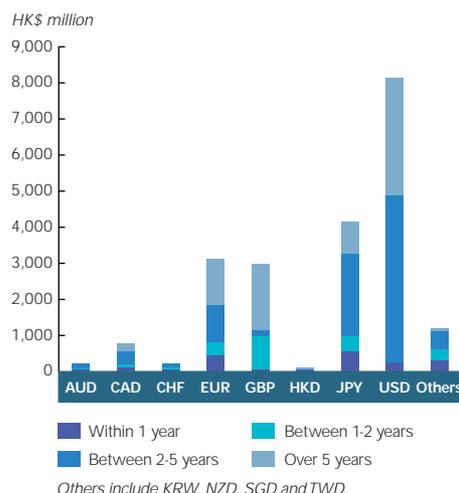
Borrowings and capital

- Borrowings decreased by 15.9% to HK\$20,838 million compared with HK\$24,783 million in 1999.
- Borrowings are mainly denominated in US dollar, Japanese yen, Sterling and Euro, and are fully repayable by 2016 with 85% being at fixed rates of interest.
- Liquid funds, 84% of which are denominated in US dollar, decreased by 4.8% to HK\$11,040 million.
- Net borrowings decreased by 25.2% to HK\$9,886 million.
- The Group's shareholders' funds increased by 15.1% to HK\$31,324 million.
- Net debt/equity ratio improved from 0.49 times to 0.32 times.

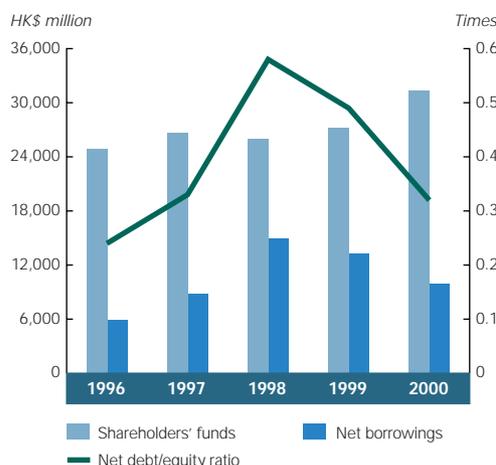
Financial risk management policy

- In the normal course of business, the Group is exposed to fluctuations in foreign currencies, interest rates and jet fuel prices.
- These exposures are managed, sometimes with the use of derivative financial instruments, by the Treasury Department of Cathay Pacific in accordance with the Group's approved policies and parameters.
- Derivative financial instruments are used solely for financial risk management purposes and the Group does not hold or issue derivative financial instruments for trading purposes.
- Derivative financial instruments which constitute a hedge do not expose the Group to market risk since any change in their market value will be offset by a compensating change in the market value of the asset, liability or transaction being hedged.

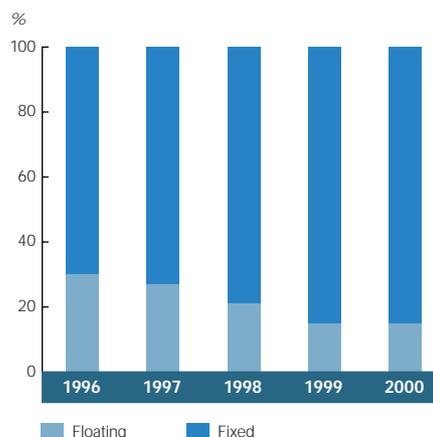
Group maturity profile by currency: borrowings



Group net debt and equity



Group interest rate profile: borrowings



Cathay Pacific: fuel hedging



- Exposure to foreign currencies, interest rates and jet fuel price movements are regularly reviewed and positions are amended in compliance with internal guidelines and limits.
- To manage credit risk, transactions are only carried out with financial institutions of high repute and all counterparties are subject to prescribed trading limits which are regularly reviewed. Risk exposures are monitored regularly by reference to market values.

Management of currency and interest rate exposures

- As an international airline, the Group's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange fluctuations.
- To manage this exposure assets are, where possible, financed in those foreign currencies in which net operating surpluses are anticipated, thus establishing a natural hedge. In addition, the Group uses currency derivatives to reduce such foreign currency surpluses.
- The use of foreign currency borrowings and currency derivatives to hedge future operating revenues is a key component of the financial risk management process, as exchange differences realised on the repayment of financial commitments are effectively matched by the change in value of the foreign currency earnings used to make those repayments.
- Derivative financial instruments are used to manage the interest rate profile of the foreign currency commitments.

Value added

The following table summarises the distribution of the Group's value added in 1999 and 2000.

	2000 HK\$M	1999 HK\$M
Total revenue	34,523	28,702
Less: Purchases of goods and services	(17,429)	(14,735)
Other costs	(804)	(764)
Value added by the Group	16,290	13,203
Add: Income from unlisted investments	42	–
Surplus on sales of investments	–	482
Share of profits of associated companies	245	93
Total value added available for distribution	16,577	13,778
<i>Applied as follows:</i>		
To employees		
– Salaries and other staff costs	7,482	7,299
To government		
– Corporation taxes	199	144
To providers of capital		
– Dividends	2,182	1,016
– Minority interests	86	84
– Net finance charges	367	918
Retained for re-investment and future growth		
– Depreciation	3,438	3,153
– Retained profit for the year	2,823	1,164
Total value added	16,577	13,778

- The Group value added increased by HK\$2,799 million due to the improvement in revenue, although the increase was partly offset by increased purchases of goods and services.
- Salaries and other staff costs grew by HK\$183 million to HK\$7,482 million.
- Dividends grew by HK\$1,166 million while the amount retained for re-investment and future growth increased by HK\$1,944 million.

Directors and Advisers

Executive Directors

James Hughes-Hallett, aged 51, has been a Director of the Company since July 1998. He was appointed Chairman of the Board in June 1999. He is also Chairman of Swire Pacific Limited, Swire Properties Limited and John Swire & Sons (H.K.) Limited. He joined the Swire Group in April 1976 and in addition to Hong Kong he has worked for the Group in Japan, Taiwan and Australia.

Robert Atkinson, aged 47, has been Finance Director of the Company since June 1997. He joined the Swire Group in 1979 and in addition to Hong Kong has also worked for the Group in Japan, the United Kingdom and the United States of America. He is also a Director of AHK Air Hong Kong Limited.

Ken Barley, aged 56, has been Director Flight Operations since December 1996. He joined the Company as an aircrew member in 1979 and was previously employed by Air New Zealand after serving as an officer in the Royal Air Force.

Philip Chen, aged 45, has been Director and Chief Operating Officer since 1st July 1998 and was previously Deputy Managing Director. He is also a Director of John Swire & Sons (H.K.) Limited. He joined the Swire Group in 1977.

Derek Cridland, aged 55, has been Engineering Director since April 1998. He joined the Company in 1982 and was previously employed by International Civil Aviation Organisation and British Airways. He is also a Director of Hong Kong Aircraft Engineering Company Limited, AHK Air Hong Kong Limited, Hong Kong Aero Engine Services Limited and Associated Engineers Limited.

David Turnbull, aged 45, has been a Director of the Company since January 1994. He has been Deputy Chairman and Chief Executive since 1st July 1998 and was previously Managing Director. He is also Chairman of Hong Kong Aircraft Engineering Company Limited, and a Director of Swire Pacific Limited and John Swire & Sons (H.K.) Limited. He joined the Swire Group in 1976.

Tony Tyler, aged 45, has been Director Corporate Development since December 1996 and was previously Director Service Delivery. He is also a Director of John Swire & Sons (H.K.) Limited, Hong Kong Aircraft Engineering Company Limited, Hong Kong Dragon Airlines Limited and AHK Air Hong Kong Limited. He joined the Swire Group in 1977 and has worked in Australia, the Philippines, Canada, Japan and Europe.

Non-Executive Directors

Robert Adams, aged 57, has been a Director of the Company since July 1996. He is an Executive Director of CITIC Pacific Limited.

Martin Cubbon, aged 43, has been a Director of the Company since September 1998. He is also Finance Director of Swire Pacific Limited, a Director of John Swire & Sons (H.K.) Limited and Swire Properties Limited. He joined the Swire Group in 1986.

Non-Executive Directors *(continued)*

Henry Fan, aged 52, has been a Director of the Company since October 1992 except for the period from March to June 1996. He was appointed Deputy Chairman in January 1997. He is Managing Director of CITIC Pacific Limited.

Lee Hon Chiu*, GBS, JP, aged 72, has been a Director of the Company since January 1989. He is Chairman of Hysan Development Company Limited, a Director of China Unicom Limited, Hang Seng Bank Limited, The Hong Kong & China Gas Company Limited and a number of other companies. He is also Chairman of the Council of The Chinese University of Hong Kong.

Vernon Moore*, aged 54, has been a Director of the Company since October 1992 except for the period from March to June 1996. He is Deputy Managing Director of CITIC Pacific Limited.

Raymond Or*, aged 51, has been a Director of the Company since February 2000. He is General Manager of The Hongkong and Shanghai Banking Corporation Limited.

Edward Scott, aged 62, has been a Director of the Company since July 1976. He is Chairman of John Swire & Sons Limited and a Director of Swire Pacific Limited and John Swire & Sons (H.K.) Limited. He joined the Swire Group in 1960.

Peter Sutch, GBS, CBE, aged 55, has been a Director of the Company since May 1983, and was Managing Director from January 1984 to June 1989 when he was appointed Deputy Chairman. He was Chairman of the Board from June 1992 to May 1999. He is also a Director of Swire Pacific Limited, John Swire & Sons Limited and Tolmount plc. He joined the Swire Group in 1966.

Sir Adrian Swire, aged 69, was Chairman of John Swire & Sons Limited from July 1987 to December 1997 and currently is a Director and Honorary President of that Company. He has been a Director of the Company since June 1965, and is also a Director of Swire Pacific Limited, John Swire & Sons (H.K.) Limited and HSBC Holdings plc.

Raymond Yuen, aged 55, has been a Director of the Company since September 1998. He is General Manager, China Affairs for the airline and is also a Director of John Swire & Sons (H.K.) Limited and Hong Kong Dragon Airlines Limited. He joined the Swire Group in 1982.

Carl Yung, aged 32, is an Executive Director of CITIC Pacific Limited and is also a Director of other companies concerned with infrastructure projects in the PRC. He joined CITIC Pacific Limited in 1993.

Zhang Xianlin, aged 47, has been a Director of the Company since August 1997. He is a Director of China National Aviation Corporation (Group) Limited and Hong Kong Dragon Airlines Limited.

* Member of the Audit Committee

Executive Officers

James Barrington, aged 41, has been Director Sales and Marketing since March 2000. He joined the Swire Group in 1982.

William Chau, aged 47, has been Director Personnel since May 2000. He joined the Swire Group in 1973.

Robert Cutler, aged 47, has been Director Service Delivery since December 1996. He joined the Swire Group in 1975.

Ian Riddell, aged 48, has been Director Information Management and e-Business since May 2000. He joined the Swire Group in 1994.

Augustus Tang, aged 42, has been Director Corporate Planning since May 2000. He joined the Swire Group in 1982.

Secretary

Paul Moore, aged 43, has been Company Secretary since October 1997. He joined the Swire Group in 1989 and has worked with the Group in Hong Kong and Japan.

Adviser to the Board

Baroness Dunn, DBE, aged 61, was a Director of the Company from December 1985 to March 1997. She is a Director of John Swire & Sons Limited, John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Marconi plc. She is also Deputy Chairman of HSBC Holdings plc.

Directors' Report

We submit our report and the audited accounts for the year ended 31st December 2000 which are on pages 34 to 73.

Activities

The Cathay Pacific Group ("the Group") is predominantly managed and controlled in Hong Kong. As well as operating scheduled airline services, the Group is engaged in other related areas, including airline catering, aircraft handling and engineering. The airline operations are principally to and from Hong Kong, which is where most of the Group's other activities are also carried out. Details are set out in note 2 to the accounts.

Details of principal subsidiary companies, their main areas of operation and particulars of their issued capital, and details of principal associated companies are listed on pages 72 to 73.

Accounts

The profit of the Group for the year ended 31st December 2000 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 39 to 73.

Dividends

We recommend the payment of a final dividend of HK¢45 per share for the year ended 31st December 2000. Together with the interim dividend of HK¢20 per share paid on 4th October 2000, this makes a total dividend for the year of HK¢65 per share. This represents a total distribution for the year of HK\$2,182 million. Subject to shareholders' approval of the final dividend at the Annual General Meeting on 16th May 2001, payment of the dividend will be on 1st June 2001 to shareholders registered on 16th May 2001. The shareholders' register will be closed from 11th May 2001 to 16th May 2001, both dates inclusive.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

Accounting policies

The principal accounting policies of the Group are set out on pages 34 to 38. A statement of the reasons for a departure from the standard accounting practices laid down by the Hong Kong Society of Accountants is set out in principal accounting policy 4.

Donations

During the year, the Company and its subsidiary companies made charitable donations amounting to HK\$4 million in direct payments and a further HK\$13 million in the form of discounts on airline travel.

Fixed assets

Movements of fixed assets are shown in note 11 to the accounts. Details of aircraft acquisitions and disposals are set out on page 9.

Bank and other borrowings

The net bank loans, overdrafts and other borrowings, including obligations under finance leases, of the Company and its subsidiary companies are shown in notes 16 and 20 to the accounts.

Share capital

During the year under review, the Company made the following purchases of its shares on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). These purchases were made for the benefit of the Company and shareholders taking into account relevant factors and circumstances at the time. All the shares purchased were cancelled.

Month	Number Purchased	Highest Price Paid HK\$	Lowest Price Paid HK\$	Total Paid HK\$
April	8,960,000	14.00	11.35	115,592,219
May	5,640,000	14.05	13.30	78,145,816
June	25,000	14.00	14.00	351,220
October	1,200,000	14.00	13.60	16,617,398
November	11,200,000	14.25	13.60	156,421,566
December	<u>6,900,000</u>	<u>14.20</u>	<u>13.40</u>	<u>94,328,882</u>
Total	<u>33,925,000</u>	<u>14.25</u>	<u>11.35</u>	<u>461,457,101</u>

At 31st December 2000, 3,350,621,848 shares were in issue (31st December 1999: 3,384,199,848 shares).

The Company adopted a share option scheme on 10th March 1999, whereby certain flight deck crew were granted options to subscribe for shares at a price not less than the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of the shares. Options to subscribe for a total of 67,837,097 shares at a subscription price of HK\$7.47 per share were granted under the share option scheme, of which options to subscribe for 67,490,097 shares were outstanding as at 31st December 2000. Other than in limited circumstances, the options in relation to 50% of the shares will become exercisable on 15th March 2002, and the balance on 15th March 2004. The options will, except in limited circumstances, be exercisable until 14th March 2009. An Extraordinary General Meeting was held on 17th May 2000 to formally ratify certain minor amendments to the original share option scheme. During the year under review, the Company issued a total of 347,000 shares for the options exercised and received HK\$2,592,090 in total for the subscription of the shares.

Commitments and contingencies

The details of capital commitments and contingent liabilities of the Group as at 31st December 2000 are set out in note 33 to the accounts.

Agreement for services

Under an agreement between the two parties, the Company reimburses costs and pays fees to John Swire & Sons Limited in exchange for services provided. This agreement can be terminated by either party giving not less than 12 months' notice to take effect on 31st December 2002 or 31st December in any subsequent year. As directors and shareholders of John Swire & Sons Limited, Edward Scott, Sir Adrian Swire and Peter Sutch are interested in this agreement.

Significant contracts

Contracts between the Company and HAECO for the maintenance and overhaul of aircraft and related equipment accounted for approximately 2.7% of the airline's operating costs in 2000. Like the Company, HAECO is an associated company of Swire Pacific Limited; all contracts have been concluded on normal commercial terms in the ordinary course of the business of both parties.

Major customers and suppliers

6.4% of sales and 27.3% of purchases during the year were attributable to the Group's five largest customers and suppliers respectively. 1.8% of sales were made to the Group's largest customer while 8.8% of purchases were made from the Group's largest supplier. HAECO is one of the Group's largest suppliers.

Directors

All the present Directors of Cathay Pacific Airways Limited whose names are listed on pages 25 to 26 served throughout the year with the exception of Raymond Or who was appointed on 1st February 2000.

During the year, Peter Lee and Tony Tyler served as alternate directors.

Article 93 of the Company's Articles of Association provides for all the Directors to retire at the third Annual General Meeting following their election by ordinary resolution. In accordance therewith, Robert Atkinson, Derek Cridland, Peter Sutch and Zhang Xianlin retire this year and being eligible, offer themselves for re-election.

No Director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' fees paid to the independent non-executive Directors during the year totalled HK\$180,000; they received no other emoluments from the Company or any of its subsidiaries.

Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange.

Directors' interests

At 31st December 2000, the register maintained under Section 29 of the Securities (Disclosures of Interests) Ordinance ("SDI") showed that Directors held the following beneficial interests in the shares of Cathay Pacific Airways Limited:

	Shares			
	Personal	Family	Other	Total
Philip Chen	9,000	–	–	9,000
Derek Cridland	17,000	–	–	17,000
James Hughes-Hallett	12,000	–	–	12,000
Lee Hon Chiu	10,000	–	–	10,000
Peter Sutch	20,000	–	–	20,000
Tony Tyler	5,000	–	–	5,000
Raymond Yuen	9,000	–	–	9,000

Neither during nor prior to the year under review, has any right been granted to, or exercised by, any Director of Cathay Pacific Airways Limited, or to or by the spouse or minor children of any Director, to subscribe for shares, warrants or debentures of Cathay Pacific Airways Limited.

Other than as stated above, no Director of Cathay Pacific Airways Limited held any interest, whether beneficial or non-beneficial, in the share capital or warrants of Cathay Pacific Airways Limited or any of its associated corporations (within the meaning of the SDI).

At no time during the year did any Director, other than as stated in this report, have a beneficial interest, whether directly or indirectly, in a contract to which Cathay Pacific Airways Limited, or any of its associated corporations, was a party which was of significance and in which the Director's interest was material.

At no time during the year was Cathay Pacific Airways Limited or any of its associated corporations, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI shows that at 31st December 2000 the Company had been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

		Remarks
1. John Swire & Sons Limited	1,526,606,246	
2. Swire Pacific Limited	1,526,606,246) Duplications of John Swire
3. John Swire & Sons (H.K.) Limited	1,526,606,246) & Sons Limited's holding
4. CITIC Pacific Limited	859,353,462	
5. Super Supreme Company Limited	<u>787,753,462</u>) Duplication of CITIC Pacific
	6,226,925,662	Limited's holding
Less: Duplications	<u>3,840,965,954</u>	
	<u><u>2,385,959,708</u></u>	

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as Auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

James Hughes-Hallett

Chairman

Hong Kong, 7th March 2001

Auditors' Report

To the shareholders of Cathay Pacific Airways Limited (Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 34 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, save as explained in accounting policy 4 on page 35.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 7th March 2001

Principal Accounting Policies

1. Basis of accounting

The accounts have been prepared in accordance with Statements of Standard Accounting Practice ("HK SSAPs") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA") with the exception of the recognition of exchange differences on certain long-term liabilities as explained in accounting policy 4 below.

2. Basis of consolidation

The consolidated accounts of the Group incorporate the accounts of the Company and its subsidiary companies made up to 31st December, together with the Group's share of the results and net assets of its associated companies.

The results of subsidiary companies are included in the consolidated profit and loss account, and the share attributable to minority interests is deducted from consolidated profit after taxation. Where interests have been bought or sold during the year, only those results relating to the period of ownership are included in the accounts.

Goodwill arising on consolidation represents the excess of the cost of subsidiary and associated companies over the fair value of the Group's share of the net assets at the date of acquisition. In prior years, goodwill was written off to reserves in the year in which it arose. With the introduction of HK SSAP 30 "Business Combinations", the Group now recognises goodwill arising on consolidation as an intangible asset and amortises it on a straight line basis over its estimated useful economic life not exceeding a period of twenty years.

This change in accounting policy has been accounted for retrospectively and the comparative statements for 1999 have been restated. The effect of the change in 1999 is to increase operating expenses and reduce operating profit by HK\$11 million. The retained profit brought forward from 1999 has been increased by HK\$187 million being the reinstatement of unamortised goodwill. The amortisation of goodwill in 2000 totals HK\$14 million.

The carrying amount of goodwill is reviewed annually and is written down if any permanent impairment arises. On disposal of a subsidiary or associated company, the unamortised goodwill is included in the calculation of any gain or loss.

Minority interests in the consolidated balance sheet comprise the outside shareholders' proportion of the net assets of subsidiary companies.

3. Associated companies

Associated companies are those companies, not being subsidiary companies, in which the Group holds a substantial long-term interest in the equity share capital and over which the Group is in a position to exercise significant management influence.

The consolidated profit and loss account includes the Group's share of results of associated companies as reported in their accounts made up to 31st December. In the consolidated balance sheet, investment in associated companies represents the Group's share of net assets.

In the Company's balance sheet, investment in associated companies is stated at cost less any provision for diminution in value, and loans to those companies. A provision for diminution in value recognises a decline, other than temporary, in the value of the investment.

4. Foreign currencies

Foreign currency transactions entered into during the year are translated into Hong Kong dollars at the market rates ruling at the relevant transaction dates whilst the following items are translated at the rates ruling at the balance sheet date:

- (i) foreign currency denominated monetary assets and liabilities (including currency derivatives).
- (ii) the balance sheets and results of foreign subsidiary and associated companies.

Exchange differences arising on the translation of foreign currencies into Hong Kong dollars are reflected in the profit and loss account except that:

- (i) to reduce its exposure to exchange rate fluctuations on future operating cash flows, the Group arranges its borrowings and leasing obligations in foreign currencies such that repayments can be met by anticipated operating cash flows. In addition the Group takes out currency derivatives to hedge anticipated cash flows. Any unrealised exchange differences on these borrowings, leasing obligations, currency derivatives and on related security deposits are recognised directly in equity via the statement of recognised gains and losses. These exchange differences are included in the profit and loss account as an adjustment to revenue in the same period or periods during which the hedged transaction affects the net profit and loss.

Although this method of accounting complies with International Accounting Standards, it does not comply with HK SSAP 11 which requires that all such exchange differences are charged to the profit and loss account immediately. The effect of this departure from HK SSAP 11 is set out in note 22 to the accounts.

- (ii) unrealised differences on net investments in foreign subsidiary and associated companies (including intra-Group balances of an equity nature) and related long-term liabilities are taken directly to reserves.

4. Foreign currencies *(continued)*

The treatment of exchange differences on foreign currency operating cash flow hedges is supported by that element of International Accounting Standards which deals with accounting for hedge transactions. In the opinion of the Directors, this treatment fairly reflects the effects of the Group's foreign currency cash flow hedge arrangements. The matching of foreign currency cash flows is a key risk management tool for the Group's airline operations. The appropriateness of continuing this treatment is assessed regularly, taking into consideration the latest operating cash flow projections of each currency. The Directors consider that the immediate recognition of all such exchange fluctuations in the profit and loss account could materially distort year on year results and conclude that the adopted treatment gives a true and fair view of the financial position, financial performance and cash flow of the Group.

5. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is calculated on a straight line basis to write down their cost over their anticipated useful lives to estimated residual values as follows:

Aircraft and related equipment	over 15 to 20 years to residual value of between 0% to 15% of cost
Other equipment	over 3 to 7 years to nil residual value
Leasehold land and buildings	over the period of the lease to nil residual value

Major modifications to aircraft and reconfiguration costs are capitalised as part of aircraft cost and are depreciated over periods of up to ten years.

The Group's depreciation policy and carrying amount of fixed assets is reviewed regularly, taking into consideration factors such as changes in fleet composition, current and forecast market prices, and technical factors which affect the life expectancy of the assets. Any impairment in value is recognised by writing down carrying value to estimated net recoverable amount.

6. Leased assets

Fixed assets held under lease agreements that give rights equivalent to ownership are treated as if they had been purchased outright at fair market value, and the corresponding liabilities to the lessor, net of interest charges, are included as obligations under finance leases.

Amounts payable in respect of finance leases are apportioned between interest charges and reductions of obligations based on the interest rates implicit in the leases.

Operating lease payments and income are charged and credited respectively to the profit and loss account on a straight line basis over the life of the related lease.

7. Intangible assets

Intangible assets comprise goodwill and expenditure on computer system development. The accounting policy for goodwill is outlined in accounting policy 2 on page 34.

In prior years, expenditure on computer system development which gives rise to economic benefits was capitalised as part of fixed assets. This expenditure has been re-classified as an intangible asset in accordance with the new HK SSAP 29 "Intangible Assets" and is being amortised on a straight line basis over its useful life not exceeding a period of four years. This change has no impact on the profit and loss account of the Group.

8. Investments

Long-term investments are stated at fair value and any change in fair value is recognised in the investment revaluation reserve. On disposal or if there is evidence that the investment is impaired, the relevant cumulative gain or loss on the investment is transferred from the investment revaluation reserve to the profit and loss account.

9. Stock

Stock held for consumption is valued at weighted average cost, less any applicable allowance for obsolescence. Stock held for disposal is stated at the lower of cost and net realisable value. Net realisable value represents estimated resale price.

10. Funds with investment managers and other liquid investments

Funds with investment managers and other liquid investments are marked to market and any gain or loss arising from their revaluation is taken to the profit and loss account.

Cash deposits and notes placed in respect of certain leasing and financing arrangements are stated at cost while other investments purchased to meet future leasing obligation repayments are stated at amortised cost.

11. Fuel price derivatives

The Group uses fuel derivatives to reduce its exposure to fluctuating fuel costs. Gains and losses on these instruments are recognised as a component of fuel expense during the period the related fuel is used.

12. Deferred taxation

Provision is made for deferred taxation using the liability method for all material timing differences except where it is considered probable that no liability will arise in the foreseeable future.

In addition, where initial cash benefits have been received in respect of certain lease arrangements, provision is made for the future obligation to make taxation payments on behalf of the lessors.

13. Maintenance and overhaul costs

Replacement spares and labour costs for maintenance and overhaul of aircraft are charged to the profit and loss account on consumption and as incurred respectively.

14. Revenue recognition

Passenger and cargo ticket sales are recognised as revenue when the transportation service is provided. The value of unflown passenger and cargo sales is recorded as unearned transportation revenue. Income from catering and other services is recognised when the services are rendered.

15. Retirement benefits

Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. The significant plans are defined benefit retirement plans and are valued every year using a prospective actuarial valuation method. The Group profit and loss account is charged each year with actuarially determined contributions based on such valuation.

16. Frequent-flyer programme

The Group operates a frequent-flyer programme called Asia Miles through a wholly-owned subsidiary. The incremental cost of providing travel in exchange for redemption of miles earned by members is accrued in the accounts as an operating cost and a future liability after allowing for miles which are not expected to be redeemed. As members redeem awards, the incremental liability is reduced to reflect the release of the outstanding obligations.

17. Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

Consolidated Profit and Loss Account

for the year ended 31st December 2000

	Note	2000 HK\$M	1999 HK\$M	2000 US\$M	1999 US\$M
Turnover					
Passenger services		22,878	18,979	2,933	2,433
Cargo services		10,136	8,391	1,299	1,076
Catering and other services		1,509	1,332	194	171
Total turnover	2	34,523	28,702	4,426	3,680
Expenses					
Staff		(7,482)	(7,299)	(959)	(936)
Route		(6,756)	(6,352)	(866)	(814)
Fuel		(5,770)	(3,641)	(740)	(467)
Aircraft maintenance		(2,920)	(2,714)	(375)	(348)
Depreciation and operating leases		(4,244)	(3,886)	(544)	(499)
Commissions		(719)	(663)	(92)	(85)
Others		(1,343)	(1,336)	(172)	(171)
Operating expenses		(29,234)	(25,891)	(3,748)	(3,320)
Operating profit	3	5,289	2,811	678	360
Finance charges		(2,731)	(2,775)	(350)	(356)
Finance income		2,364	1,857	303	238
Net finance charges	4	(367)	(918)	(47)	(118)
Profit on sale of investments	5	–	482	–	62
Share of profits of associated companies	14	279	108	36	14
Profit before taxation		5,201	2,483	667	318
Taxation	6	(110)	(219)	(14)	(28)
Profit after taxation		5,091	2,264	653	290
Minority interests		(86)	(84)	(11)	(11)
Profit attributable to shareholders	7	5,005	2,180	642	279
Dividends	8	(2,182)	(1,016)	(280)	(130)
Retained profit for the year	9	2,823	1,164	362	149
Basic earnings per share	10	148.4¢	64.4¢	19.0¢	8.3¢
Diluted earnings per share	10	147.0¢	64.0¢	18.8¢	8.2¢

The US\$ figures are for information only and are translated at HK\$7.8.

The notes on pages 44 to 73 form part of these accounts.

Consolidated Balance Sheet

at 31st December 2000

	Note	2000 HK\$M	1999 HK\$M	2000 US\$M	1999 US\$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Fixed assets	11	48,548	48,131	6,224	6,171
Intangible assets	12	411	410	53	53
Investments in associated companies	14	1,532	1,367	196	175
Other long-term receivables and investments	15	2,224	2,181	285	280
		<u>52,715</u>	<u>52,089</u>	<u>6,758</u>	<u>6,679</u>
Long-term liabilities		(36,863)	(39,380)	(4,726)	(5,049)
Related pledged security deposits		17,808	16,622	2,283	2,131
Net long-term liabilities	16	(19,055)	(22,758)	(2,443)	(2,918)
Deferred taxation	17	(7,146)	(6,714)	(916)	(861)
		<u>(26,201)</u>	<u>(29,472)</u>	<u>(3,359)</u>	<u>(3,779)</u>
Net non-current assets		26,514	22,617	3,399	2,900
Current assets and liabilities					
Stock		647	648	83	83
Trade and other receivables	18	5,006	3,832	642	491
Liquid funds	19	11,040	11,595	1,415	1,487
		<u>16,693</u>	<u>16,075</u>	<u>2,140</u>	<u>2,061</u>
Current portion of long-term liabilities		(2,918)	(2,588)	(374)	(332)
Related pledged security deposits		1,135	563	146	72
Net current portion of long-term liabilities	16	(1,783)	(2,025)	(228)	(260)
Trade and other payables	20	(5,619)	(6,052)	(720)	(776)
Unearned transportation revenue		(2,254)	(1,741)	(289)	(223)
Taxation		(620)	(659)	(80)	(85)
Proposed dividend		(1,508)	(914)	(193)	(117)
		<u>(11,784)</u>	<u>(11,391)</u>	<u>(1,510)</u>	<u>(1,461)</u>
Net current assets		4,909	4,684	630	600
Total assets less current and non-current liabilities		31,423	27,301	4,029	3,500
Minority interests		(99)	(86)	(13)	(11)
Net assets		31,324	27,215	4,016	3,489
CAPITAL AND RESERVES					
Share capital	21	670	676	86	87
Reserves	22	30,654	26,539	3,930	3,402
Shareholders' funds		31,324	27,215	4,016	3,489

The US\$ figures are for information only and are translated at HK\$7.8.

James Hughes-Hallett
Director
Hong Kong, 7th March 2001

Henry Fan
Director

The notes on pages 44 to 73 form part of these accounts.

Company Balance Sheet

at 31st December 2000

	Note	2000 HK\$M	1999 HK\$M	2000 US\$M	1999 US\$M
ASSETS AND LIABILITIES					
Non-current assets and liabilities					
Fixed assets	11	38,873	39,767	4,984	5,098
Intangible assets	12	229	211	29	27
Investments in subsidiary companies	13	25,347	25,290	3,250	3,243
Investments in associated companies	14	76	85	10	11
Other long-term receivables and investments	15	1,956	1,991	251	255
		<u>66,481</u>	<u>67,344</u>	<u>8,524</u>	<u>8,634</u>
Long-term liabilities		(32,862)	(35,465)	(4,213)	(4,547)
Related pledged security deposits		6,578	5,161	843	662
Net long-term liabilities	16	(26,284)	(30,304)	(3,370)	(3,885)
Deferred taxation	17	(7,026)	(6,564)	(901)	(842)
		<u>(33,310)</u>	<u>(36,868)</u>	<u>(4,271)</u>	<u>(4,727)</u>
Net non-current assets		<u>33,171</u>	<u>30,476</u>	<u>4,253</u>	<u>3,907</u>
Current assets and liabilities					
Stock		635	628	81	80
Trade and other receivables	18	4,303	3,364	552	431
Liquid funds	19	1,364	1,252	175	161
		<u>6,302</u>	<u>5,244</u>	<u>808</u>	<u>672</u>
Current portion of long-term liabilities		(2,751)	(2,650)	(353)	(340)
Related pledged security deposits		76	23	10	3
Net current portion of long-term liabilities	16	(2,675)	(2,627)	(343)	(337)
Trade and other payables	20	(6,152)	(6,404)	(789)	(821)
Unearned transportation revenue		(2,254)	(1,741)	(289)	(223)
Taxation		(584)	(630)	(75)	(81)
Proposed dividend		(1,508)	(914)	(193)	(117)
		<u>(13,173)</u>	<u>(12,316)</u>	<u>(1,689)</u>	<u>(1,579)</u>
Net current liabilities		<u>(6,871)</u>	<u>(7,072)</u>	<u>(881)</u>	<u>(907)</u>
Net assets		<u>26,300</u>	<u>23,404</u>	<u>3,372</u>	<u>3,000</u>
CAPITAL AND RESERVES					
Share capital	21	670	676	86	87
Reserves	22	25,630	22,728	3,286	2,913
Shareholders' funds		<u>26,300</u>	<u>23,404</u>	<u>3,372</u>	<u>3,000</u>

The US\$ figures are for information only and are translated at HK\$7.8.

James Hughes-Hallett

Director

Hong Kong, 7th March 2001

Henry Fan

Director

The notes on pages 44 to 73 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31st December 2000

	Note	2000 HK\$M	1999 HK\$M	2000 US\$M	1999 US\$M
Net cash inflow from operating activities	23	8,284	6,625	1,062	849
Returns on investments and servicing of finance					
Interest received		434	415	55	53
Dividends received from associated companies		65	48	8	6
Net interest paid		(1,568)	(1,790)	(201)	(230)
Dividends paid – to shareholders		(1,585)	(339)	(203)	(43)
– to minority interests		(73)	(87)	(9)	(11)
Net cash outflow from returns on investments and servicing of finance		(2,727)	(1,753)	(350)	(225)
Tax paid		(282)	(94)	(36)	(12)
Investing activities					
Sales of fixed assets		353	13	45	2
Payments for fixed and intangible assets	24	(3,194)	(2,651)	(410)	(340)
Net decrease in long-term receivables		53	69	7	8
Purchase of long-term investments		(85)	–	(11)	–
Receipts from disposal of an associated company		22	–	3	–
Sales of funds with investment managers		1,105	464	142	60
(Purchase)/sales of other liquid investments		(366)	222	(47)	28
Receipts from sale of investments		–	482	–	62
Net increase in short-term deposits maturing beyond three months		(3)	(38)	–	(5)
Purchase of minority interests in a subsidiary company		–	(32)	–	(4)
Repayment of loans from associated companies		6	3	1	1
Proceeds from sale of interest in a subsidiary company		–	109	–	14
Net cash outflow from investing activities		(2,109)	(1,359)	(270)	(174)
Net cash inflow before financing		3,166	3,419	406	438
Financing					
New financing	25	456	1,069	58	137
Purchases of bonds and security deposits placed	25	(2,068)	(2,552)	(265)	(327)
Loan and finance lease repayments	25	(2,138)	(2,458)	(274)	(315)
Net cash benefit from financing arrangements		504	196	65	25
Shares repurchased and issued		(458)	–	(59)	–
Net cash outflow from financing		(3,704)	(3,745)	(475)	(480)
Decrease in cash and cash equivalents		(538)	(326)	(69)	(42)
Cash and cash equivalents at 1st January		1,786	2,119	229	272
Effect of exchange differences		(61)	(7)	(8)	(1)
Cash and cash equivalents at 31st December	26	1,187	1,786	152	229

The US\$ figures are for information only and are translated at HK\$7.8.

The notes on pages 44 to 73 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses

for the year ended 31st December 2000

	2000 HK\$M	1999 HK\$M
Exchange differences on cash flow hedges		
– recognised during the year	1,648	48
– transferred to the profit and loss account	82	71
Revaluation surpluses		
– recognised during the year	11	422
– transferred to the profit and loss account	–	(482)
Exchange differences on foreign investments	–	4
Net gains not recognised in the profit and loss account	1,741	63
Profit attributable to shareholders		
– as previously reported	–	2,191
– prior period adjustment for goodwill	–	(11)
Profit attributable to shareholders (1999: restated)	5,005	2,180
Total recognised gains	6,746	2,243

Reconciliation of Movements in Consolidated Shareholders' Funds

for the year ended 31st December 2000

	2000 HK\$M	1999 HK\$M
Shareholders' funds at 1st January – as previously reported		25,795
Prior period adjustment for goodwill		193
Shareholders' funds at 1st January (1999: restated)	27,215	25,988
Total disclosed in statement of recognised gains and losses	6,746	2,243
Transactions with shareholders		
– Dividends paid and proposed	(2,182)	(1,016)
– Payment for purchase of Company's shares	(461)	–
– Dividends for purchased shares written back	3	–
– Premium received from share options exercised	3	–
Shareholders' funds at 31st December	31,324	27,215

The notes on pages 44 to 73 form part of these accounts.

Notes to the Accounts

1. Nature of operations and principal activities

The Cathay Pacific Group ("the Group") is predominantly managed and controlled in Hong Kong. As well as operating scheduled airline services, the Group is engaged in other related areas, including airline catering, aircraft handling and engineering. The airline operations are principally to and from Hong Kong, which is where most of the Group's other activities are also carried out.

2. Turnover

Turnover comprises revenue from transportation services, airline catering and other services provided to third parties.

(a) Primary reporting by geographical segment

Turnover by origin of sale	2000 HK\$M	1999 HK\$M
North Asia		
– Hong Kong and Mainland China	12,676	10,434
– Japan, Korea and Taiwan	8,030	6,101
South East Asia and Middle East	3,938	3,280
Europe	3,991	3,849
Pacific and South Africa	5,888	5,038
	<u>34,523</u>	<u>28,702</u>

South East Asia and Middle East includes Singapore, Indonesia, Malaysia, Thailand, Indian sub-continent and Middle East. Europe includes Continental Europe, United Kingdom, Scandinavia, Russia, Baltic and Turkey. Pacific and South Africa includes U.S.A., Canada, Latin America, Australia, New Zealand, Fiji, Southern Africa and Mauritius.

Analysis of turnover and profit by geographical segment:

The analysis of turnover by origin of sale is derived by allocating revenue to the area in which the sale was made. Management considers that it is not meaningful to allocate cost on this basis and accordingly segment results are not disclosed.

Analysis of net assets by geographical segment:

The major revenue-earning asset of the Group is the aircraft fleet which is registered in Hong Kong and is employed across its worldwide route network. Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information is not disclosed.

2. Turnover *(continued)*

(b) Secondary reporting by business segment

	2000 HK\$M	1999 HK\$M
Revenue – external sales		
– Passenger services	22,878	18,979
– Cargo services	10,136	8,391
	33,014	27,370
Unallocated revenue		
– Catering and other services	1,509	1,332
	34,523	28,702

The Cathay Pacific Group is engaged in two main business segments: in passenger business through Cathay Pacific Airways Limited and in freight traffic (“Cargo”) through Cathay Pacific Airways Limited and AHK Air Hong Kong Limited. Cathay Pacific catering services and other airline supporting services which supplement the Group’s operating business are included in unallocated revenue.

Analysis of net assets by business segment:

The major revenue-earning asset of the Group is the aircraft fleet which is jointly used by the passenger services and cargo services segments. Management considers it is not appropriate to allocate such assets between the two segments as there is no suitable basis for so doing. Accordingly, analysis of net assets by business segment is not disclosed.

3. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2000 HK\$M	1999 HK\$M
Depreciation of fixed assets		
– Leased	2,014	1,816
– Owned	1,424	1,337
Amortisation of intangible assets	93	58
Operating lease rentals		
– Land and buildings	357	440
– Aircraft and related equipment	616	410
– Others	37	35
Operating lease income		
– Aircraft and related equipment	(297)	(210)
Cost of stock expended	1,284	1,152
Exchange differences	166	41
Auditors’ remuneration	6	6
Income from unlisted investments	(42)	–

4. Net finance charges

	2000 HK\$M	1999 HK\$M
Net interest charges		
– Obligations under finance leases	2,253	2,275
– Interest income on related security deposits, notes and bonds	<u>(1,230)</u>	<u>(1,038)</u>
	1,023	1,237
– Bank loans and overdrafts	467	477
– Interest income on related security deposits	<u>(261)</u>	<u>(275)</u>
	206	202
– Other loans and bonds – wholly repayable within five years	<u>11</u>	<u>23</u>
	1,240	1,462
Income from liquid funds		
– Funds with investment managers	(494)	(278)
– Bank short-term deposits and loans	(151)	(108)
– Others	<u>(228)</u>	<u>(158)</u>
	(873)	(544)
	<u>367</u>	<u>918</u>

Finance income and charges relating to defeasance arrangements have been netted off in the above figures.

5. Profit on sale of investments

The profit on sale of investments in 1999 represented the gain from the sale of an indirect interest of 0.4% in Equant N.V., a company which provides an international communications network. The Group still maintains an indirect interest of 0.6% in this company.

6. Taxation

The taxation charge comprises:

	2000 HK\$M	1999 HK\$M
The Company and its subsidiary companies		
– Hong Kong profits tax	32	3
– Overseas taxation	167	141
– Deferred taxation	(9)	158
– Over provision for prior years	<u>(114)</u>	<u>(98)</u>
	76	204
Associated companies		
– Hong Kong profits tax	20	14
– Overseas taxation	<u>14</u>	<u>1</u>
	<u>110</u>	<u>219</u>

Hong Kong profits tax is calculated at 16% (1999: 16%) on the estimated assessable profits for the year. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

7. Profit attributable to shareholders

Of the profit attributable to the shareholders, HK\$3,464 million (1999: HK\$1,460 million) has been dealt with in the accounts of the Company.

8. Dividends

	2000 HK\$M	1999 HK\$M
Interim dividend paid on 4th October 2000 of HK\$20 per share (1999: HK\$3)	674	102
Proposed final dividend of HK\$45 per share (1999: HK\$27)	<u>1,508</u>	<u>914</u>
	<u>2,182</u>	<u>1,016</u>

9. Retained profit for the year

	2000 HK\$M	1999 HK\$M
Profit for the year retained by		
– The Company	1,282	444
– Subsidiary companies	1,361	675
– Associated companies	<u>180</u>	<u>45</u>
	<u>2,823</u>	<u>1,164</u>

10. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to shareholders of HK\$5,005 million (1999: HK\$2,180 million) by the daily weighted average number of shares in issue throughout the year of 3,372 million (1999: 3,384 million) shares and 3,404 million (1999: 3,407 million) shares respectively with the latter adjusted for the effects of the stock options.

	2000 Million	1999 Million
Weighted average number of ordinary shares used in calculating basic earnings per share	3,372	3,384
Deemed issue of ordinary shares for no consideration	<u>32</u>	<u>23</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>3,404</u>	<u>3,407</u>

11. Fixed assets

	Aircraft and related equipment		Other equipment		Properties	Total
	Owned	Leased	Owned	Leased		
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Group						
Cost						
At 1st January 2000	14,125	42,139	3,210	106	6,313	65,893
Exchange differences	–	–	(1)	–	(1)	(2)
Additions	3,014	1,113	67	–	19	4,213
Disposals	(1,735)	–	(247)	–	(2)	(1,984)
Transfers	119	(119)	(445)	445	–	–
At 31st December 2000	15,523	43,133	2,584	551	6,329	68,120
Accumulated depreciation						
At 1st January 2000	6,077	9,727	1,568	14	376	17,762
Exchange differences	–	–	–	–	–	–
Charge for the year	945	2,000	235	14	244	3,438
Disposals	(1,409)	–	(218)	–	(1)	(1,628)
Transfers	413	(413)	(138)	138	–	–
At 31st December 2000	6,026	11,314	1,447	166	619	19,572
Net book value						
At 31st December 2000	9,497	31,819	1,137	385	5,710	48,548
At 1st January 2000	8,048	32,412	1,642	92	5,937	48,131
Company						
Cost						
At 1st January 2000	7,455	44,148	1,823	102	518	54,046
Additions	854	1,457	25	–	24	2,360
Disposals	(503)	–	(240)	–	(2)	(745)
Transfers	536	(536)	(445)	445	–	–
At 31st December 2000	8,342	45,069	1,163	547	540	55,661
Accumulated depreciation						
At 1st January 2000	2,762	10,122	1,254	11	130	14,279
Charge for the year	749	2,093	91	14	64	3,011
Disposals	(289)	–	(212)	–	(1)	(502)
Transfers	424	(424)	(138)	138	–	–
At 31st December 2000	3,646	11,791	995	163	193	16,788
Net book value						
At 31st December 2000	4,696	33,278	168	384	347	38,873
At 1st January 2000	4,693	34,026	569	91	388	39,767

11. Fixed assets *(continued)*

(a) Finance leased assets

Certain aircraft are subject to leases with purchase options to be exercised by the Group at the end of the respective leases. The remaining lease terms range from 2 to 16 years. Some of the rent payments are on a floating basis which are generally linked to market rates of interest. All leases permit subleasing rights, subject to appropriate consent from lessors. Early repayment penalties would be payable on some of the leases should they be terminated prior to their specified expiry dates.

(b) Leased out assets

As at 31st December 2000, two B747-200s (1999: six), five B747-300s (1999: five) and related equipment were leased to third-party lessees on two-year operating leases. These have been included under aircraft and related equipment as follows:

	2000 HK\$M	1999 HK\$M
Cost	<u>3,327</u>	4,948
Accumulated depreciation		
At 1st January	<u>2,560</u>	3,598
Charge for the year	<u>304</u>	268
At 31st December	<u>2,864</u>	3,866
Net book value	<u>463</u>	<u>1,082</u>

The future minimum lease payments receivable under these operating leases for each of the following periods are as follows:

	2000 HK\$M	1999 HK\$M
Within one year	<u>98</u>	298
After one year but within five years	<u>15</u>	293
	<u>113</u>	<u>591</u>

(c) Operating leased assets

Certain aircraft, properties and other equipment are under operating leases.

Under the operating lease arrangements for aircraft, the lease rentals are fixed and subleasing is not allowed. At 31st December 2000, the two B747-400s (1999: two) with purchase options, and three A340-300s (1999: three) without purchase options, delivered and held under operating leases were not capitalised. The estimated capitalised value of these leases being the present value of the aggregate future lease payments is HK\$563 million (1999: HK\$925 million).

Operating leases for properties and other equipment are normally set with fixed rental payments with options to renew the leases upon expiry at new terms.

11. Fixed assets *(continued)*

The future minimum lease payments payable under operating leases committed as at 31st December 2000 for each of the following periods are as follows:

	2000		1999	
	HK\$M	HK\$M	HK\$M	HK\$M
Aircraft and related equipment				
– within one year	551		424	
– after one year but within five years	2,080		577	
– after five years	<u>473</u>	<u>3,104</u>	<u>–</u>	1,001
Properties and other equipment				
– within one year	280		389	
– after one year but within five years	393		515	
– after five years	<u>266</u>	<u>939</u>	<u>401</u>	<u>1,305</u>
		<u>4,043</u>		<u>2,306</u>

- (d) Advance payments are made to manufacturers for aircraft and related equipment to be delivered in future years. Advance payments included in owned aircraft and related equipment amount to HK\$2,295 million (1999: HK\$441 million) for the Group and HK\$15 million (1999: HK\$55 million) for the Company. No depreciation is provided on these advance payments.
- (e) Security, including charges over the assets concerned and relevant insurance policies, is provided to the leasing companies or other parties that provide the underlying finance.
- (f) Properties held at 31st December 2000 include land held under medium-term leases in Hong Kong with a net book value of HK\$1,695 million (1999: HK\$1,741 million).

12. Intangible assets

	Group			Company
	Goodwill	Computer systems	Total	Computer systems
Cost				
At 1st January 2000 (restated)	312	312	624	292
Additions	–	94	94	89
At 31st December 2000	<u>312</u>	<u>406</u>	<u>718</u>	<u>381</u>
Accumulated amortisation				
At 1st January 2000 (restated)	125	89	214	81
Charge for the year	14	79	93	71
At 31st December 2000	<u>139</u>	<u>168</u>	<u>307</u>	<u>152</u>
Net book value				
At 31st December 2000	<u>173</u>	<u>238</u>	<u>411</u>	<u>229</u>
At 1st January 2000 (restated)	<u>187</u>	<u>223</u>	<u>410</u>	<u>211</u>

13. Subsidiary companies

	Company	
	2000 HK\$M	1999 HK\$M
Unlisted shares at cost	214	214
Net amounts due (to)/from subsidiary companies		
– Loan accounts	(10,659)	(12,198)
– Current accounts	5,691	6,182
Other investments	<u>30,101</u>	<u>31,092</u>
	<u>25,347</u>	<u>25,290</u>

Principal subsidiary companies are listed on page 72.

14. Associated companies

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Hong Kong listed shares at cost (Market value: HK\$630 million, 1999: HK\$589 million)	–	–	52	52
Unlisted shares at cost	–	–	39	56
Share of net assets				
– listed in Hong Kong	676	607	–	–
– unlisted	740	638	–	–
	1,416	1,245	91	108
Less: Provision	–	–	(17)	(26)
Loans to associated companies	116	122	2	3
	1,532	1,367	76	85
Share of profits of associated companies				
– listed	106	17	–	–
– unlisted	173	91	–	–
	279	108	–	–
Dividends received and receivable by the Company and its subsidiary companies from associated companies	65	48	50	38

Principal associated companies are listed on page 73.

15. Other long-term receivables and investments

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Staff housing loans and other receivables	765	818	650	697
Investments at fair value				
– listed in Hong Kong	71	58	–	–
– listed outside Hong Kong	469	722	466	711
– unlisted	919	583	840	583
	<u>2,224</u>	<u>2,181</u>	<u>1,956</u>	<u>1,991</u>

The fair value of investments listed outside Hong Kong is stated after taking into account certain legal and contracted restrictions on the Group's ability to dispose of these investments.

16. Long-term liabilities

	Note	2000		1999	
		Current HK\$M	Non-current HK\$M	Current HK\$M	Non-current HK\$M
Group					
Long-term loans, bonds and other liabilities	(a)	553	2,657	617	3,345
Obligations under finance leases	(b)	1,230	16,398	1,408	19,413
		<u>1,783</u>	<u>19,055</u>	<u>2,025</u>	<u>22,758</u>
Company					
Long-term loans, bonds and other liabilities	(a)	431	3,400	486	3,947
Obligations under finance leases	(b)	2,244	22,884	2,141	26,357
		<u>2,675</u>	<u>26,284</u>	<u>2,627</u>	<u>30,304</u>

16. Long-term liabilities *(continued)*

(a) Long-term loans, bonds and other liabilities

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Bank loans				
– secured	4,599	5,078	3,633	3,981
– unsecured	198	451	198	400
Other loans				
– secured	63	82	–	–
– unsecured	50	65	–	52
Bonds				
– unsecured	93	200	–	–
	5,003	5,876	3,831	4,433
Security deposits	(1,793)	(1,914)	–	–
Amount due within one year included under current liabilities	(553)	(617)	(431)	(486)
	2,657	3,345	3,400	3,947
Repayable as follows:				
Bank loans				
– within one year	577	620	431	433
– after one year but within two years	1,004	603	845	457
– after two years but within five years	1,805	2,109	1,283	1,601
– after five years	1,411	2,197	1,272	1,890
	4,797	5,529	3,831	4,381
Other loans				
– within one year	19	19	–	52
– after one year but within two years	19	19	–	–
– after two years but within five years	25	44	–	–
– after five years	50	65	–	–
	113	147	–	52
Bonds				
– within one year	93	100	–	–
– after one year but within two years	–	100	–	–
	93	200	–	–
	5,003	5,876	3,831	4,433
Security deposits	(1,793)	(1,914)	–	–
Amount due within one year included under current liabilities	(553)	(617)	(431)	(486)
	2,657	3,345	3,400	3,947

16. Long-term liabilities *(continued)*

Borrowings other than bank loans are repayable on various dates up to 2008 at interest rates between 6.5% and 7.0% per annum.

Long-term loans, bonds and other liabilities of the Group and the Company not wholly repayable within five years amounted to HK\$2,259 million (1999: HK\$2,555 million) and HK\$2,596 million (1999: HK\$3,428 million) respectively.

As at 31st December 2000, the Company and the Group had long-term liabilities which were defeased by funds and other investments totalling HK\$26,423 million (1999: HK\$25,226 million). Accordingly, these liabilities and the related funds, as well as related expenditure and income, have not been included in the consolidated accounts.

(b) Obligations under finance leases

The Group has commitments under finance lease agreements in respect of aircraft and related equipment expiring during the years 2001 to 2016. The future payments under these finance leases are as follows:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Within one year	3,910	3,884	4,023	4,203
After one year but within two years	4,271	4,237	4,383	4,345
After two years but within five years	18,846	15,619	18,502	15,545
After five years	21,641	28,478	15,732	22,356
Total future payments	48,668	52,218	42,640	46,449
Interest charges relating to future periods	(13,890)	(16,126)	(10,858)	(12,767)
Present value of future payments	34,778	36,092	31,782	33,682
Security deposits, notes and zero coupon bonds	(17,150)	(15,271)	(6,654)	(5,184)
Amounts due within one year included under current liabilities	(1,230)	(1,408)	(2,244)	(2,141)
	16,398	19,413	22,884	26,357

The present value of future payments is repayable as follows :

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Within one year	2,229	1,850	2,320	2,164
After one year but within two years	2,501	2,166	2,694	2,396
After two years but within five years	14,112	10,220	14,196	10,574
After five years	15,936	21,856	12,572	18,548
	34,778	36,092	31,782	33,682

16. Long-term liabilities (continued)

As at 31st December 2000, the Company and the Group had obligations under finance leases which were defeased by funds and other investments amounting to HK\$2,317 million and HK\$5,249 million respectively (1999: HK\$1,555 million and HK\$3,714 million). Accordingly, these liabilities and the related funds, as well as related expenditure and income, have not been included in the consolidated accounts.

17. Deferred taxation

Movements on deferred taxation comprise:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
At 1st January	6,714	6,359	6,564	6,232
Movements for the year				
– transfer from profit and loss account				
– tax provision	(9)	158	(42)	137
– operating expenses	95	99	158	99
– initial cash benefit from lease arrangements	504	225	504	223
Amount due within one year included under current liabilities – taxation	(158)	(127)	(158)	(127)
At 31st December	<u>7,146</u>	<u>6,714</u>	<u>7,026</u>	<u>6,564</u>

The deferred taxation provision comprises:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Timing differences arising from				
– different taxation and accounting treatments of fixed assets net of unutilised tax losses	653	699	533	549
– certain lease arrangements	6,532	6,028	6,532	6,028
– other timing differences	(39)	(13)	(39)	(13)
	<u>7,146</u>	<u>6,714</u>	<u>7,026</u>	<u>6,564</u>

Provision has been made for all significant deferred taxation liabilities.

17. Deferred taxation *(continued)*

The provision in respect of certain lease arrangements equates to payments which are expected to be made during the years 2002 to 2011 (1999: 2001 to 2011) as follows:

	2000 HK\$M	1999 HK\$M
After one year but within five years	1,576	1,079
After five years but within ten years	4,342	4,542
After ten years	614	407
	<u>6,532</u>	<u>6,028</u>

18. Trade and other receivables

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Trade debtors	2,840	2,458	2,388	2,065
Other receivables and prepayments	2,150	1,357	1,907	1,292
Due from associated companies	15	17	8	7
Due from other related companies	1	–	–	–
	<u>5,006</u>	<u>3,832</u>	<u>4,303</u>	<u>3,364</u>

Analysis of trade debtors by age:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Current	2,627	2,121	2,258	1,772
One to three months overdue	170	277	98	240
More than three months overdue	43	60	32	53
	<u>2,840</u>	<u>2,458</u>	<u>2,388</u>	<u>2,065</u>

The Company normally grants a credit term of 30 days to customers or follows the local industry standard with the debt partially protected by bank guarantee or other monetary collateral.

19. Liquid funds

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Short-term deposits and bank balances	1,275	1,814	616	1,195
Short-term deposits maturing beyond three months when placed	127	124	91	57
Funds with investment managers				
– debt securities listed outside Hong Kong	6,339	6,253	–	–
– bank deposits	180	877	–	–
Other liquid investments				
– debt securities listed outside Hong Kong	661	757	–	–
– bank deposits	2,458	1,770	657	–
	11,040	11,595	1,364	1,252

Included in other liquid investments are short-term bank deposits of HK\$2,082 million (1999: HK\$1,770 million) and debt securities of HK\$455 million (1999: HK\$558 million) which are pledged to lessors as part of long-term financing arrangements. The arrangements provide that the Group must maintain these deposits and debt securities at specified levels for the duration of the financing.

20. Trade and other payables

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Trade creditors	2,087	2,133	1,650	1,572
Other payables	3,151	3,588	4,143	4,530
Due to associated companies	72	123	66	111
Due to other related companies	221	180	205	163
Bank overdrafts – unsecured	88	28	88	28
	5,619	6,052	6,152	6,404

Analysis of trade creditors by age:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Current	1,315	1,281	1,136	1,056
One to three months overdue	493	535	420	470
More than three months overdue	279	317	94	46
	2,087	2,133	1,650	1,572

21. Share capital

	2000		1999	
	Number of shares	HK\$M	Number of shares	HK\$M
Authorised (HK\$0.20 each)	<u>3,900,000,000</u>	<u>780</u>	<u>3,900,000,000</u>	<u>780</u>
Issued and fully paid (HK\$0.20 each)				
At 1st January	3,384,199,848	676	3,384,199,848	676
Shares purchased and cancelled	(33,925,000)	(6)	–	–
Share options exercised	<u>347,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31st December	<u>3,350,621,848</u>	<u>670</u>	<u>3,384,199,848</u>	<u>676</u>

The Company adopted a share option scheme on 10th March 1999. Details of the scheme can be found in the Directors' Report.

22. Reserves

	Non-distributable						Total HK\$M
	Retained profit HK\$M	Share premium HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Other reserves HK\$M	Cash flow hedge reserve HK\$M	
Group							
At 1st January 2000	18,186	7,158	11	973	26	185	26,539
Retained profit for the year	2,823	–	–	–	–	–	2,823
Purchase of Company's shares							
– premium paid on purchase	(455)	–	–	–	–	–	(455)
– transfer between reserves	(6)	–	6	–	–	–	–
– dividends for purchased shares written back	3	–	–	–	–	–	3
Premium received from share options exercised	–	3	–	–	–	–	3
Exchange differences on cash flow							
– recognised during the year	–	–	–	–	–	1,648	1,648
– transferred to profit for the year	–	–	–	–	–	82	82
Revaluation surpluses recognised during the year	–	–	–	11	–	–	11
At 31st December 2000	<u>20,551</u>	<u>7,161</u>	<u>17</u>	<u>984</u>	<u>26</u>	<u>1,915</u>	<u>30,654</u>
Company							
At 1st January 2000	14,520	7,158	11	1,009	–	30	22,728
Retained profit for the year	1,282	–	–	–	–	–	1,282
Purchase of Company's shares							
– premium paid on purchase	(455)	–	–	–	–	–	(455)
– transfer between reserves	(6)	–	6	–	–	–	–
– dividends for purchased shares written back	3	–	–	–	–	–	3
Premium received from share options exercised	–	3	–	–	–	–	3
Exchange differences on cash flow							
– recognised during the year	–	–	–	–	–	1,952	1,952
– transferred to profit for the year	–	–	–	–	–	111	111
Revaluation surpluses recognised during the year	–	–	–	6	–	–	6
At 31st December 2000	<u>15,344</u>	<u>7,161</u>	<u>17</u>	<u>1,015</u>	<u>–</u>	<u>2,093</u>	<u>25,630</u>

22. Reserves (continued)

	Non-distributable						Total HK\$M
	Retained profit HK\$M	Share premium HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Other reserves HK\$M	Cash flow hedge reserve HK\$M	
Group							
At 1st January 1999	16,829	7,158	11	1,033	22	66	25,119
Prior period adjustment for goodwill	193	–	–	–	–	–	193
As restated	17,022	7,158	11	1,033	22	66	25,312
Retained profit for the year (restated)	1,164	–	–	–	–	–	1,164
Exchange differences on cash flow							
– recognised during the year	–	–	–	–	–	48	48
– transferred to profit for the year	–	–	–	–	–	71	71
Revaluation surpluses							
– recognised during the year	–	–	–	422	–	–	422
– transferred to profit for the year on disposal	–	–	–	(482)	–	–	(482)
Exchange differences	–	–	–	–	4	–	4
At 31st December 1999	<u>18,186</u>	<u>7,158</u>	<u>11</u>	<u>973</u>	<u>26</u>	<u>185</u>	<u>26,539</u>
Company							
At 1st January 1999	14,076	7,158	11	1,088	–	(35)	22,298
Retained profit for the year	444	–	–	–	–	–	444
Exchange differences on cash flow							
– recognised during the year	–	–	–	–	–	(89)	(89)
– transferred to profit for the year	–	–	–	–	–	154	154
Revaluation surpluses							
– recognised during the year	–	–	–	387	–	–	387
– transferred to profit for the year on disposal	–	–	–	(466)	–	–	(466)
At 31st December 1999	<u>14,520</u>	<u>7,158</u>	<u>11</u>	<u>1,009</u>	<u>–</u>	<u>30</u>	<u>22,728</u>

22. Reserves (continued)

Included in retained profit is an amount of HK\$957 million (1999: HK\$769 million) relating to retained profit attributable to associated companies.

Investment revaluation reserve relates to changes in the fair value of long-term investments.

Other reserves include the attributable post-acquisition reserves of associated companies capitalised by bonus issues and exchange differences arising from revaluation of foreign investments.

Cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits which are arranged in foreign currencies such that repayments can be met by anticipated operating cash flows.

Exchange differences recorded in the cash flow hedge reserve are expected to be credited/ (charged) to operating profit as noted below, based on exchange rates ruling at 31st December 2000.

	1st half HK\$M	2nd half HK\$M	Total HK\$M
2001	170	193	363
2002	279	235	514
2003	94	86	180
2004	(6)	33	27
2005	273	83	356
Beyond 2005			475
			<u>1,915</u>

The actual exchange differences ultimately recognised in operating profit will depend upon exchange rates ruling on the repayment dates of the relevant long-term liabilities and lease obligations.

Had HK SSAP 11 been adopted, there would have been no financial impact on the Group's assets, liabilities and cash flows. HK\$1,915 million (1999: HK\$185 million) would have been included in retained profit rather than the cash flow hedge reserve and the effect on profit attributable to shareholders and earnings per share would be:

	2000 HK\$M	1999 HK\$M
Profit attributable to shareholders	5,005	2,180
HK SSAP 11 adjustment	1,730	119
Adjusted profit with adoption of HK SSAP 11	6,735	<u>2,299</u>
Adjusted earnings per share with adoption of HK SSAP 11	199.7¢	<u>67.9¢</u>
Earnings per share	148.4¢	<u>64.4¢</u>

23. Reconciliation of operating profit to net cash inflow from operating activities

	2000 HK\$M	1999 HK\$M
Operating profit	5,289	2,811
Depreciation	3,438	3,153
Amortisation of intangible assets	93	58
Loss on disposal of fixed assets	3	164
Profit on disposal of a subsidiary company	–	(50)
Profit on disposal of an associated company	(13)	–
Currency adjustments and other items not involving cash flows	140	165
Decrease in stock	1	44
Increase in trade debtors, other receivables and prepayments	(1,175)	(348)
Decrease in net amounts due to related and associated companies	(9)	(32)
(Decrease)/increase in trade creditors and other payables	(483)	371
Increase/(decrease) in unearned transportation revenue	513	(42)
Non-operating movements in debtors and creditors	487	331
Net cash inflow from operating activities	<u>8,284</u>	<u>6,625</u>

24. Analysis of payments for fixed and intangible assets

	2000 HK\$M	1999 HK\$M
Additions to fixed and intangible assets (excluding goodwill)	(4,307)	(3,992)
Finance raised on fixed assets acquired under finance leases	1,113	1,341
Payments for fixed and intangible assets	<u>(3,194)</u>	<u>(2,651)</u>

25. Analysis of changes in financing

	Long-term loans, bonds and other liabilities HK\$M	Obligations under finance leases HK\$M	Minority interests HK\$M	Total HK\$M
At 1st January 2000	3,962	20,821	86	24,869
Finance raised on leased assets	–	1,113	–	1,113
Loan and finance lease repayments	(615)	(1,523)	–	(2,138)
New financing	–	456	–	456
Purchases of bonds and security deposits placed	–	(2,068)	–	(2,068)
Dividends paid to minority interests	–	–	(73)	(73)
Minority interests' share of subsidiaries' capital and revenue reserves	–	–	86	86
Non-cash movements	(137)	(1,171)	–	(1,308)
At 31st December 2000	<u>3,210</u>	<u>17,628</u>	<u>99</u>	<u>20,937</u>
At 1st January 1999	5,203	21,995	108	27,306
Finance raised on leased assets	–	1,341	–	1,341
Loan and finance lease repayments	(1,166)	(1,292)	–	(2,458)
New financing	–	1,069	–	1,069
Purchases of bonds and security deposits placed	–	(2,552)	–	(2,552)
Dividends paid to minority interests	–	–	(87)	(87)
Acquisitions of minority shareholdings	–	–	(19)	(19)
Minority interests' share of subsidiaries' capital and revenue reserves	–	–	84	84
Non-cash movements	(75)	260	–	185
At 31st December 1999	<u>3,962</u>	<u>20,821</u>	<u>86</u>	<u>24,869</u>

26. Analysis of cash and cash equivalents

	2000 HK\$M	1999 HK\$M
Short-term deposits and bank balances	1,275	1,814
Bank overdrafts	(88)	(28)
	<u>1,187</u>	<u>1,786</u>

27. Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 HK\$M	1999 HK\$M
Fees	–	–
Emoluments		
– Salaries, allowances and benefits in kind	33	32
– Contributions to retirement schemes	1	2
	<u>34</u>	<u>34</u>

Housing costs accounted for 25% (1999: 26%) of emoluments.

Individual Directors' remuneration for the year fell into the following ranges:

HK\$'000	2000	1999
0 - 1,000	13	12
1,500 - 2,000	–	1
3,500 - 4,000	–	1
4,000 - 4,500	2	1
5,000 - 5,500	1	1
5,500 - 6,000	1	2
6,000 - 6,500	1	1
6,500 - 7,000	1	–
	<u>19</u>	<u>19</u>

28. Employee information

The five highest paid individuals of the Company included four (1999: four) Directors, whose total emoluments are included in the amounts set out in note 27 above, and one (1999: one) other whose emoluments comprised:

	2000 HK\$M	1999 HK\$M
Remuneration		
– Salaries, allowances and benefits in kind	4	4
– Contributions to retirement schemes	1	1
	<u>5</u>	<u>5</u>

29. Loans to Directors

Loans made by the Company to Directors disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Balance at 1st January 2000 HK\$M	Balance at 31st December 2000 HK\$M	Maximum balance outstanding during the year HK\$M
Ken Barley	0.2	0.1	0.2

The loan is repayable on demand and bears interest at Hong Kong prime rate. There was no interest due but unpaid nor any provision made against this loan at 31st December 2000.

30. Retirement benefits

The Group operates various defined benefit and defined contribution retirement schemes for its employees in Hong Kong and in some overseas locations. The assets of these schemes are held in funds administered by independent trustees. The retirement schemes in Hong Kong are registered under and comply with the Occupational Retirement Schemes Ordinance. Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements.

Retirement benefit costs for the year were:

	2000 HK\$M	1999 HK\$M
Swire Group Retirement Benefit Scheme	–	79
Cathay Pacific Airways Limited Retirement Scheme	–	41
CPA Provident Fund 1993	67	63
CPA Provident Fund	34	30
Other schemes	151	146
	252	359

The Group operates the following principal schemes:

(a) Defined benefit retirement schemes

The Swire Group Retirement Benefit Scheme (“SGRBS”) in Hong Kong, in which the Company and Cathay Pacific Catering Services (Hong Kong) Limited (“CPCS”) are participating employers, provides resignation and retirement benefits to its members, which include the Company’s cabin attendants who joined before September 1996 and other locally engaged employees who joined before June 1997, upon their cessation of service. The Company and CPCS meet the full cost of all benefits due by SGRBS to their employee members, who are not required to contribute to the scheme.

Staff employed by the Company in Hong Kong on expatriate terms before April 1993 were eligible to join another scheme, the Cathay Pacific Airways Limited Retirement Scheme (“CPALRS”). Both members and the Company contribute to CPALRS.

30. Retirement benefits *(continued)*

The cost of the schemes to the Group is calculated based upon funding recommendations arising from actuarial valuations. Details of the latest actuarial valuations of CPALRS and of the portion of SGRBS funds specifically designated for the purposes of the actuarial valuation for the Group's employees are:

	SGRBS	CPALRS
Latest actuarial valuation	31st December 1999	31st December 1999
Actuaries	Watson Wyatt Hong Kong Limited	Watson Wyatt Hong Kong Limited
Actuarial valuation method	Attained age	Attained age
Assumed long-term average return on investment	1% higher than assumed average salary increase	1.5% higher than assumed average salary increase
Market value of scheme assets at date of valuation	HK\$3,563 million	HK\$2,299 million
Asset market valuation as a percentage of the present value of past service liabilities	139%	133%

The differences between the market values of the schemes' assets and the present value of the accrued past services liabilities at the date of an actuarial valuation are taken into consideration when determining future funding levels in order to ensure that the schemes will be able to meet these liabilities as they become due.

The Group enjoyed a contribution holiday for both schemes in 2000.

(b) Defined contribution retirement schemes

Staff employed by the Company in Hong Kong on expatriate terms are eligible to join a defined contribution retirement scheme, the CPA Provident Fund 1993. During the year, the benefits forfeited in accordance with the scheme's rules amounted to HK\$1.5 million (1999: HK\$3.0 million) which have been applied towards the contributions payable by the Company.

All staff employed in Hong Kong are eligible to join the CPA Provident Fund.

Under the terms of these schemes, other than the Company contribution, staff may elect to contribute from 0% to 10% of the monthly salary.

(c) Mandatory provident fund scheme ("MPF")

This scheme is established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

31. Related party transactions

Material transactions between the Group and associated companies and other related parties which were carried out in the normal course of business on commercial terms are summarised below:

	2000		1999	
	Associated companies HK\$M	Other related parties HK\$M	Associated companies HK\$M	Other related parties HK\$M
Turnover	67	–	62	–
Aircraft maintenance costs	748	1,650	758	914
Route operating costs	195	673	194	632
Dividends received	(65)	(28)	(48)	–
Fixed assets purchase	–	61	–	47

(a) Other transactions with related parties

(i) Under an agreement between the two parties, the Company pays fees and reimburses costs to John Swire & Sons Limited in exchange for services provided. Management services fees, calculated at 2.5% of the Group's profit before tax, results of associated companies, minority interests, and any profits and losses on disposal of fixed assets will be paid annually. Management fee paid for the year ended 31st December 2000 was HK\$126 million (1999: HK\$62 million) and expenses of HK\$150 million (1999: HK\$155 million) were reimbursed at cost.

(ii) The Company received agency commission and services fees from Hong Kong Dragon Airlines Limited ("Dragonair"). The services fees were received in respect of computer support, engineering, station and ground services provided to Dragonair. All these transactions were conducted in the ordinary course of business and on normal commercial terms. A total of HK\$178 million was received from Dragonair for these transactions in 2000 (1999 : HK\$142 million). Dragonair is also a partner of the Asia Miles frequent-flyer programme.

(b) Amounts due to and due from associated companies and other related companies at 31st December 2000 are disclosed in note 18 and note 20. These balances arise in the normal course of business, are non-interest bearing and have no fixed repayment terms.

(c) At 31st December 2000, the Company has given guarantees relating to long-term loan facilities of HK\$680 million (1999: HK\$684 million) held by associated and other related companies.

(d) There were no material transactions with Directors, except for those relating to remuneration (note 27) and shareholdings (Directors' Report).

32. Waiver from compliance with Listing Rules

Pursuant to Rule 14.04 (8) of the Listing Rules of The Stock Exchange, that exchange has granted to the Company a waiver from full compliance with the provisions of Chapter 14 of the Listing Rules, which relates to notifiable transactions, in relation to the acquisition or disposal of aircraft. As a result of the waiver, instead of the normal tests under Chapter 14, the test for the Company will be made by reference to Available Tonne Kilometres (ATKs). The test will be a calculation based on ATKs for aircraft being acquired or disposed of compared to the aggregate fleet ATKs. ATKs are calculated for each sector by multiplying the capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on that sector, by the sector distance.

	2000	1999
Fleet ATKs (in million tonne kilometres)	11,630	10,867

33. Commitments and contingencies

(a) Outstanding payment commitments in respect of capital items and investments authorised at the end of the year but not provided for in the accounts amounted to:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Authorised and contracted for				
– aircraft and related equipment	6,752	6,353	331	672
– others	2	10	–	–
	6,754	6,363	331	672
Authorised but not contracted for				
– aircraft and related equipment	407	140	407	140
– others	3	4	–	–
	410	144	407	140
	7,164	6,507	738	812

These Group commitments are expected to be paid as follows:

	HK\$M
2001	7,014
2002	150
	7,164

Commitments include amounts for the acquisition of two B747-400 freighters and eight A330-300 aircraft. Operating lease commitments are shown in note 11.

33. Commitments and contingencies *(continued)*

- (b) The Company has undertaken to indemnify lessors in respect of certain leasing arrangements of the Group so as to maintain a specified rate of return on each of the lessors' investments. The Group has been notified by certain lessors of potential claims under these indemnities. The likelihood of any specific claims being made is dependant upon the resolution of disputes between these lessors and a third party. No claims have been received and the financial effect of these contingencies remains uncertain.
- (c) At 31st December 2000, contingent liabilities existed in respect of guarantees given by the Company on behalf of subsidiary, associated and other related companies relating to long-term loan facilities of up to HK\$696 million (1999: HK\$692 million).

34. Changes in the financial statements

The Group has prepared the accounts in accordance with HK SSAP 30 "Business Combinations" and HK SSAP 29 "Intangible Assets" recently issued by the HKSA. This has resulted in changes to the presentation of various items as described in accounting policies 2 and 7. Certain comparative information has been restated accordingly.

Principal Subsidiary and Associated Companies

at 31st December 2000

Subsidiary companies

	Place of incorporation and operation	Principal activities	Percentage of issued capital owned	Issued and paid up share capital
Abacus Distribution Systems (Hong Kong) Limited	Hong Kong	Computerised reservation systems and related services	53	15,600,000 shares of HK\$1
AHK Air Hong Kong Limited	Hong Kong	Cargo airline	75*	90,666,816 shares of HK\$1
Aircrew Services Limited	Hong Kong	Provision of aircrew services	100	9 shares of HK\$10
Airline Property Limited	Hong Kong	Property investment	100	2 shares of HK\$10
Airline Stores Property Limited	Hong Kong	Property investment	100	2 shares of HK\$10
Airline Training Property Limited	Hong Kong	Property investment	100	2 shares of HK\$10
Cathay Pacific Aircraft Services Limited	Isle of Man	Aircraft acquisition facilitator	100	10,000 shares of US\$1
Cathay Pacific Catering Services (H.K.) Limited	Hong Kong	Airline catering	100	600 shares of HK\$1,000
Cathay Holidays Limited	Hong Kong	Travel tour operator	100	5,000 shares of HK\$100
Cathay Pacific Leasing Limited	Isle of Man	Aircraft leasing	100	5,000,000 shares of US\$1
Cathay Pacific Loyalty Programmes Limited	Hong Kong	Travel reward programme	100	2 shares of HK\$1
CLS Catering Services Limited	Canada	Airline catering	60*	330,081 shares of no par value
Global Logistics System (H.K.) Company Limited	Hong Kong	Computer network for interchange of air cargo related information	97	100 shares of HK\$10
Guangzhou Guo Tai Information Processing Company Limited	People's Republic of China	Information processing	80*	7,000,000 shares of no par value (wholly foreign equity enterprise)
Hong Kong Airport Services Limited	Hong Kong	Provision of ground and ramp handling services	70	100 shares of HK\$1
Prestwick Aviation Limited	Bermuda	Aircraft leasing	100*	12,000 shares of US\$1
Snowdon Limited	Isle of Man	Financial services	100*	2 shares of GBP1
Swansea Limited	Isle of Man	Financial services	100*	2,000 shares of US\$1
Troon Limited	Bermuda	Financial services	100	12,000 shares of US\$1
Vogue Laundry Service Limited	Hong Kong	Laundry and dry cleaning	100	3,700 shares of HK\$500

Principal subsidiary and associated companies are those which materially affect the results or assets of the Group.

* Shareholding held through subsidiary companies.

Associated companies

	Place of incorporation and operation	Principal activities	Percentage of issued capital owned
Associated Engineers Limited	Hong Kong	Airport ground support and general engineering	34
Cathay Kansai Terminal Services Company Limited	Japan	Ground handling	33
Cebu Pacific Catering Services Inc	Philippines	Airline catering	40*
Hong Kong Aircraft Engineering Company Limited	Hong Kong	Aircraft overhaul and maintenance	27
Hong Kong Airport Restaurant Caterers Company Limited	Hong Kong	Airport catering	33
Hong Kong Dragon Airlines Limited	Hong Kong	Airline	19*
VN/CX Catering Services Limited	Vietnam	Airline catering	40*

* Shareholding held through subsidiary companies.

Statistics

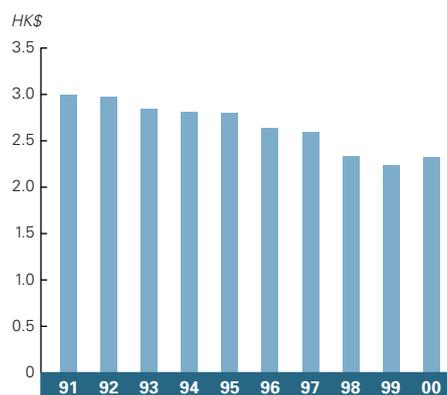
		2000	1999	1998
Consolidated profit and loss summary				
	<i>HK\$M</i>			
Passenger services		22,878	18,979	18,532
Cargo services		10,136	8,391	6,955
Catering and other services		1,509	1,332	1,123
Total turnover		34,523	28,702	26,610
Operating expenses		(29,234)	(25,891)	(27,281)
Operating profit/(loss)		5,289	2,811	(671)
Net finance charges		(367)	(918)	(311)
Profit on sale of investments		–	482	185
Share of profits of associated companies		279	108	172
Profit/(loss) before taxation		5,201	2,483	(625)
Taxation		(110)	(219)	104
Profit/(loss) after taxation		5,091	2,264	(521)
Minority interests		(86)	(84)	(35)
Profit/(loss) attributable to shareholders		5,005	2,180	(556)
Dividends		(2,182)	(1,016)	(339)
Retained profit/(loss) for the year		2,823	1,164	(895)
Consolidated balance sheet summary				
	<i>HK\$M</i>			
Fixed and intangible assets		48,959	48,541	47,985
Long-term receivables and investments		3,756	3,548	3,635
Borrowings		(20,838)	(24,783)	(27,198)
Liquid funds less bank overdrafts		10,952	11,567	12,240
Net borrowings		(9,886)	(13,216)	(14,958)
Net current liabilities (excluding liquid funds and bank overdrafts)		(4,260)	(4,858)	(4,207)
Deferred taxation		(7,146)	(6,714)	(6,359)
Minority interests		(99)	(86)	(108)
Net assets		31,324	27,215	25,988
Financed by:				
Shareholders' funds		31,324	27,215	25,988
Per share				
Shareholders' funds	<i>HK\$</i>	9.35	8.04	7.68
EBITDA	<i>HK\$</i>	2.70	2.07	0.91
Earnings/(loss)	<i>HK cents</i>	148.4	64.4	(16.4)
Dividend	<i>HK cents</i>	65.0	30.0	10.0
Ratios				
Profit/(loss) margin	%	14.5	7.6	(2.1)
Return of average shareholders' funds	%	17.1	8.2	(2.1)
Dividend cover	<i>Times</i>	2.3	2.1	(1.6)
Interest cover	<i>Times</i>	14.4	3.1	(2.2)
Gross debt/equity ratio	<i>Times</i>	0.67	0.91	1.05
Net debt/equity ratio	<i>Times</i>	0.32	0.49	0.58

1997	1996	1995	1994	1993	1992	1991
21,851	23,680	22,128	20,027	18,321	18,284	16,459
7,712	6,797	6,641	5,573	4,277	3,974	3,671
1,014	1,037	941	800	738	585	377
30,577	31,514	29,710	26,400	23,336	22,843	20,507
(28,537)	(27,738)	(25,956)	(23,258)	(20,767)	(19,230)	(16,861)
2,040	3,776	3,754	3,142	2,569	3,613	3,646
(335)	(384)	(597)	(557)	(280)	(319)	(238)
-	559	-	-	-	-	-
306	363	379	381	316	233	176
2,011	4,314	3,536	2,966	2,605	3,527	3,584
(291)	(484)	(516)	(560)	(288)	(505)	(622)
1,720	3,830	3,020	2,406	2,317	3,022	2,962
(40)	(17)	(57)	(33)	(32)	(22)	(19)
1,680	3,813	2,963	2,373	2,285	3,000	2,943
(986)	(1,821)	(1,375)	(1,203)	(1,203)	(1,203)	(1,203)
<u>694</u>	<u>1,992</u>	<u>1,588</u>	<u>1,170</u>	<u>1,082</u>	<u>1,797</u>	<u>1,740</u>
41,787	38,138	28,930	24,226	22,249	20,072	16,624
2,728	2,302	2,149	1,789	1,459	1,319	1,015
(23,122)	(26,043)	(21,722)	(22,036)	(21,182)	(19,920)	(16,612)
14,327	20,178	13,926	14,975	14,383	13,755	11,200
(8,795)	(5,865)	(7,796)	(7,061)	(6,799)	(6,165)	(5,412)
(3,244)	(4,330)	(3,699)	(3,055)	(2,607)	(2,864)	(3,205)
(5,802)	(5,359)	(3,954)	(3,006)	(1,951)	(962)	(355)
(104)	(78)	(99)	(88)	(33)	(45)	(40)
<u>26,570</u>	<u>24,808</u>	<u>15,531</u>	<u>12,805</u>	<u>12,318</u>	<u>11,355</u>	<u>8,627</u>
<u>26,570</u>	<u>24,808</u>	<u>15,531</u>	<u>12,805</u>	<u>12,318</u>	<u>11,355</u>	<u>8,627</u>
7.84	7.22	5.42	4.47	4.30	3.96	3.01
1.47	2.06	2.40	2.16	1.69	2.06	1.98
49.1	119.7	103.4	82.8	79.8	104.7	102.7
29.0	53.0	48.0	42.0	42.0	42.0	42.0
5.5	12.1	10.0	9.0	9.8	13.1	14.4
6.5	18.9	20.9	18.9	19.3	30.0	38.1
1.7	2.1	2.2	2.0	1.9	2.5	2.4
6.1	9.8	6.3	5.6	9.2	11.3	15.3
0.87	1.05	1.40	1.72	1.72	1.75	1.93
0.33	0.24	0.50	0.55	0.55	0.54	0.63

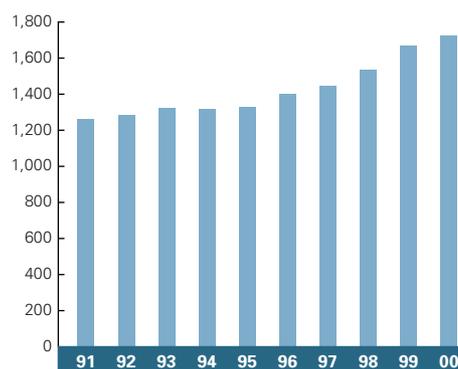
		2000	1999	1998
Operating summary (Cathay Pacific)				
Kilometres flown	<i>Million</i>	219	202	202
Block hours	<i>'000 Hours</i>	296	273	271
Aircraft departures	<i>'000</i>	63	58	59
Available tonne kilometres	<i>Million</i>	11,630	10,867	10,857
Revenue tonne kilometres	<i>Million</i>	8,650	7,768	7,213
Available seat kilometres	<i>Million</i>	61,909	58,114	60,295
Revenue passengers carried	<i>'000</i>	11,864	10,516	10,299
Revenue passenger kilometres	<i>Million</i>	47,153	41,502	40,679
Revenue load factor	<i>%</i>	75.2	71.5	67.1
Passenger load factor	<i>%</i>	76.2	71.4	67.5
Cargo carried	<i>'000 Tonnes</i>	769	672	580
Cargo and mail tonne kilometres	<i>Million</i>	4,161	3,817	3,339
Cargo and mail load factor	<i>%</i>	72.5	71.5	65.2
Excess baggage carried	<i>Tonnes</i>	3,489	3,376	3,375
Mail carried	<i>Tonnes</i>	8,927	7,094	6,775
Length of scheduled routes network	<i>'000 Kilometres</i>	363	346	338
Destinations at year end	<i>Number</i>	51	48	48
Staff number at year end	<i>Number</i>	14,328	13,159	13,971
ATK per staff	<i>'000</i>	843	807	739
On-time performance				
Departure (within 15 minutes)	<i>%</i>	84.0	83.5	80.3
Average aircraft utilisation				
	<i>Hours per day</i>			
A330-300		9.5	9.0	9.5
A340-200		–	–	–
A340-300		14.7	14.9	15.8
B747-200/300		–	7.7	7.0
B747-400		15.1	14.4	15.3
B747-200F		13.6	14.1	13.6
B747-400F		15.8	15.8	15.6
B777-200/300		9.7	8.9	8.9
L1011		–	–	–
Fleet average		12.9	12.4	12.2
Number per fleet at year end				
A330-300		12	12	12
A340-200		–	–	–
A340-300		14	14	11
B747-200/300		8	12	13
B747-400		19	19	19
B747-200F		7	7	7
B747-400F		3	2	2
B777-200		5	4	4
B777-300		7	7	4
L1011		–	–	–
Total number of aircraft		75	77	72

1997	1996	1995	1994	1993	1992	1991
193	182	162	146	135	119	105
254	244	217	193	175	165	147
56	55	52	49	46	41	38
10,399	10,018	8,946	8,052	7,212	6,466	5,621
7,331	7,072	6,214	5,553	4,834	4,366	3,854
57,104	54,306	49,334	45,892	41,552	37,428	33,186
10,018	10,985	10,381	9,750	8,867	8,363	7,391
38,962	40,185	35,341	32,727	29,097	27,527	24,433
69.5	72.6	70.8	70.4	68.9	70.4	71.0
68.2	74.0	71.6	71.3	70.0	73.5	73.6
635	568	531	463	395	349	314
3,621	3,244	2,847	2,434	2,060	1,739	1,524
72.9	66.9	67.0	66.1	63.3	60.0	62.0
3,301	4,133	4,632	4,807	5,068	6,049	4,107
10,831	13,719	13,112	12,697	13,071	13,569	13,322
309	296	279	275	276	243	199
48	45	44	42	42	41	39
15,747	15,757	14,744	14,469	14,098	13,240	12,747
663	651	619	574	534	501	443
81.8	78.0	77.3	79.0	74.0	69.1	70.2
8.5	8.9	7.4	-	-	-	-
12.8	14.7	12.3	10.3	-	-	-
15.9	16.4	-	-	-	-	-
7.1	7.6	8.5	8.8	8.8	11.5	11.2
15.4	15.3	14.5	14.7	14.4	13.0	15.1
14.2	13.8	13.8	14.0	13.9	13.4	13.6
15.3	15.2	14.7	13.9	-	-	-
7.9	7.0	-	-	-	-	-
-	4.8	6.1	5.6	5.7	6.0	5.7
<u>11.8</u>	<u>11.4</u>	<u>10.8</u>	<u>10.2</u>	<u>9.8</u>	<u>10.0</u>	<u>9.8</u>
11	10	7	-	-	-	-
-	2	4	2	-	-	-
6	5	-	-	-	-	-
13	13	13	13	13	13	14
19	19	19	18	17	14	10
7	7	4	4	4	4	3
2	2	2	1	-	-	-
4	4	-	-	-	-	-
-	-	-	-	-	-	-
-	-	8	17	19	18	18
<u>62</u>	<u>62</u>	<u>57</u>	<u>55</u>	<u>53</u>	<u>49</u>	<u>45</u>

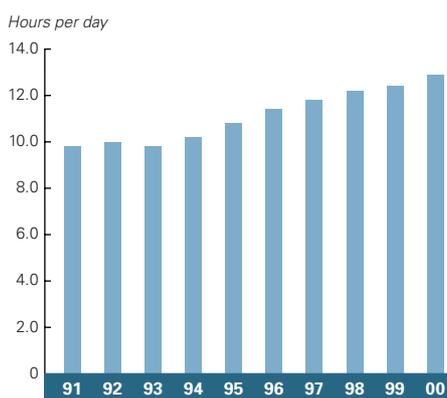
Cost per ATK



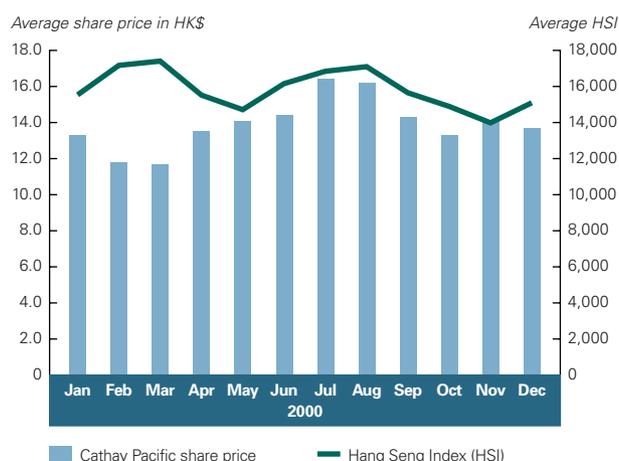
ATK per HK\$'000 staff cost



Aircraft utilisation



Share prices



		2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Productivity											
Cost per ATK	HK\$	2.32	2.24	2.34	2.60	2.64	2.80	2.81	2.84	2.97	3.00
ATK per HK\$'000 staff cost	Unit	1,725	1,669	1,533	1,446	1,403	1,327	1,316	1,326	1,286	1,263
Aircraft utilisation	Hours per day	12.9	12.4	12.2	11.8	11.4	10.8	10.2	9.8	10.0	9.8
Share prices											
High	HK\$	17.6	16.8	8.9	16.4	14.9	12.8	15.7	15.3	12.4	10.2
Low		10.3	7.4	4.7	5.4	10.6	10.0	10.2	8.5	8.0	7.0
Year-end		14.4	13.9	7.7	6.3	12.2	11.8	11.3	15.0	9.5	10.0
Price ratios (Note)											
Price/Earnings	Times	9.7	21.6	(46.9)	12.8	10.2	11.4	13.6	18.8	9.1	9.7
Market capitalisation/Shareholders' funds		1.5	1.7	1.0	0.8	1.7	2.2	2.5	3.5	2.4	3.3
Price/Cash flow		5.9	7.0	6.4	4.5	6.1	4.9	5.4	10.0	5.0	5.6

Note : Based on year end share price, where applicable.

Glossary

Terms

Borrowings	Total borrowings (loans and lease obligations) less security deposits, notes and zero coupon bonds.
Net borrowings	Borrowings and bank overdrafts less liquid funds.
Available tonne kilometres ("ATK")	Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.
Available seat kilometres ("ASK")	Passenger seat capacity, measured in seats available for the carriage of passengers on each sector multiplied by the sector distance.
Revenue tonne kilometres ("RTK")	Traffic volume, measured in load tonnes as a result of the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.
On-time performance	Departure within 15 minutes of scheduled departure time.
EBITDA	Earnings before interest, tax, depreciation and amortisation.

Ratios

Earnings/(loss) per share	=	$\frac{\text{Profit/(loss) attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue for the year}}$
Shareholders' funds per share	=	$\frac{\text{Shareholders' funds}}{\text{Total issued and fully paid shares at end of the year}}$
Profit/(loss) margin	=	$\frac{\text{Profit/(loss) attributable to shareholders}}{\text{Turnover}}$
Return on average shareholders' funds	=	$\frac{\text{Profit/(loss) attributable to shareholders}}{\text{Average shareholders' funds}}$
Gross debt/equity ratio	=	$\frac{\text{Borrowings}}{\text{Shareholders' funds}}$
Net debt/equity ratio	=	$\frac{\text{Net borrowings}}{\text{Shareholders' funds}}$
Revenue load factor	=	$\frac{\text{Total passenger, cargo and mail traffic revenue}}{\text{Maximum possible revenue at current yields and capacity}}$
Passenger/Cargo and mail load factor	=	$\frac{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}{\text{Available seat kilometres/Available cargo and mail tonne kilometres}}$
Passenger/Cargo and mail yield	=	$\frac{\text{Passenger turnover/Cargo and mail turnover}}{\text{Revenue passenger kilometres/Cargo and mail tonne kilometres}}$
Cost per ATK	=	$\frac{\text{Total operating expenses of Cathay Pacific}}{\text{ATK of Cathay Pacific}}$

Corporate and Shareholder Information

Cathay Pacific Airways Limited is incorporated in Hong Kong with limited liability.

Investor relations

For further information about Cathay Pacific Airways Limited, please contact:

Corporate Communication Department

Cathay Pacific Airways Limited

7th Floor, North Tower

Cathay Pacific City

Hong Kong International Airport

Hong Kong

Tel: 2747 5210

Fax: 2810 6563

Cathay Pacific's main Internet address is <http://www.cathaypacific.com>.

Registered office

35th Floor, Two Pacific Place

88 Queensway

Hong Kong

Registrars

Central Registration Hong Kong Limited

19th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

Depository

The Bank of New York

American Depositary Receipts

22nd Floor West

101 Barclay Street

New York, NY 10286

USA

Auditors

KPMG

8th Floor, Prince's Building

10 Chater Road

Hong Kong

Financial calendar

Year ended 31st December 2000

Annual General Meeting

16th May 2001

2000 final dividend payable

1st June 2001

Six months ending 30th June 2001

Interim results announcement

August 2001

Interim dividend payable

October 2001

