



RESULTS HIGHLIGHTS

The Board of Directors (the "Directors") of the Company hereby announces the audited results of the Group for the year ended 31st December, 2004:

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	1	1,871,763	1,227,031
Other revenues	1	17,804	25,493
Total revenues		1,889,567	1,252,524
Staff costs		(244,138)	(215,410)
Passenger catering and service costs		(93,682)	(79,223)
Fuel costs		(387,918)	(191,125)
Route operating costs		(437,812)	(309,515)
Aircraft maintenance costs		(139,719)	(153,868)
Aircraft leases and equipment costs		(355,718)	(324,903)
Depreciation and amortisation costs		(83,625)	(87,497)
Sales and promotion costs		(60,956)	(50,328)
Other operating costs		(70,147)	(64,238)
Total operating expenses		(1,873,715)	(1,476,107)
Operating profit/(loss)	2	15,852	(223,583)
Share of profits less losses of			
– Associated companies		480,244	121,482
– Jointly controlled entities		506	–
Profit/(loss) before taxation		496,602	(102,101)
Taxation (charge)/credit	3	(95,637)	13,944
Profit/(loss) after taxation		400,965	(88,157)
Minority interests		(33,495)	69,410
Profit/(loss) attributable to shareholders		367,470	(18,747)
Dividends	4	53,003	29,761
		HK cents	HK cents
Earnings/(loss) per share	5		
Basic		11.09	(0.57)
Diluted		11.00	N/A



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Notes:

1. Turnover, revenues and segment information

The Group is principally engaged in provision of aviation related services. Revenues recognised during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Traffic revenues		
– Passenger services	1,355,391	984,211
– Cargo and mail services	516,372	242,820
	<u>1,871,763</u>	<u>1,227,031</u>
Other revenues		
Inflight sales commission	3,136	1,861
Interest income	4,813	9,172
Rental income from sub-lease of aircraft	9,855	14,460
	<u>17,804</u>	<u>25,493</u>
Total revenues	<u><u>1,889,567</u></u>	<u><u>1,252,524</u></u>

An analysis of the Group's revenues and results for the year by business segments is as follows:

Year ended 31st December, 2004

	Airline operation HK\$'000	Airport ground handling HK\$'000	Airline catering services HK\$'000	Logistics and other businesses HK\$'000	Group HK\$'000
Segment revenues	<u>1,884,754</u>	–	–	–	<u>1,884,754</u>
Segment results	<u>52,791</u>	–	–	–	<u>52,791</u>
Interest income					4,813
Unallocated costs					<u>(41,752)</u>
Operating profit					15,852
Share of profits less losses of					
– Associated companies	341,821	146,312	167	(8,056)	480,244
– Jointly controlled entities	–	–	506	–	506
Profit before taxation					496,602
Taxation charge					<u>(95,637)</u>
Profit after taxation					400,965
Minority interests					<u>(33,495)</u>
Profit attributable to shareholders					<u><u>367,470</u></u>



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Year ended 31st December, 2003

	Airline operation HK\$'000	Airport ground handling HK\$'000	Airline catering services HK\$'000	Logistics and other businesses HK\$'000	Group HK\$'000
Segment revenues	<u>1,243,352</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,243,352</u>
Segment results	<u>(193,390)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(193,390)</u>
Interest income					9,172
Unallocated costs					<u>(39,365)</u>
Operating loss					(223,583)
Share of profits less losses of associated companies	29,796	101,280	–	(9,594)	<u>121,482</u>
Loss before taxation					(102,101)
Taxation credit					<u>13,944</u>
Loss after taxation					(88,157)
Minority interests					<u>69,410</u>
Loss attributable to shareholders					<u>(18,747)</u>

An analysis of the Group's revenues and contribution to operating results for the year by geographical segments is as follows:

	Segment revenues		Segment results	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
China mainland	753,909	489,377	(26,947)	(106,745)
Taiwan	1,025,639	651,251	134,486	(9,838)
Other regions	105,206	102,724	(54,748)	(76,807)
Total	<u>1,884,754</u>	<u>1,243,352</u>	<u>52,791</u>	<u>(193,390)</u>
Interest income			4,813	9,172
Unallocated costs			(41,752)	<u>(39,365)</u>
Operating profit/(loss)			<u>15,852</u>	<u>(223,583)</u>

Note: Other regions mainly include Macau, Thailand and the Philippines.



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2. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	2004	2003
	HK\$'000	HK\$'000
Amortisation of intangible assets		
– Goodwill	18,840	18,840
– Deferred expenditure	45	138
Cost of inventories expensed	38,681	43,560
Depreciation of fixed assets	64,740	68,519

3. Taxation (charge)/credit

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Macau Complementary Tax has been provided at the rate of 15.75% (2003: 15.75%) on the estimated assessable profit for the year. Taxation outside Hong Kong and Macau has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions of operations.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	2004	2003
	HK\$'000	HK\$'000
Company and subsidiaries:		
Taxation outside Hong Kong and Macau	(1,063)	(613)
Over provisions in prior years	5	468
Deferred taxation	(11,039)	30,333
	(12,097)	30,188
Associated companies	(83,293)	(16,244)
Jointly controlled entities	(247)	–
	(95,637)	13,944



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4. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend, paid, of HK0.6 cent (2003: HK0.3 cent) per share	19,876	9,938
Final dividend, proposed, of HK1.0 cent (2003: HK0.6 cent) per share	33,127	19,876
Adjustment on 2002 final dividend due to repurchase of shares	–	(53)
	<u>53,003</u>	<u>29,761</u>

5. Earnings/(loss) per share

The calculations of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to shareholders of HK\$367,470,000 (2003: loss of HK\$18,747,000).

The basic earnings/(loss) per share is based on the weighted average of 3,312,680,000 (2003: 3,314,824,000) shares in issue during the year. The diluted earnings per share for the year ended 31st December, 2004 was based on 3,340,747,828 shares representing the weighted average of 3,312,680,000 shares in issue during the year plus the weighted average of 28,067,828 shares which would be issued at no consideration on the exercise of all dilutive options. No diluted loss per share for the year ended 31st December, 2003 was presented as the exercise of options was anti-dilutive.