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CATHAY PACIFIC AIRWAYS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 293)

Major Transactions
Conversion of Existing Order into 16 Airbus A350-1000 Aircraft
Purchase of 10 Airbus A350-1000 Aircraft

CPAS has entered into the Supplemental Agreement with Airbus S.A.S., pursuant to which CPAS has exercised its right (under the 2010 Purchase Agreement) to convert an existing order for 16 Airbus A350-900 aircraft into larger Airbus A350-1000 aircraft and has also exercised an option (under the 2010 Purchase Agreement) to purchase an additional 10 Airbus A350-1000 aircraft.

Swire and Air China, which together own approximately 74.99% of the issued share capital of the Company, have approved the Transactions. Swire and Air China do not have any interest in the Transactions other than as shareholders of the Company.

The Transactions constitute major transactions of the Company under the Listing Rules. A circular containing the information required under the Listing Rules will be dispatched to shareholders on or before 29th August 2012.

Background

On 8th August 2012, CPAS and Airbus S.A.S. entered into the Supplemental Agreement, pursuant to which CPAS has exercised its right (under the 2010 Purchase Agreement) to convert an existing order for 16 Airbus A350-900 aircraft into larger Airbus A350-1000 aircraft and has also exercised an option (under the 2010 Purchase Agreement) to purchase an additional 10 Airbus A350-1000 aircraft.

The particulars of the Transactions are summarised as follows:

Agreement: Supplemental Agreement dated 8th August 2012

Parties: (i) CPAS
(ii) Airbus S.A.S.

Aircraft to be acquired:

Airbus Aircraft, comprising the conversion of an existing order for 16 Airbus A350-900 aircraft into 16 Airbus A350-1000 aircraft and the acquisition of 10 additional Airbus A350-1000 aircraft.

Consideration:

Reference is made to the Company's announcement dated 16th September 2010 in respect of CPAS entering into the 2010 Purchase Agreement with Airbus S.A.S. for the purchase of 30 Airbus A350-900 aircraft at an aircraft basic price of approximately US\$7.82 billion (equivalent to approximately HK\$60.84 billion). The aircraft basic price comprises the airframe price, price of specification change notices, and engine price. Accordingly, the aircraft basic price for the purchase of 16 Airbus A350-900 aircraft was US\$4.17 billion (equivalent to approximately HK\$32.45 billion). According to information provided to Cathay Pacific by Airbus S.A.S., the incremental aircraft basic price for the conversion of the existing order for 16 A350-900 aircraft into larger A350-1000 aircraft is approximately US\$1.087 billion (equivalent to approximately HK\$8.457 billion).

According to information provided to Cathay Pacific by Airbus S.A.S., the aircraft basic price of the 10 Airbus A350-1000 aircraft to be purchased upon exercise of an option pursuant to the Supplemental Agreement is approximately US\$3.286 billion (equivalent to approximately HK\$25.565 billion).

With regard to the Airbus Aircraft, Airbus S.A.S. has granted to CPAS significant price concessions which may be used towards the payment for the Airbus Aircraft. Such price concessions were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Airbus Aircraft is lower than the aircraft basic price mentioned above. The Transactions were negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to CPAS in the Transactions is comparable with the price concessions that CPAS had obtained in each Previous Aircraft Purchase. The Company believes that there is no material impact of the price concessions obtained in the Transactions on the unit operating cost of the Company's fleet. It is normal business practice in the global airline industry to disclose the aircraft basic price, instead of the actual consideration, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence will have a significant negative impact on the Company's cost incurred in undertaking the Transactions and will therefore not be in the interest of the Company and the shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rules 14.58(4) and 14.66(4) of the Listing Rules in respect of disclosure of the actual consideration for the Airbus Aircraft.

Payment and delivery terms:

The consideration for the purchase of each of the Airbus Aircraft is payable in cash in eight instalments, with the first seven instalments to be paid prior to delivery of each aircraft and the balance, being a substantial portion of the consideration, to be paid upon delivery of the aircraft. The Company is expecting to take delivery of the Airbus Aircraft from 2018 to 2020.

Source of funding:

The Transactions will be funded through commercial bank loans, other debt instruments of the Company and/or cash generated from the Company's business operations.

Reasons for, and benefits of, the Transactions

The Airbus Aircraft will replenish and expand the fleet capacity of the Company. They will principally serve long-haul destinations in North America and Europe. The Company expects that the Airbus Aircraft will deliver improved payload range capability at competitive operating costs whilst providing high standards of passenger comfort and safety. The Directors consider that the terms of the Transactions are fair and reasonable and in the interests of the shareholders as a whole.

General

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Airbus S.A.S. and its ultimate beneficial owner are third parties independent of and not connected with Cathay Pacific or any of its connected persons.

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for the Transactions is above 25% but less than 100%, the Transactions constitute major transactions and are therefore subject to approval by the Company's shareholders under the Listing Rules.

The Company has received written approval for the Transactions from a closely allied group of shareholders, namely Swire and Air China which currently own 1,770,238,000 shares (45.00%) and 1,179,759,987 shares (29.99%) respectively of the issued share capital of the Company. Swire and Air China are parties to the shareholders agreement in relation to Cathay Pacific referred to in the Company's announcement dated 8th June 2006. Each of Swire and Air China and their associates does not have any interest in the Transaction other than as a shareholder of the Company (where applicable). No shareholder would be required to abstain from voting if the Company were to convene a general meeting pursuant to Rule 14.44 of the Listing Rules. A circular containing the information required under the Listing Rules in relation to the Transaction will be dispatched to shareholders on or before 29th August 2012.

Directors

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Christopher Pratt (Chairman), James Barrington, Ivan Chu, Martin Murray and John Slosar;

Non-Executive Directors: Cai Jianjiang, Fan Cheng, James W.J. Hughes-Hallett, Peter Kilgour, Ian Shiu, Merlin Swire, Wang Changshun and Zhao Xiaohang; and

Independent Non-Executive Directors: Irene Lee, Jack So, Tung Chee Chen and Peter Wong.

Definitions

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| “2005 Purchase Agreement” | The aircraft purchase agreement dated 14th December 2005 entered into by CPAS and Boeing Company pursuant to which CPAS has agreed to purchase and Boeing Company has agreed to sell certain Boeing 777-300ER aircraft. |
| “2010 Purchase Agreement” | The aircraft purchase agreement dated 16th September 2010 entered into by CPAS and Airbus S.A.S. pursuant to which CPAS has agreed to purchase and Airbus S.A.S. has agreed to sell certain Airbus A350 series aircraft. |
| “Air China” | Air China Limited, a company incorporated in the People’s Republic of China, whose H shares are listed on the Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange. The principal activity of Air China is the operation of scheduled airline services. |
| “Airbus Aircraft” | 26 Airbus A350-900 aircraft to be purchased by CPAS pursuant to the Supplemental Agreement, comprising the conversion of an existing order for 16 Airbus A350-900 aircraft into 16 Airbus A350-1000 aircraft and the acquisition of 10 additional Airbus A350-1000 aircraft. |
| “Airbus S.A.S.” | Airbus S.A.S., legal successor of Airbus SNC, formerly known as Airbus GIE, a société par actions simplifiée duly created and existing under French law, the principal activity of which is aircraft manufacturing. |
| “Aircraft General Terms Agreement” | The aircraft general terms agreement dated 14th December 1999 between CPAS and Airbus S.A.S. pursuant to which the general terms and conditions for the subsequent sale of Airbus A330-300 aircraft by Airbus S.A.S. to CPAS are set out. |
| “Boeing Company” | The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., the principal activity of which is aircraft manufacturing. |
| “Cathay Pacific” or “Company” | Cathay Pacific Airways Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is the operation of scheduled airline services. |
| “CPAS” | Cathay Pacific Aircraft Services Limited, a company incorporated in the Isle of Man and wholly owned by Cathay Pacific, the principal activity of which is to act as an aircraft acquisition facilitator. |

- “Directors”** The directors of the Company.
- “Listing Rules”** The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- “Previous Aircraft Purchase”** The acquisition by CPAS of:
- (a) 12 Boeing 777-300ER aircraft pursuant to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 14th December 2005 and dispatched a circular to shareholders dated 22nd December 2005;
 - (b) 2 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 1st June 2006 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 1st June 2006 and dispatched a circular to shareholders dated 8th June 2006;
 - (c) 6 Boeing 747-400ERF freighters pursuant to a purchase agreement dated 22nd June 2006 between CPAS and Boeing Company, in respect of which the Company published an announcement dated 22nd June 2006 and dispatched a circular to shareholders dated 29th June 2006;
 - (d) 5 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 7th August 2007 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 7th August 2007 and dispatched a circular to shareholders dated 22nd August 2007;
 - (e) 7 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 8th November 2007 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 8th November 2007 and dispatched a circular to shareholders dated 21st November 2007;
 - (f) 10 Boeing 747-8 freighters pursuant to a purchase agreement dated 8th November 2007 between CPAS and Boeing Company, in respect of which the Company published an announcement dated 8th November 2007 and dispatched a circular to shareholders dated 21st November 2007;
 - (g) 8 Airbus A330-300 aircraft pursuant to a supplemental agreement dated 6th December 2007 to the Aircraft General Terms Agreement, in respect of which the

Company published an announcement dated 6th December 2007 and dispatched a circular to shareholders dated 21st December 2007;

- (h) 30 Airbus A350-900 aircraft pursuant to a purchase agreement dated 16th September 2010 between CPAS and Airbus S.A.S., in respect of which the Company published an announcement dated 16th September 2010 and dispatched a circular to shareholders dated 21st September 2010;
- (i) 6 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 21st September 2010 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 21st September 2010;
- (j) 15 Airbus A330-300 aircraft pursuant to a supplemental agreement dated 9th March 2011 to the Aircraft General Terms Agreement, in respect of which the Company published an announcement dated 9th March 2011 and dispatched a circular to shareholders dated 30th March 2011;
- (k) 10 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 9th March 2011 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 9th March 2011 and dispatched a circular to shareholders dated 30th March 2011;
- (l) 4 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 10th August 2011 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 10th August 2011 and dispatched a circular to shareholders dated 19th August 2011;
- (m) 8 Boeing 777-200F freighters pursuant to a purchase agreement dated 10th August 2011 between CPAS and Boeing Company, in respect of which the Company published an announcement dated 10th August 2011 and dispatched a circular to shareholders dated 19th August 2011; and
- (n) 6 Airbus A350-900 aircraft pursuant to a purchase agreement dated 20th January 2012 between CPAS and Airbus S.A.S., in respect of which the Company published an announcement dated 20th January 2012.

“Stock Exchange” The Stock Exchange of Hong Kong Limited.

“Supplemental Agreement” The supplemental agreement dated 8th August 2012 to the 2010 Purchase Agreement pursuant to which CPAS has agreed to purchase and Airbus S.A.S. has agreed to sell the Airbus Aircraft.

“Swire” Swire Pacific Limited, an investment holding company incorporated in Hong Kong and listed on the Stock Exchange, the subsidiaries, associated companies and jointly controlled entities of which are engaged in property, aviation, beverages, marine services and trading and industrial businesses.

“Transactions” The conversion of an existing order for 16 Airbus A350-900 aircraft into 16 Airbus A350-1000 aircraft and the acquisition of 10 additional Airbus A350-1000 aircraft by CPAS pursuant to the Supplemental Agreement.

By Order of the Board
Cathay Pacific Airways Limited
David Fu
Company Secretary

Hong Kong, 8th August 2012