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CATHAY PACIFIC AIRWAYS LIMITED

國泰航空有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Major Transaction Purchase of 32 Airbus A321-200neo Aircraft Related Transaction

On 13th September 2017, CPAS and Airbus S.A.S. entered into the Purchase Agreement, pursuant to which CPAS has agreed to purchase the Airbus Aircraft (being 32 Airbus A321-200neo aircraft) from Airbus S.A.S.

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

The Transaction constitutes a major transaction of the Company under the Listing Rules. A circular containing the information required under the Listing Rules will be despatched to shareholders on or before 6th October 2017.

This announcement also deals with a transaction which is related to the Transaction but which is not a notifiable transaction of the Company under Chapter 14 of the Listing Rules. An existing order for six Airbus A350-1000 aircraft is to be converted into an order for six smaller Airbus A350-900 aircraft (to be delivered in 2019 and 2020) and the delivery of five Airbus A350-1000 aircraft is to be deferred from 2020 to 2021.

Background

On 13th September 2017, CPAS and Airbus S.A.S. entered into the Purchase Agreement, pursuant to which CPAS has agreed to purchase the Airbus Aircraft from Airbus S.A.S.

The particulars of the Transaction are summarised as follows:

Agreement: Purchase Agreement dated 13th September 2017

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

Aircraft to be acquired:

The Airbus Aircraft (being 32 Airbus A321-200neo aircraft).

The Airbus Aircraft are intended to be operated mainly by Cathay Dragon.

Consideration:

The aircraft basic price comprises the airframe price, optional features prices, and engine price. The aircraft basic price of the Airbus Aircraft is approximately US\$4,064 million (equivalent to approximately HK\$31,699 million). 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 Transaction was 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 Transaction 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 Transaction 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 Transaction and will therefore not be in the interests 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 2020 to 2023.

Source of funding:

The Transaction 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 Transaction

The Airbus Aircraft will replenish and expand the fleet capacity of the Company. They will principally serve destinations in Mainland China and elsewhere in the Asia Pacific region. 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 Transaction 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 highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Transaction is above 25% but less than 100%, the Transaction constitutes a major transaction and is therefore subject to approval by the Company's shareholders under the Listing Rules.

The Company has received written approval for the Transaction from a closely allied group of shareholders, namely Swire Pacific 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 Pacific 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 Pacific and Air China and their close 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 despatched to shareholders on or before 6th October 2017.

Related transaction

Reference is made to the Company's announcement dated 16th September 2010 in respect of, among other things, CPAS entering into the 2010 Purchase Agreement with Airbus S.A.S. for the purchase of 30 Airbus A350-900 aircraft, which were scheduled to be delivered from 2016 to 2019, for an aggregate consideration (at an aircraft basic price and before deducting price concessions) of approximately US\$7,820 million (equivalent to approximately HK\$60,840 million).

Reference is also made to the Company's announcement dated 8th August 2012 in respect of, among other things, CPAS entering into a supplemental agreement dated 8th August 2012 to the 2010 Purchase Agreement with Airbus S.A.S. for (i) the conversion of an existing order for 16 Airbus A350-900 aircraft into 16 Airbus A350-1000 aircraft for an aggregate incremental consideration (at an aircraft basic price and before deducting price concessions) of approximately US\$1,087 million (equivalent to approximately HK\$8,457 million) and (ii) the purchase of 10 additional Airbus A350-1000 aircraft for an aggregate consideration (at an aircraft basic price and before deducting price concessions) of approximately US\$3,286 million (equivalent to approximately HK\$25,565 million), which were scheduled to be delivered from 2018 to 2020.

On 13th September 2017, CPAS entered into a supplemental agreement to the 2010 Purchase Agreement with Airbus S.A.S. to convert an existing order for six Airbus A350-1000 aircraft into six smaller Airbus A350-900 aircraft (to be delivered in 2019 and 2020) and to defer delivery of five Airbus A350-1000 aircraft from 2020 to 2021.

The reduction in the aircraft basic price (before deducting price concessions) for the conversion of the existing order for six Airbus A350-1000 aircraft into six smaller Airbus A350-900 aircraft is approximately US\$288 million (equivalent to approximately HK\$2,241 million). This related transaction does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Directors

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

Executive Directors: John Slosar (Chairman), Rupert Hogg, Gregory Hughes, Paul Loo, Martin Murray;

Non-Executive Directors: Cai Jianjiang, Ivan Chu, Martin Cubbon, Song Zhiyong, Merlin Swire, Samuel Swire, Xiao Feng, Zhao Xiaohang;

Independent Non-Executive Directors: John Harrison, Irene Lee, Andrew Tung and Peter Wong.

Definitions

“2005 Purchase Agreement”	The aircraft purchase agreement dated 14th December 2005 entered into by CPAS and Boeing Company pursuant to which CPAS agreed to purchase and Boeing Company agreed to sell certain Boeing 777-300ER aircraft.
“2007 Purchase Agreement”	The aircraft purchase agreement dated 8th November 2007 entered into by CPAS and Boeing Company pursuant to which CPAS agreed to purchase and Boeing Company agreed to sell certain Boeing 747-8 freighters.
“2010 Purchase Agreement”	The aircraft purchase agreement dated 16th September 2010 entered into by CPAS and Airbus S.A.S. pursuant to which CPAS agreed to purchase and Airbus S.A.S. agreed to sell certain Airbus A350 series aircraft.
“2013 Purchase Agreement”	The aircraft purchase agreement dated 20th December 2013 entered into by CPAS and Boeing Company pursuant to which CPAS agreed to purchase and Boeing Company agreed to sell certain Boeing 777-9X 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”	32 Airbus A321-200neo aircraft to be purchased by CPAS pursuant to the Purchase Agreement.

“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 Dragon”	Hong Kong Dragon Airlines Limited 港龍航空有限公司, a wholly owned subsidiary of Cathay Pacific, the principal activity of which is the operation of scheduled airline services.
“Cathay Pacific” or “Company”	Cathay Pacific Airways Limited 國泰航空有限公司, a company incorporated in Hong Kong and whose shares are listed on the Stock Exchange, the principal activity of which is the operation of scheduled airline services (and including, as the context requires, its wholly owned subsidiaries).
“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 Purchases”	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 despatched 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 despatched 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 despatched 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 despatched 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 despatched a circular to shareholders dated 21st November 2007;
- (f) 10 Boeing 747-8 freighters pursuant to the 2007 Purchase Agreement, in respect of which the Company published an announcement dated 8th November 2007 and despatched 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 despatched a circular to shareholders dated 21st December 2007;
- (h) 30 Airbus A350-900 aircraft pursuant to the 2010 Purchase Agreement, in respect of which the Company published an announcement dated 16th September 2010 and despatched 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 despatched 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 despatched 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 despatched 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 despatched a circular to shareholders dated 19th August 2011; (Note: The order for these 8 Boeing 777-200F freighters was cancelled on 1st March 2013 and the Company published an announcement about the cancellation dated 1st March 2013.)
- (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;
- (o) 16 Airbus A350-1000 aircraft (through conversion of an existing order of 16 Airbus A350-900 aircraft) and 10 additional Airbus A350-1000 aircraft pursuant to a supplemental agreement dated 8th August 2012 to the 2010 Purchase Agreement, in respect of which the Company published an announcement dated 8th August 2012 and despatched a circular to shareholders dated 17th August 2012;
- (p) 3 Boeing 747-8 freighters pursuant to a supplemental agreement dated 1st March 2013 to the 2007 Purchase Agreement, in respect of which the Company published an announcement dated 1st March 2013;
- (q) 21 Boeing 777-9X aircraft pursuant to the 2013 Purchase Agreement, in respect of which the Company published an announcement dated 20th December 2013 and despatched a circular to shareholders dated 24th December 2013;

- (r) 3 Boeing 777-300ER aircraft pursuant to a supplemental agreement dated 27th December 2013 to the 2005 Purchase Agreement, in respect of which the Company published an announcement dated 27th December 2013; and
- (s) 1 Boeing 747-8 freighter pursuant to a supplemental agreement dated 27th December 2013 to the 2007 Purchase Agreement, in respect of which the Company published an announcement dated 27th December 2013.

“Purchase Agreement” The aircraft purchase agreement dated 13th September 2017 entered into by CPAS and Airbus S.A.S. pursuant to which CPAS agreed to purchase and Airbus S.A.S. agreed to sell certain Airbus A321-200neo aircraft.

“Stock Exchange” The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司.

“Swire Pacific” Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong and whose shares are listed on the Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged in property, aviation, beverages, marine services and trading and industrial businesses.

“Transaction” The acquisition by CPAS of the Airbus Aircraft pursuant to the Purchase Agreement.

By Order of the Board
CATHAY PACIFIC AIRWAYS LIMITED
國泰航空有限公司
David Fu
Company Secretary

Hong Kong, 13th September 2017