

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular, or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Cathay Pacific Airways Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---

**Cathay Pacific Airways Limited**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

**Major Transaction**

**Purchase of 32 Airbus A321-200neo Aircraft**



---

24th October 2017

---

## DEFINITIONS

---

*In this circular the following expressions have the following meanings unless the context requires otherwise:*

<b>2005 Purchase Agreement</b>	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.
<b>2007 Purchase Agreement</b>	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.
<b>2010 Purchase Agreement</b>	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.
<b>2013 Purchase Agreement</b>	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.
<b>Air China</b>	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.
<b>Airbus Aircraft</b>	32 Airbus A321-200neo aircraft to be purchased by CPAS pursuant to the Purchase Agreement.
<b>Airbus S.A.S.</b>	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.
<b>Aircraft General Terms Agreement</b>	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.
<b>Board</b>	The board of Directors of the Company.
<b>Boeing Company</b>	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.
<b>Cathay Dragon</b>	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.
<b>Cathay Pacific or Company</b>	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).
<b>CPAS</b>	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.

---

## DEFINITIONS

---

<b>Directors</b>	The directors of Cathay Pacific.
<b>Group</b>	Cathay Pacific and its subsidiaries.
<b>Latest Practicable Date</b>	18th October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular.
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
<b>Model Code</b>	Model Code for Securities Transactions by Directors of Listed Companies, being Appendix 10 to the Listing Rules.
<b>Previous Aircraft Purchases</b>	<p>The acquisition by CPAS of:</p> <ul style="list-style-type: none"><li>(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;</li><li>(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;</li><li>(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;</li><li>(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;</li><li>(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;</li><li>(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;</li><li>(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;</li><li>(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</li></ul>

---

## DEFINITIONS

---

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

---

## DEFINITIONS

---

- (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.

<b><i>Purchase Agreement</i></b>	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.
<b><i>SFO</i></b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
<b><i>Shareholders</i></b>	The shareholders of the Company.
<b><i>Stock Exchange</i></b>	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司.
<b><i>Swire Pacific</i></b>	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.
<b><i>Transaction</i></b>	The acquisition by CPAS of the Airbus Aircraft pursuant to the Purchase Agreement.

**CATHAY PACIFIC AIRWAYS LIMITED**  
(Incorporated in Hong Kong with limited liability)

*Executive Directors*

John Slosar (Chairman)  
Rupert Hogg  
Gregory Hughes  
Paul Loo  
Martin Murray

*Registered Office:*

33rd Floor  
One Pacific Place  
88 Queensway  
Hong Kong

*Non- Executive Directors*

Cai Jianjiang  
Ivan Chu  
Michelle Low  
Song Zhiyong  
Merlin Swire  
Samuel Swire  
Xiao Feng  
Zhao Xiaohang

*Principal Office:*

7th Floor, North Tower  
Cathay Pacific City  
8 Scenic Road  
Hong Kong International Airport  
Lantau  
Hong Kong

*Independent Non-Executive Directors*

John Harrison  
Irene Lee  
Andrew Tung  
Peter Wong

To the Shareholders

24th October 2017

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the Company's announcement dated 13th September 2017 regarding the Purchase Agreement entered into by CPAS and Airbus S.A.S. on 13th September 2017, pursuant to which CPAS agreed to purchase 32 Airbus A321-200neo aircraft from Airbus S.A.S.

The Transaction constitutes a major transaction of the Company under the Listing Rules.

The purpose of this circular is to set out further details of the Transaction.

**PURCHASE AGREEMENT dated 13th September 2017**

**(1) Parties to the Transaction**

- (i) CPAS, as the purchaser
- (ii) Airbus S.A.S., as the vendor

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.

**(2) 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.

As at the Latest Practicable Date, the Company's fleet totals 193 aircraft, comprising 173 passenger aircraft and 20 freighter aircraft.

**(3) 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 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.

**(4) 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.

**(5) 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.

**(6) Reasons for, and benefits of, the Transaction**

The Airbus Aircraft will replenish and expand the fleet capacity of the Group. 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. Accordingly, the Directors would have recommended Shareholders to vote in favour of an ordinary resolution approving the Transaction if a general meeting were to have been convened.

**(7) Shareholders' approval**

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. None of Swire Pacific, Air China or their close associates has 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 and therefore the Company will not be convening a shareholders' meeting to approve the Transaction.

**EFFECT OF TRANSACTION**

As mentioned above, the Transaction will be financed by commercial bank loans, other debt instruments of the Company and/or cash generated from the Company's business operations. The Transaction will therefore increase the Group's fixed assets and liabilities. The Transaction may also result in an increase in the Group's debt-to-equity ratio. The total cash outflow of the Company in the next twelve months in respect of the Transaction is approximately US\$38 million (equivalent to approximately HK\$296 million) which does not have a material negative impact on its cash flow position or its business operations.

Save as described above, the Transaction is not expected to have any material impact on earnings, assets and liabilities of the Group within the next twelve months.



---

## LETTER FROM THE BOARD

---

### FINANCIAL AND OPERATIONAL PROSPECTS

As disclosed in the Annual Report 2016 of the Company dated 15th March 2017 for the year ended 31st December 2016, the Group's total turnover was HK\$92,751 million, representing a decrease of 9% from 2015.

In the Chairman's letter dated 16th August 2017 (as set out on pages 3 to 5 of the Company's Interim Report 2017), the following statement was made.

"We do not expect the operating environment in the second half of 2017 to improve materially. In particular, the passenger business will continue to be affected by strong competition from other airlines and our results are expected to be adversely affected by higher fuel prices and our fuel hedging positions. However, the outlook for the cargo business is good and we expect robust demand and growth in cargo capacity, yield and load factor in the second half of this year. We expect to see the benefits of our transformation in the second half of 2017, and the effects will accelerate in 2018."

### WORKING CAPITAL

After taking into account the financial resources available including liquid funds, internally generated funds and available banking facilities, the Directors are of the opinion that the Group, in the absence of unforeseen circumstances, will have sufficient working capital for the next 12 months following the date of this circular.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board  
**Cathay Pacific Airways Limited**  
**John Slosar**  
Chairman

## I. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31st December 2016 are set out from page 57 to page 109 in the Annual Report 2016 of the Company, which was published on 5th April 2017. The Annual Report 2016 is also posted on the Company's website <http://www.cathaypacific.com>. Please also see below a quick link to the Annual Report 2016:

[https://www.cathaypacific.com/content/dam/cx/about-us/investor-relations/interim-annual-reports/en/CX16\\_Final\\_en.pdf](https://www.cathaypacific.com/content/dam/cx/about-us/investor-relations/interim-annual-reports/en/CX16_Final_en.pdf)

The audited consolidated financial statements of the Group for the year ended 31st December 2015 are set out from page 49 to page 105 in the Annual Report 2015 of the Company, which was published on 6th April 2016. The Annual Report 2015 is also posted on the Company's website <http://www.cathaypacific.com>. Please also see below a quick link to the Annual Report 2015:

<https://www.cathaypacific.com/content/dam/cx/about-us/investor-relations/interim-annual-reports/en/2015-cx-annual-report-en.pdf>

The audited consolidated financial statements of the Group for the year ended 31st December 2014 are set out from page 50 to page 101 in the Annual Report 2014 of the Company, which was published on 8th April 2015. The Annual Report 2014 is also posted on the Company's website <http://www.cathaypacific.com>. Please also see below a quick link to the Annual Report 2014:

<https://www.cathaypacific.com/content/dam/cx/about-us/investor-relations/interim-annual-reports/en/2014-cx-annual-report-en.pdf>

## II. INDEBTEDNESS

As at the close of business on 31st August 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had bank and other loans of approximately HK\$49,528 million and finance lease obligations of approximately HK\$24,495 million. As at 31st August 2017, HK\$30,825 million of the bank and other loans were secured. Security, including charges over the aircraft concerned and relevant insurance policies, is provided to the leasing companies or other parties that provided the underlying finance leases and bank and other loans.

As at 31st August 2017, included in other liquid investments are bank deposits of HK\$157 million and debt securities of HK\$4 million which are pledged as part of long-term financing

arrangements. The arrangements provide that these deposits and debt securities must be maintained at specified levels for the duration of the financing.

### Contingent liabilities

As at 31st August 2017, the Group had the following contingent liabilities.

- (a) Guarantees in respect of lease obligations, bank loans and other liabilities outstanding as at 31st August 2017:

	<b>HK\$M</b>
Associates	3,714

- (b) The Company has under certain circumstances undertaken to maintain specified rates of return within the Group's leasing arrangements. The Directors do not consider that an estimate of the potential financial effect of these contingencies can practically be made.
- (c) The Company operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcomes of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.
- (d) The Company remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. The Company is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. The Company is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with accounting policy 20 on page 109 in the Annual Report 2016.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, the Company and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on the Company. However, the General Court delivered judgment in December 2015 annulling the European Commission's finding against the Company and the fine of Euros 57.12 million was refunded to the Company in February 2016. The European Commission issued a new decision against the Company and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company has filed an appeal against this latest decision.

The Company is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws

arising from the Company's alleged conduct relating to its air cargo operations. In addition, civil class action claims have been filed in Canada alleging violations of applicable competition laws arising from the Company's alleged conduct relating to certain of its passenger operations. The Company is represented by legal counsel and is defending these actions.

Save as disclosed above or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not, at the close of business on 31st August 2017, have any debt securities issued and outstanding, other borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees.

**RESPONSIBILITY STATEMENT**

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

**MATERIAL ADVERSE CHANGE**

The Directors confirm that, other than as stated in the Chairman's letter dated 15th March 2017 (as set out on pages 8 to 9 of the Company's Annual Report 2016) and the Chairman's letter dated 16th August 2017 (as set out on pages 3 to 5 of the Company's Interim Report 2017), as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December 2016, being the date to which the latest published audited accounts of the Company were made up.

**DISCLOSURE OF INTERESTS****(a) Share Interests of Directors and Chief Executive**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**Interests in shares of Cathay Pacific**

Name of Director	Capacity	Long or short position	Number of ordinary shares	Percentage of issued capital
Michelle Low	Beneficial owner	Long position	1,000	0.00003%

**Interests in shares of Air China**

Name of Director	Capacity	Long or short position	Number of H shares	Percentage of issued capital
Michelle Low	Beneficial owner	Long position	40,000	0.00028%

**(b) Directors' interests in competing businesses**

John Slosar, Cai Jianjiang and Song Zhiyong are directors of Air China Limited. Air China Limited competes or is likely to compete, either directly or indirectly, with the business of the Group as it operates airline services to certain destinations which are also served by the Group.

The Directors consider that the Group is capable of carrying on and does carry on its business independently of, and on an arm's length basis from, the competing business of Air China Limited.

**(c) Other interests of Directors**

The Company has an agreement for services (the "JSS Agreement") with John Swire & Sons (H.K.) Limited ("JSSHK"), pursuant to which JSSHK provides advice and expertise of the directors and senior officers of the John Swire & Sons Limited group ("Swire Group"), full or part time services of members of the staff of the Swire Group, other administrative and similar services and such other services as may have been agreed from time to time.

In return for these services, JSSHK receives annual service fees calculated as 2.5% of the Company's consolidated profit before taxation and non-controlling interests after certain adjustments. The Company also reimburses the Swire group at cost for all the expenses incurred in the provision of the services.

The current term of the JSS Agreement is from 1st January 2017 to 31st December 2019 and it is renewable for successive periods of three years thereafter unless either party to it gives to the other notice of termination of not less than three months expiring on any 31st December.

John Slosar, Ivan Chu, Rupert Hogg, Gregory Hughes, Michelle Low, Martin Murray, Merlin Swire and Samuel Swire, being directors and/or employees (and also shareholders in the case of Merlin Swire and Samuel Swire) of the Swire Group, which is a substantial shareholder of the Company, are interested in the JSS Agreement.

**(d) Interests in assets**

As at the Latest Practicable Date, none of the Directors has or has had any interest, direct or indirect, in any assets which have been, since 31st December 2016, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**(e) Service contracts**

None of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

**LITIGATION**

The Company operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcomes of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

The Company remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. The Company is represented by legal counsel in connection with these matters.

The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. The Company is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with accounting policy 20 on page 109 in the Annual Report 2016.

In November 2010, the European Commission issued a decision in its airfreight investigation finding that, amongst other things, the Company and a number of other international cargo carriers agreed to cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on the Company. However, the General Court delivered judgment in December 2015 annulling the European Commission's finding against the Company and the fine of Euros 57.12 million was refunded to the Company in February 2016. The European Commission issued a new decision against the Company and the other airlines involved in the case in March 2017. A fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company has filed an appeal against this latest decision.

The Company is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including the United Kingdom, Germany, the Netherlands, Norway and Korea alleging violations of applicable competition laws arising from the Company's alleged conduct relating to its air cargo operations. In addition, civil class action claims have been filed in Canada alleging violations of applicable competition laws arising from the Company's alleged conduct relating to certain of its passenger operations. The Company is represented by legal counsel and is defending these actions.

Except as disclosed above, there were no litigation or claims of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

**MATERIAL CONTRACTS**

The Group has entered into the following material contracts within the two years immediately preceding the date of this circular:

- (a) non-binding memorandum of understanding dated 7th July 2017 entered into between Cathay Pacific and DHL International GmbH in relation to AHK Air Hong Kong Limited.
- (b) supplemental agreement dated 13th September 2017 to the 2010 Purchase Agreement in relation to the conversion of an existing order for six Airbus A350-1000 aircraft into six smaller Airbus A350-900 aircraft (to be delivered in 2019 and 2020) and deferring 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).

- (c) purchase agreement dated 13th September 2017 entered into between CPAS and Airbus S.A.S. in relation to the purchase of 32 Airbus A321-200neo aircraft at a basic price (before price concessions) of approximately US\$4,064 million (equivalent to approximately HK\$31,699 million), the details of which are set out in the section headed "Letter from the Board" of this circular.

Except as disclosed above, no other material contract has been entered into by the Group within the two years immediately preceding the date of this circular.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders during normal business hours at the registered office of the Company at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong on weekdays (Saturdays and public holidays excepted) up to and including 8th November 2017:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial information of the Group for the two financial years ended 31st December 2015 and 31st December 2016;
- (c) the material contracts referred to in the section headed "Material Contracts" of this appendix; and
- (d) a copy of each circular issued by the Company under Chapters 14 and/or 14A of the Listing Rules since 31st December 2016.

### MISCELLANEOUS

1. The secretary of the Company is David Fu. He holds a Master of Arts degree from Oxford University and is a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
2. The registered address of the Company is at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong. The head office of the Company is at 7th Floor, North Tower, Cathay Pacific City, 8 Scenic Road, Hong Kong International Airport, Lantau, Hong Kong.
3. The Company's share registrars and transfer office is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.