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

Discloseable Transaction
Purchase of 3 Boeing 747-8 Freighters
Related Transactions

On 1st March 2013, CPAS and Boeing Company entered into the Supplemental Agreement, pursuant to which CPAS has agreed to purchase the Boeing Aircraft (being 3 Boeing 747-8 freighter aircraft) from Boeing Company.

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

This announcement also deals with certain transactions which are related to the Transaction but which are not notifiable transactions of the Company under Chapter 14 of the Listing Rules. These related transactions include the cancellation of an existing order for 8 Boeing 777-200F freighter aircraft, the acquisition of options to purchase 5 Boeing 777-200F freighter aircraft and the sale of 4 Boeing 747-400 converted freighters.

Background

On 1st March 2013, CPAS and Boeing Company entered into the Supplemental Agreement, pursuant to which CPAS has agreed to purchase the Boeing Aircraft from Boeing Company.

The particulars of the Transaction are summarised as follows:

Agreement: Supplemental Agreement dated 1st March 2013

Parties: (i) CPAS
(ii) Boeing Company

Aircraft to be acquired:

Boeing Aircraft, i.e. 3 Boeing 747-8 freighters.

Consideration:

The aircraft basic price comprises the airframe price, optional features prices, and engine price. The aircraft basic price of the Boeing Aircraft is approximately US\$1,016 million (equivalent to approximately HK\$7,925 million). With regard to the Boeing Aircraft, Boeing Company has granted to CPAS significant price concessions which may be used towards the payment for the Boeing Aircraft. Such price concessions were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Boeing 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 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 Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration for the Boeing Aircraft.

Payment and delivery terms:

The consideration for the purchase of each of the Boeing Aircraft is payable in cash in six instalments, with the first five 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 Boeing Aircraft in 2013.

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 Boeing Aircraft will facilitate the restructuring of the Company's freighter fleet. They will principally serve long-haul destinations in North America and Europe. The Company expects that the Boeing Aircraft will deliver improved payload range capability at competitive operating costs. The Directors consider that the terms of the Transaction are fair and reasonable and in the interests of the shareholders as a whole. Please also refer to the section of this announcement headed "Related Transactions".

General

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Boeing Company 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 Transaction is above 5% but less than 25%, the Transaction constitutes a discloseable transaction and is therefore not subject to approval by the Company's shareholders under the Listing Rules.

Related Transactions

Reference is made to the Company's announcement dated 10th August 2011 in respect of, among other things, CPAS entering into a purchase agreement with Boeing Company for the purchase of 8 Boeing 777-200F freighters which are scheduled to be delivered from 2014 to 2016. On 1st March 2013, the Group entered into agreements with Boeing Company under which (i) the order for those 8 Boeing 777-200F freighters was cancelled; (ii) pre-delivery payments already made in respect of those 8 Boeing 777-200F freighters will be credited to the consideration for the purchase of the 3 Boeing 747-8 freighters under the Transaction; (iii) the Group acquired options to purchase 5 Boeing 777-200F freighters; and (iv) Boeing Company agreed to purchase 4 Boeing 747-400 converted freighters from the Group. The related transactions described in this paragraph are *de minimis* transactions for the Company under Chapter 14 of the Listing Rules.

The Transaction and the related transactions described in the previous paragraph are part of a package of transactions between Boeing Company and:

- (a) Air China Cargo (in which the Company owns a 25% equity interest and a 24% economic interest aggregating 49%), under which Air China Cargo will purchase 8 Boeing 777-200F Freighters and will sell 7 Boeing 747-400 converted freighters; and
- (b) Air China (in which the Company owns a 19.28% equity interest), under which Air China will purchase certain other aircraft.

Looked at in the round, the effect of the Transaction, the related transactions of the Company described above and the transactions described in (a) above is to enable (i) the Company (depending on whether it exercises the options described above and certain existing purchase rights) to reduce the Company's future cargo capacity from what it would otherwise have been and (ii) Air China Cargo to replace its existing fleet of aircraft with a fleet of modern, fuel efficient Boeing 777-200F freighters. (i) is considered desirable in the light of the Company's reduced expectations for the future growth of air cargo shipments. If these reduced expectations prove misplaced, additional cargo capacity could be obtained by exercising the options and purchase rights referred to in this paragraph.

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

- “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.
- “2007 Purchase Agreement”** The purchase agreement dated 8th November 2007 between CPAS and Boeing Company, pursuant to which CPAS has agreed to purchase and Boeing Company has 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 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.
- “Air China Cargo”** Air China Cargo Co., Ltd., a company incorporated with limited liability incorporated in the People’s Republic of China and a subsidiary of Air China. The principal activity of Air China Cargo is the operation of cargo airline services.
- “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 Aircraft”** 3 Boeing 747-8 freighter aircraft to be purchased by CPAS pursuant to the Supplemental Agreement.
- “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.
- “Group”** Cathay Pacific and its subsidiaries.
- “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 the 2007 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;
- (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 the 2010 Purchase Agreement, 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;
- (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; and
- (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 dispatched a circular to shareholders dated 17th August 2012.

“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Supplemental Agreement”	The supplemental agreement dated 1st March 2013 to the 2007 Purchase Agreement pursuant to which CPAS has agreed to purchase and Boeing Company has agreed to sell the Boeing Aircraft.
“Transaction”	The acquisition by CPAS of the Boeing Aircraft pursuant to the Supplemental Agreement.

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

Hong Kong, 1st March 2013