
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.



MAJOR TRANSACTION

PURCHASE OF 32 AIRBUS A321/A320-200neo AIRCRAFT

A letter from the Board is set out on pages 8 to 12 of this circular.

The Company has received written approval for the Transaction from a closely allied group of shareholders, namely Swire Pacific and Air China, which together own more than 50% of the voting rights of the Company. Such is acceptable in lieu of a majority vote at a general meeting of the shareholders of the Company pursuant to Rule 14.44 of the Listing Rules. The circular is being despatched to the Shareholders for information only.

24th October 2023

DEFINITIONS

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

“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.
“2017 Purchase Agreement”	The aircraft purchase agreement dated 13th September 2017 (as amended from time to time) 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.
“Air China”	Air China Limited, a company incorporated in the People’s Republic of China, the H shares of which are listed on the Hong Kong Stock Exchange as its primary listing venue and have been admitted to the Official List of the UK Listing Authority as its secondary listing venue, and the A shares of which are listed on the Shanghai Stock Exchange.
“Airbus Aircraft”	32 Airbus A321-200neo/A320-200neo aircraft in respect of which CPAS exercised the Purchase Rights on the date of the announcement published by the Company on 29th September 2023.

DEFINITIONS

“Airbus S.A.S.”	Airbus S.A.S., a company incorporated in Toulouse, France, one of whose principal business activities is aircraft manufacturing. Airbus S.A.S. is a division of the Airbus SE, the principal business activities of which are designing, manufacturing and delivering aerospace products, services and solutions to customers on a worldwide scale. Airbus SE is listed on the Paris Stock Exchange, the Frankfurt Stock Exchange and the Spanish stock exchanges in Madrid, Bilbao, Barcelona and Valencia.
“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.
“Acquisition Agreements”	The 2017 Purchase Agreement and any related documents in respect of the Transaction (including the notice of exercise of the Purchase Rights).
“Board”	The board of Directors of the Company.
“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 whose shares are listed on the Hong Kong Stock Exchange, one of whose principal business activities is the operation of scheduled airline services (and including, as the context requires, its wholly owned subsidiaries).
“Commercial Sensitive Information”	Information that is strictly personal and exclusive to the parties to the Acquisition Agreements and is generally recognised as customised and confidential information in the aviation industry, including: (a) information relating to the actual consideration for the Transaction; (b) information relating to the previous aircraft purchases from Airbus S.A.S. referred to in the 2017 Purchase Agreement;

DEFINITIONS

	(c) price and price-related terms;
	(d) specification of the aircraft purchased and specific information in relation to aircraft type;
	(e) details in relation to aircraft delivery schedules;
	(f) provisions relating to after-sales services and support;
	(g) details in relation to training services and maintenance support arrangement;
	(h) contact details of the parties to the Acquisition Agreements;
	(i) compliance-related provisions; and
	(j) other confidential commercial arrangements.
“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.
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China.
“Hong Kong Express”	Hong Kong Express Airways Limited, a wholly-owned subsidiary of the Company, whose principal activity is the operation of scheduled airline services.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Latest Practicable Date”	18 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DEFINITIONS

- “Model Code” Model Code for Securities Transactions by Directors of Listed Companies, being Appendix 10 to the Listing Rules.
- “Previous Aircraft Purchases” The acquisitions 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;

DEFINITIONS

- (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;

DEFINITIONS

- (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;

DEFINITIONS

- (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;
- (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; and
- (t) 32 Airbus A321-200neo aircraft pursuant to the 2017 Purchase Agreement, in respect of which the Company published an announcement dated 13th September 2017 and despatched a circular to shareholders dated 24th October 2017.

“Purchase Rights”	The rights acquired by CPAS and granted by Airbus S.A.S. for CPAS to acquire additional aircraft pursuant to the 2017 Purchase Agreement.
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Shareholders”	The shareholders of the Company.
“Swire Pacific”	Swire Pacific Limited 太古股份有限公司, an investment holding company incorporated in Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange, the subsidiaries, associates and joint ventures of which are engaged principally in the property, beverages and aviation businesses, as well as new areas of growth in healthcare and sustainable foods.
“Transaction”	The acquisition by CPAS of the Airbus Aircraft pursuant to the exercise of the Purchase Rights.

LETTER FROM THE BOARD



CATHAY PACIFIC AIRWAYS LIMITED

國泰航空有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Executive Directors:

HEALY, Patrick (*Chair*)
LAM, Siu Por Ronald
LAU, Hoi Zee Lavinia
MCGOWAN, Alexander James John
SHARPE, Rebecca Jane

Registered Office:

33rd Floor
One Pacific Place
88 Queensway
Hong Kong

Non-Executive Directors:

MA, Chongxian (*Deputy Chair*)
BRADLEY, Guy Martin Coutts
MCCALLUM, Gordon Douglas
SUN, Yuquan
SWIRE, Merlin Bingham
WANG, Mingyuan
XIAO, Feng
ZHANG, Zhuo Ping

Independent Non-Executive Directors:

CHAN, Bernard Charnwut
HARRISON, John Barrie
MUELLER, Christoph Romanus
TUNG, Lieh Cheung Andrew

24th October 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

PURCHASE OF 32 AIRBUS A321/A320-200neo AIRCRAFT

INTRODUCTION

Reference is made to the Company's announcement dated 29th September 2023 regarding the exercise of the Purchase Rights to purchase the Airbus 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.

LETTER FROM THE BOARD

2017 Purchase Agreement, pursuant to which CPAS exercised the Purchase Rights on 29th September 2023

(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/A320-200neo aircraft).

The Airbus Aircraft are intended to be operated by the Company and/or Hong Kong Express.

As at the Latest Practicable Date, the Company's fleet comprised 212 aircraft, being 192 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\$4,660 million (equivalent to approximately HK\$36,348 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 fleets of the Company and Hong Kong Express. 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 its shareholders as a whole. The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 14.58(4) and 14.66(4) of the Listing Rules in respect of the disclosure of the actual consideration for the Airbus Aircraft.

LETTER FROM THE BOARD

The Company believes that the disclosure of the commitment amount for future aircraft commitments in its interim report (if applicable) and annual report pursuant to paragraph (b) of the Note to Rule 14.58(4), even on an aggregated basis, would be commercially sensitive, may result in the actual consideration of aircraft acquisitions being capable of being determined and would be expected to result in a breach of the confidentiality obligations imposed by aircraft suppliers, which would therefore prejudice the interests of the Company and its shareholders as a whole. The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph (b)(ii) of the Note to Rule 14.58(4) of the Listing Rules in respect of the disclosure of the commitment amount for future aircraft commitments in the Company's interim and annual reports.

(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 for each aircraft to be paid prior to delivery of such aircraft and the balance, being a substantial portion of the consideration, to be paid upon delivery of such aircraft. The Company expects the Airbus Aircraft to be delivered by the end of 2029.

(5) Source of funding

The Transaction is intended to be financed wholly or in part by sale and leaseback arrangements and/or finance leases and by commercial bank loans and/or cash generated from the Company's business operations.

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

The Airbus Aircraft will expand the fleet capacity of the Company and Hong Kong Express. They will principally serve destinations in the Chinese Mainland and elsewhere in the Asia Pacific region. The Company expects that the Airbus Aircraft will deliver improved efficiency and capability of the fleet of the Company and Hong Kong Express over time 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 of the Company 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.

LETTER FROM THE BOARD

(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 2,896,753,089 ordinary shares and 1,930,516,334 ordinary shares respectively of the Company, which together represent more than 50% of the voting rights 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. Accordingly, the written approval for the Transaction given by Swire Pacific and Air China is acceptable in lieu of a majority vote at a general meeting of the shareholders of the Company pursuant to Rule 14.44 of the Listing Rules.

EFFECT OF TRANSACTION

As mentioned above, the Transaction is intended to be financed wholly or in part by sale and leaseback arrangements and/or finance leases and by commercial bank loans 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\$75 million (equivalent to approximately HK\$590 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.

FINANCIAL AND OPERATIONAL PROSPECTS

As disclosed in the Annual Report 2022 of the Company dated 3rd April 2023 for the year ended 31st December 2022, the Group's total revenue was HK\$51,036 million, representing an increase of 12% from 2021.

In the Chair's letter dated 9th August 2023 (as set out on pages 4 to 6 of the Company's Interim Report 2023), the following statement was made:

LETTER FROM THE BOARD

“While we are still only part way along our rebuilding journey, our results for the first six months of 2023 demonstrate that we are on the right track. Further demonstrating this, the Group plans to buy back 50% of the preference shares before the end of 2023 at a redemption price of over HK\$9.75 billion, and the remainder by the end of July 2024, subject to completion of the proposed capital reduction and its business conditions at the relevant time. Building back connectivity at the Hong Kong international aviation hub remains our primary focus. We are on track to achieve our target of 70% pre-pandemic passenger flight capacity levels covering 80 destinations by the end of 2023, and we are confident of reaching 100% by the end of 2024.”

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.

Yours faithfully,
For and on behalf of the Board
CATHAY PACIFIC AIRWAYS LIMITED
Patrick Healy
Chair

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 unaudited consolidated financial statements of the Group for the six months ended 30th June 2023 are set out from page 24 to page 44 in the Interim Report 2023 of the Company, which was published on 24th August 2023. The Interim Report 2023 is also posted on the Company's website (<http://www.cathaypacific.com>). Please also see below a quick link to the Interim Report 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0824/2023082400446.pdf>

The audited consolidated financial statements of the Group for the year ended 31st December 2022 are set out from page 68 to page 137 in the Annual Report 2022 of the Company, which was published on 3rd April 2023. The Annual Report 2022 is also posted on the Company's website (<http://www.cathaypacific.com>). Please also see below a quick link to the Annual Report 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0403/2023040302330.pdf>

The audited consolidated financial statements of the Group for the year ended 31st December 2021 are set out from page 57 to page 129 in the Annual Report 2021 of the Company, which was published on 4th April 2022. The Annual Report 2021 is also posted on the Company's website (<http://www.cathaypacific.com>). Please also see below a quick link to the Annual Report 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0404/2022040400897.pdf>

The audited consolidated financial statements of the Group for the year ended 31st December 2020 are set out from page 59 to page 133 in the Annual Report 2020 of the Company, which was published on 7th April 2021. The Annual Report 2020 is also posted on the Company's website (<http://www.cathaypacific.com>). Please also see below a quick link to the Annual Report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0407/2021040701007.pdf>

II. INDEBTEDNESS

As at the close of business on 31st August 2023, 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\$40,428 million and finance lease obligations of approximately HK\$16,070 million. As at 31st August 2023, HK\$28,165 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 2023, included in other liquid investments are bank deposits of HK\$117 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 2023, the Group had the following contingent liabilities.

- (a) Performance and financial guarantees outstanding as at 31st August 2023:

HK\$M

Associates	209
------------	-----

- (b) 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 outcome 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.
- (c) 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 22 on page 137 of the 2022 Annual Report.

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 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 European Commission's finding against the Company and the imposition of this fine was annulled by the General Court in December 2015 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. The same fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company filed an appeal to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to the Company in June 2022. The Company filed an appeal to the European Court of Justice in early June 2022 and a final European Court of Justice judgment is expected by mid-2024.

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 Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from the Company's alleged conduct relating to its air cargo operations. The Company is represented by legal counsel and is defending those 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 2023, 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 Chair's statement dated 8th March 2023 (as set out on pages 4 to 6 of the Company's 2022 Annual Report) and the Chair's Statement dated 9th August 2023 (as set out on pages 4 to 6 of the Company's 2023 Interim Report), 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 2022, 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**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Hong Kong Stock Exchange.

(b) Directors' interests in competing businesses

Patrick Healy, Ma Chongxian and Wang Mingyuan are directors of, and Sun Yuquan and Xiao Feng hold positions in, Air China. Air China 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any material interest in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

(c) Interests of the Directors in contracts or arrangements

Patrick Healy, Guy Bradley, Ronald Lam, Gordon McCallum, Rebecca Sharpe, Merlin Swire and Zhang Zhuo Ping, being directors and/or employees (and also shareholders in the case of Gordon McCallum and Merlin Swire) of the John Swire & Sons Limited group, are interested in an agreement for services entered into between the Company and John Swire & Sons (H.K.) Limited, a wholly owned subsidiary of John Swire & Sons Limited (which is a controlling shareholder of Swire Pacific, which is in turn a controlling shareholder of the Company). For further details, please refer to the section headed “Continuing Connected Transactions” of the Company’s 2022 Annual Report. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

(d) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31st December 2022 (being the date to which the latest published audited accounts of the Company were made up).

(e) Service contracts

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within a year without payment of any 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 outcome 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 22 on page 137 of the 2022 Annual Report.

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 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 European Commission's finding against the Company and the imposition of this fine was annulled by the General Court in December 2015 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. The same fine of Euros 57.12 million was imposed on the Company, which was paid by the Company in June 2017. The Company filed an appeal to the General Court against this decision, and on 30th March 2022 the General Court partially annulled the decision, and a refund of a portion of the fine, Euros 10 million, was paid to the Company in June 2022. The Company filed an appeal to the European Court of Justice in early June 2022 and a final European Court of Justice judgment is expected by mid-2024.

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

No material contract has been entered into by the Group within the two years immediately preceding the date of this circular.

DOCUMENTS ON DISPLAY

Copies of the Acquisition Agreements (with Commercial Sensitive Information redacted) will be available for inspection on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cathaypacific.com>) from the date of this circular for a period of 14 days up to and including 6 November 2023.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 14.66(10) of and paragraph 43(2)(c) of Appendix 1B to the Listing Rules, so that Commercial Sensitive Information contained in the Acquisition Agreements will be redacted. The Company considers that the requirements to publish the full version of the Acquisition Agreements pursuant to Rule 14.66(10) of and paragraph 43(2)(c) of Appendix 1B to the Listing Rules would result in the disclosure of Commercial Sensitive Information, which would be competitively harmful to the Company and therefore prejudice the interests of the Company and its shareholders as a whole. This circular discloses all the terms of the Acquisition Agreements which are material to the Shareholders' assessment of the merits of the Transaction, as well as the reasons for and the benefits of the Transaction, in accordance with the Company's disclosure obligations under the Listing Rules (as modified by the waivers which have been granted by the Hong Kong Stock Exchange). Therefore, the fact that only the redacted version of the Acquisition Agreements will be on display would not result in the omission of any material information or mislead the Shareholders or the investing public with regard to any facts knowledge of which is essential for an informed assessment of the merits of the Transaction. Accordingly, only the redacted version of the Acquisition Agreements will be available on the website of the Hong Kong Stock Exchange and the Company's own website as documents on display.

MISCELLANEOUS

1. The secretary of the Company is Joanna Lai. She joined the Company as Group General Counsel and Company Secretary on 19th April 2021 and before then, she was Head of Legal of Swire Properties Limited. She is qualified to practise law in Hong Kong and in the State of New York.
2. The registered address of the Company is at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong.
3. The Company's share registrar is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.