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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 6 Airbus A350F Aircraft

Reference is made to the announcement dated 28th November 2023 issued by the Company in relation to a possible acquisition of freighter aircraft.

On the date of this announcement, CPAS and Airbus S.A.S. entered into the 2023 Amendment Agreement, pursuant to which (i) CPAS agreed to purchase and Airbus S.A.S. agreed to sell 6 Airbus A350F aircraft; and (ii) CPAS secured the right to acquire 20 additional Airbus A350F aircraft.

Swire Pacific and Air China, which together hold more than 50% of the voting rights 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 3rd January 2024.

Background

Reference is made to the announcement dated 28th November 2023 issued by the Company in relation to a possible acquisition of freighter aircraft.

On the date of this announcement, CPAS and Airbus S.A.S. entered into the 2023 Amendment Agreement, pursuant to which (i) CPAS agreed to purchase and Airbus S.A.S. agreed to sell 6 Airbus A350F aircraft; and (ii) CPAS secured the right to acquire 20 additional Airbus A350F aircraft.

The particulars of the Transaction are summarised as follows:

Agreement: 2023 Amendment Agreement

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

Aircraft to be acquired:

The Airbus Aircraft (being 6 Airbus A350F aircraft).

The Airbus Aircraft are intended to be operated by the Company.

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\$2,710 million (equivalent to approximately HK\$21,138 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 Company confirms 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 future operating cost of the fleet of the Company. 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 considers that the requirements to publish the full versions 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 announcement together with the circular to be despatched on or before 3rd January 2024 in relation to the Transaction will disclose all the terms of the Acquisition Agreements which are material to the Company's 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 versions of the Acquisition Agreements will be on display would not result in the omission of any material information or mislead the Company's 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 versions 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.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, the following waivers:

- (1) 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; and

- (2) a waiver from strict compliance with Rule 14.66(10) of and paragraph 43(2)(c) of Appendix 1B to the Listing Rules in respect of the Commercial Sensitive Information being redacted in the Acquisition Agreements for online display.

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.

Sources 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.

Reasons for, and benefits of, the Transaction

The Airbus Aircraft will expand the fleet capacity of the Company. They will principally serve long-haul destinations in North America, South America and Europe. The Company expects that the Airbus Aircraft will deliver improved efficiency and capability of the fleet of the Company over time at competitive operating costs. 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.

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 and 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 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. A circular containing the information required under the Listing Rules in relation to the Transaction will be despatched to shareholders on or before 3rd January 2024.

Directors

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

Executive Directors: Patrick Healy (Chair), Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe;

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng, Zhang Zhuo Ping;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung.

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.
“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.
“2023 Amendment Agreement”	The amendment agreement to the 2010 Purchase Agreement dated the date of this announcement 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 A350F 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”	6 Airbus A350F aircraft.
“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, which 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 2010 Purchase Agreement, the 2023 Amendment Agreement and any related documents in respect of the Transaction.
“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”	<p>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:</p> <ul style="list-style-type: none">(a) information relating to the actual consideration for the Transaction;(b) information relating to the previous aircraft purchases from Airbus S.A.S. in relation to the 2010 Purchase Agreement;(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.

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

“Listing Rules” The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“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;
- (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;
- (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;
- (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; and

- (u) 32 Airbus A321/A320-200neo aircraft pursuant to the 2017 Purchase Agreement, in respect of which the Company published an announcement dated 29th September 2023 and despatched a circular to shareholders dated 24th October 2023.

“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 2023 Amendment Agreement.

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

Hong Kong, 8th December 2023