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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)

Discloseable Transaction

Sale and Leaseback Transaction of Six Boeing 777-300ER Aircraft

Cathay Pacific and BOCA entered into the Aircraft Sale Agreement and the Aircraft Leaseback Agreement on 16th March 2020, pursuant to which Cathay Pacific agreed to (i) sell the Aircraft Assets (being six Boeing 777-300ER aircraft and associated equipment) to BOCA at a total consideration of US\$703.8 million (subject to adjustment) and (ii) lease back the Aircraft Assets from BOCA (together the “Sale and Leaseback Transaction”).

The Sale and Leaseback Transaction constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement but is exempt from the circular (including accountants’ report) and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Aircraft Sale Agreement and Aircraft Leaseback Agreement dated 16th March 2020

Parties: Cathay Pacific Airways Limited, as Seller / Lessee
BOC Aviation Limited, as Purchaser / Lessor

Sale Interest: The Aircraft Assets (being six Boeing 777-300ER aircraft and associated equipment)

Particulars of the Sale and Leaseback Transaction

Cathay Pacific and BOCA entered into the Sale and Leaseback Transaction (comprising the Aircraft Sale Transaction and the Aircraft Leaseback Transaction) on 16th March 2020, under which Cathay Pacific agreed to sell the Aircraft Assets (being six Boeing 777-300ER aircraft and associated equipment) to BOCA and to lease back the Aircraft Assets from BOCA.

Consideration and Payment Manner under the Aircraft Sale Transaction

The total consideration for the Aircraft Sale Transaction is US\$703.8 million (subject to adjustment), which is expected to be settled with bank funds in full.

Lease under the Aircraft Leaseback Transaction

The lease term shall commence on the Delivery Date and expiring on the day falling 240 months after the Boeing Delivery Date, and is subject to a call option 24 months after the Delivery Date.

Financial Matters

As at 12th March 2020, the net asset value attributable to the Aircraft Assets was approximately HK\$5,338 million.

For the year ended 31st December 2019, the net profits before and after taxation attributable to the Aircraft Assets were approximately HK\$14 million and HK\$13 million respectively.

For the year ended 31st December 2018, the net profits before and after taxation attributable to the Aircraft Assets were approximately HK\$72 million and HK\$65 million respectively.

Under Hong Kong Financial Reporting Standards, derecognition of the aircraft will not occur. Accordingly the difference between the consideration received for the Aircraft Assets and the net book value of the Aircraft Assets will not result in a gain.

The consideration for the Sale and Leaseback Transaction was determined after arm's length negotiation between the parties and having regard to existing contractual arrangements and the matters referred to under "Financial Matters" above.

Reasons for, and benefits of, the Transaction

The Sale and Leaseback Transaction is a financing arrangement which will enable Cathay Pacific to realise cash from its investment in the Aircraft Assets. The proceeds from the Aircraft Sale Transaction will be applied towards the general working capital requirements of Cathay Pacific.

Compliance with the Listing Rules

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BOCA and its ultimate beneficial owner are third parties independent of and not connected with Cathay Pacific or any of its connected persons.

As the highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Sale and Leaseback Transaction is more than 5% but less than 25%, the Sale and Leaseback Transaction constitutes a discloseable transaction for the Company under the Listing Rules. Accordingly, the Sale and Leaseback Transaction is subject to the announcement requirement but is exempt from the circular (including accountants' report) and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Opinion of the Directors

The Directors consider that the terms of the Sale and Leaseback Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Directors

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

Executive Directors: Patrick Healy (Chairman), Gregory Hughes, Ronald Lam, Martin Murray, Augustus Tang;

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

Independent Non-Executive Directors: Bernard Chan, John Harrison, Robert Milton and Andrew Tung.

Definitions

“Aircraft Assets”	The 6 Boeing 777-300ER aircraft and associated equipment to be sold by Cathay Pacific to BOCA under the Aircraft Sale Transaction.
“Aircraft Leaseback Agreement”	The Aircraft Operating Lease Agreement dated 16th March 2020 in respect of each of the Aircraft Assets entered into between Cathay Pacific and BOCA in respect of the Aircraft Leaseback Transaction.
“Aircraft Leaseback Transaction”	The leases by BOCA to Cathay Pacific under the Aircraft Leaseback Transaction.
“Aircraft Sale Agreement”	The Aircraft Sale and Purchase Agreement dated 16th March 2020 entered into between Cathay Pacific and BOCA in respect of the Aircraft Sale Transaction.
“Aircraft Sale Transaction”	The sale by Cathay Pacific of the Aircraft Assets to BOCA under the Aircraft Sale Agreement.

“BOCA”	BOC Aviation Limited, a company incorporated in Singapore and listed on the Stock Exchange, whose principal activities are the leasing of aircraft, management of aircraft leases and other related activities.
“Boeing Delivery Date”	The date on which The Boeing Company delivered the Aircraft Assets to Cathay Pacific.
“Cathay Pacific” or “Company”	Cathay Pacific Airways Limited 國泰航空有限公司, a company incorporated in Hong Kong and listed on the Stock Exchange, whose principal activity is the operation of scheduled airline services.
“Delivery Date”	The date of delivery of the Aircraft Assets by BOCA to Cathay Pacific.
“Directors”	The directors of the Company.
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Sale and Leaseback Transaction”	The Aircraft Sale Transaction and the Aircraft Leaseback Transaction.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“US\$”	United States Dollars, the lawful currency of the United States of America.

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

Hong Kong, 16th March 2020