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Air China Limited

(a joint stock limited company incorporated in
the People's Republic of China with limited liability)
(Stock Code: 753)

**Discloseable Transaction
Purchase of 12.5% Shareholding in
Cathay Pacific Airways Limited**

Resumption of Trading



Cathay Pacific Airways Limited

(incorporated in Hong Kong with limited liability)
(Stock Code: 293)

**Price Sensitive Information
Resumption of Trading**



CITIC Pacific Limited

(incorporated in Hong Kong with limited liability)
(Stock Code: 267)

**Discloseable Transaction
Disposal of 14.5% Shareholding in
Cathay Pacific Airways Limited**

Resumption of Trading



Swire Pacific Limited

(incorporated in Hong Kong with limited liability)
(Stock Codes: 19 and 87)

**Connected Transaction
Purchase of 2% Shareholding in
Cathay Pacific Airways Limited**

SUMMARY

Air China Transaction

On 17th August 2009, Air China and CITIC Pacific entered into the Air China Agreement, pursuant to which Air China has agreed to purchase, and CITIC Pacific has agreed to sell, 491,864,724 Cathay Pacific Shares owned by CITIC Pacific for an aggregate consideration of approximately HK\$6,335 million, representing a price of HK\$12.88 per Cathay Pacific Share. Assuming completion of such sale and purchase, Air China will increase its shareholding in Cathay Pacific to 1,179,759,987 shares, representing approximately 29.99% of the issued share capital of Cathay Pacific.

The Air China Transaction constitutes a discloseable transaction for each of Air China and CITIC Pacific under Chapter 14 of the Listing Rules.

Swire Transaction

On 17th August 2009, Swire Pacific and CITIC Pacific entered into the Swire Agreement pursuant to which Swire Pacific has agreed to purchase, and CITIC Pacific has agreed to sell, 78,676,891 Cathay Pacific Shares owned by CITIC Pacific for an aggregate consideration of approximately HK\$1,013 million, representing a price of HK\$12.88 per Cathay Pacific Share. Assuming completion of such sale and purchase, Swire Pacific will increase its shareholding in Cathay Pacific to 1,651,008,919 Cathay Pacific Shares, representing approximately 41.97% of the issued share capital of Cathay Pacific.

As CITIC Pacific is a connected person of Swire Pacific, the Swire Transaction constitutes a connected transaction for Swire Pacific and is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules.

The Swire Transaction when aggregated with the Air China Transaction constitutes a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules.

CITIC Pacific – decreased shareholding in Cathay Pacific

Assuming completion of the Air China Transaction, CITIC Pacific's shareholding in Cathay Pacific will decrease by 491,864,724 Cathay Pacific Shares, representing approximately 12.5% of the issued share capital of Cathay Pacific and Cathay Pacific will cease to be accounted for as an associated company of CITIC Pacific. Assuming completion of the Swire Transaction, CITIC Pacific's shareholding in Cathay Pacific will decrease by 78,676,891 Cathay Pacific Shares, representing approximately 2% of the issued share capital of Cathay Pacific.

Assuming completion of both the Air China Transaction and the Swire Transaction, CITIC Pacific's shareholding in Cathay Pacific will decrease to 117,353,648 Cathay Pacific Shares, representing 2.98% of the issued share capital of Cathay Pacific.

Suspension and resumption of trading

At the request of each of Air China, Cathay Pacific and CITIC Pacific, trading in the shares in each of them on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th August 2009 pending the issue of this announcement. Application has been made by each of Air China, Cathay Pacific and CITIC Pacific to the Stock Exchange for the resumption of trading in each of their shares with effect from 9:30 a.m. on 18th August 2009.

THE AIR CHINA TRANSACTION

The Air China Agreement

Date: 17th August 2009

Parties to the Air China Transaction

Purchasers: (i) Air China, the parent company of Total Transform, whose principal business activities are providing air passenger and air cargo services, and airline-related services; and

(ii) Total Transform, whose principal business activity is investment holding.

Vendor: CITIC Pacific, whose principal businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include power, aviation and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.

Air China confirms that to the best of its directors' knowledge, information and belief having made all reasonable enquiries, CITIC Pacific and each of its ultimate controlling shareholders are independent third parties and are not connected persons (as defined in the Listing Rules) of Air China. CITIC Pacific confirms that to the best of its directors' knowledge, information and belief having made all reasonable enquiries, Air China and each of its ultimate controlling shareholders are independent third parties and are not connected persons of CITIC Pacific.

Sale and purchase of shares pursuant to the Air China Transaction

Pursuant to the Air China Agreement, Air China has agreed to acquire the entire issued share capital of Super Supreme, a wholly-owned special purpose vehicle of CITIC Pacific. By virtue of such acquisition, Air China will indirectly acquire 491,864,724 Cathay Pacific Shares owned in aggregate by the special purpose vehicles wholly owned by Super Supreme.

Upon completion of the Air China Transaction, Air China's shareholding percentage interest in Cathay Pacific will increase from approximately 17.49% to approximately 29.99%.

Consideration for the Air China Transaction

Pursuant to the Air China Agreement, the aggregate consideration payable by Air China for the Air China Transaction is approximately HK\$6,335 million (equivalent to HK\$12.88 per Cathay Pacific Share), which shall be payable in cash on completion of the Air China Transaction. The consideration for the Air China Transaction was determined after arms-length negotiation between CITIC Pacific and Air China.

Air China will finance the Air China Transaction with its internal resources and loans from commercial banks.

Conditions precedent for the Air China Transaction

Completion of the Air China Transaction is subject to the satisfaction of the following conditions:

- (a) the implementation of the Air China Transaction not giving rise to an obligation on Air China to make a mandatory general offer under the Takeovers Code to acquire all Cathay Pacific Shares; and
- (b) Air China having obtained all necessary approvals, consents from, and carried out all necessary regulatory formalities with the relevant PRC governmental and regulatory authorities for the implementation of the Air China Transaction.

Completion of the Air China Transaction

Completion of the Air China Transaction will occur on the tenth Business Day following the satisfaction of the conditions precedent (as set out in the preceding paragraph) or such other date as agreed in writing by the parties to the Air China Transaction.

Reasons for and benefits of the Air China Transaction

By increasing Air China's shareholding in Cathay Pacific, Air China and Cathay Pacific can form a closer cooperative relationship that will serve as a platform for further cooperation between, and generate greater synergy for, Air China and Cathay Pacific. This increase in shareholding will be useful in terms of boosting the international competitive strengths and brand value of Air China.

It is expected that with reference to CITIC Pacific's unaudited carrying value of the investment in Cathay Pacific as at 30th June 2009, an estimated profit of approximately HK\$0.9 billion to CITIC Pacific will arise from the Air China Transaction. The Air China Transaction allows CITIC Pacific to realize cash of approximately HK\$6,335 million which will strengthen CITIC Pacific's financial position and enable it to relocate such resources to pursue development of its major businesses. The proceeds from the disposal will be used as general working capital of CITIC Pacific and its subsidiaries.

The directors of Air China believe that the terms of the Air China Transaction are fair and reasonable and in the interests of the shareholders of Air China as a whole.

The directors of CITIC Pacific believe that the terms of the Air China Transaction are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

Financial matters relating to the Air China Transaction

For the year ended 31st December 2007 the audited net profits of Cathay Pacific before and after taxation and extraordinary items attributable to the Cathay Pacific Shares sold and purchased in the Air China Transaction were approximately HK\$1,001 million and HK\$901 million respectively. For the year ended 31st December 2008, the audited net losses of Cathay Pacific before and after taxation and extraordinary items attributable to the Cathay Pacific Shares sold and purchased in the Air China Transaction were approximately HK\$1,209 million and HK\$1,042 million respectively. The unaudited net asset value of Cathay Pacific as at 30th June 2009 was HK\$37,940 million and based on this amount, the unaudited net asset value of Cathay Pacific attributed to the Cathay Pacific Shares sold and purchased in the Air China Transaction was approximately HK\$4,743 million.

THE SWIRE TRANSACTION

The Swire Agreement

Date: 17th August 2009

Parties to the Swire Agreement

Purchaser: Swire Pacific, whose principal business activity is investment holding.

Vendor: CITIC Pacific, whose principal businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include power, aviation and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.

CITIC Pacific is a substantial shareholder of a subsidiary of Swire Pacific and therefore a connected person of Swire Pacific under the Listing Rules. CITIC Pacific confirms that to the best of its directors' knowledge, information and belief having made all reasonable enquiries, Swire Pacific and each of its ultimate controlling shareholders are independent third parties and are not connected persons of CITIC Pacific.

Sale and purchase of Cathay Pacific Shares pursuant to the Swire Transaction

Pursuant to the Swire Agreement, Swire Pacific has agreed to acquire 78,676,891 Cathay Pacific Shares.

Upon completion of the Swire Transaction, Swire Pacific's shareholding percentage interest in Cathay Pacific will increase from approximately 39.97% to approximately 41.97%.

Consideration for the Swire Transaction

Pursuant to the Swire Transaction, the aggregate consideration payable by Swire Pacific for the Swire Transaction is approximately HK\$1,013 million (equivalent to HK\$12.88 per Cathay Pacific Share), which shall be payable in cash on completion of the Swire Transaction. The consideration for the Swire Transaction was determined after arm's length negotiation between CITIC Pacific and Swire Pacific and having regard to the matters referred to under "Financial matters relating to the Swire Transaction" below.

Conditions precedent for the Swire Transaction

Completion of the Swire Transaction is subject to the satisfaction of condition that the implementation of the Swire Transaction does not give rise to an obligation on Swire Pacific to make a mandatory general offer under the Takeovers Code to acquire all Cathay Pacific Shares.

Completion of the Swire Transaction

Completion of the Swire Transaction will occur on the thirtieth Business Day following the satisfaction of the condition precedent (as set out in the preceding paragraph) or such other date as agreed in writing by the parties to the Swire Transaction.

Reasons for and benefits of the Swire Transaction

Swire Pacific regards its acquisition of additional shares in Cathay Pacific as confirmation of its full support for Cathay Pacific and confidence in its future as one of the world's leading airlines and of its commitment to enhancing Hong Kong as Asia's premier aviation hub.

Swire Pacific and Cathay Pacific welcome the increase in Air China's shareholding in Cathay Pacific, and Swire Pacific concurs with the view of Air China and Cathay Pacific expressed under "Reasons for and benefits of the Air China Transaction" above that, as a result of the increase in Air China's shareholding in Cathay Pacific, Air China and Cathay Pacific can form a closer cooperative relationship that will serve as a platform for further cooperation between, and generate synergy for, Air China and Cathay Pacific.

It is expected that with reference to CITIC Pacific's unaudited carrying value of its investment in Cathay Pacific as at 30th June 2009, an estimated profit of approximately HK\$0.1 billion to CITIC Pacific will arise from the Swire Transaction. The Swire Transaction allows CITIC Pacific to realize cash of approximately HK\$1,013 million which will strengthen CITIC Pacific's financial position. The proceeds from the disposal will be used as further general working capital of CITIC Pacific and its subsidiaries.

The directors of Swire Pacific (including the independent non-executive directors of Swire Pacific) consider that the Swire Transaction is on normal commercial terms, in the ordinary and usual course of business of Swire Pacific, fair and reasonable and in the interests of Swire Pacific and its shareholders as a whole.

The directors of CITIC Pacific believe that the terms of the Swire Transaction are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

Financial matters relating to the Swire Transaction

For the year ended 31st December 2007, the audited net profits before and after taxation and extraordinary items attributable to the Cathay Pacific Shares sold and purchased in the Swire Transaction were approximately HK\$160 million and HK\$144 million respectively. For the year ended 31st December 2008, the audited net losses of Cathay Pacific before and after taxation and extraordinary items attributable to the Cathay Pacific Shares sold and purchased in the Swire Transaction were approximately HK\$193 million and HK\$167 million respectively. The unaudited net asset value of Cathay Pacific as at 30th June 2009 was HK\$37,940 million and based on this amount, the unaudited net asset value of Cathay Pacific attributed to the Cathay Pacific Shares sold and purchased in the Swire Transaction was approximately HK\$759 million. The closing price of Cathay Pacific Shares on the Stock Exchange on 14th August 2009, being the last trading day prior to suspension of trading of Cathay Pacific Shares on 17th August 2009, was HK\$11.62 per share. The average closing price of Cathay Pacific Shares on the Stock Exchange for the five trading days immediately prior to suspension of trading of Cathay Pacific Shares on 17th August 2009 was HK\$11.52 per share.

The weighted average original purchase cost of the Swire Sale Shares to CITIC Pacific is approximately HK\$11 per Swire Sale Share.

CITIC PACIFIC SHAREHOLDING IN CATHAY PACIFIC ON COMPLETION OF THE AIR CHINA TRANSACTION AND THE SWIRE TRANSACTION

Assuming completion of the Air China Transaction, CITIC Pacific's shareholding in Cathay Pacific will decrease by 491,864,724 Cathay Pacific Shares, representing approximately 12.5% of the issued share capital of Cathay Pacific and Cathay Pacific will cease to be accounted for as an associated company of CITIC Pacific. Assuming completion of the Swire Transaction, CITIC Pacific's shareholding in Cathay Pacific will decrease by 78,676,891 Cathay Pacific Shares, representing approximately 2% of the issued share capital of Cathay Pacific. Assuming completion of both the Air China Transaction and the Swire Transaction, CITIC Pacific's shareholding will decrease to 117,353,648 Cathay Pacific Shares, representing 2.98% of the issued share capital of Cathay Pacific.

GENERAL

Information on Cathay Pacific

Cathay Pacific (Stock Code: 00293) is a company incorporated in Hong Kong and has been listed on the Main Board of the Stock Exchange since 15th May 1986. Cathay Pacific is an international airline based in Hong Kong, and it, together with its subsidiaries and associated companies, offers air passenger and cargo services and other airline-related services including catering, aircraft maintenance and ground handling services.

The closing price of Cathay Pacific Shares on the Stock Exchange on 14th August 2009, being the last trading day prior to suspension of trading of Cathay Pacific Shares on 17th August 2009, was HK\$11.62 per share. The average closing price of Cathay Pacific Shares on the Stock Exchange for the five trading days immediately prior to suspension of trading of Cathay Pacific Shares on 17th August 2009 was HK\$11.52 per share.

Compliance with Listing Rules

Air China Transaction: Pursuant to Chapter 14 of the Listing Rules, as one or more of the relevant percentage ratios applicable to the Air China Transaction in respect of Air China and CITIC Pacific are more than 5% but less than 25%, the Air China Transaction constitutes a discloseable transaction for each of Air China and CITIC Pacific under Chapter 14 of the Listing Rules.

Swire Transaction: As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Swire Transaction is more than 0.1% but less than 2.5%, the Swire Transaction as a connected transaction for Swire Pacific is subject to announcement and reporting requirements under Rule 14A.35 of the Listing Rules.

A discloseable transaction for CITIC Pacific on aggregation: The Swire Transaction when aggregated with the Air China Transaction constitutes a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules.

An announcement by Cathay Pacific pursuant to Rule 13.09: This announcement is made by Cathay Pacific pursuant to Rule 13.09 of the Listing Rules.

Suspension of trading at the request of Air China, Cathay Pacific and CITIC Pacific: Trading in the shares in each of them on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th August 2009 pending the issue of this announcement. Application has been made by each of Air China, Cathay Pacific and CITIC Pacific to the Stock Exchange for the resumption of trading in each of their shares with effect from 9:30 a.m. on 18th August 2009.

Miscellaneous

Reference is made to the joint announcement issued by Air China, Cathay Pacific, China National Aviation Company Limited, CITIC Pacific and Swire Pacific on 8th June 2006 regarding, *inter alia*, the Shareholders Agreement.

Under the Air China Agreement, CITIC Pacific will, and Air China will and will procure that China National Aviation Company Limited will, execute the Deed of Release at completion of the Air China Transaction. Under the Swire Agreement, Swire Pacific and CITIC Pacific will execute the Deed of Release at completion of the Swire Transaction. The Deed of Release will become effective upon its execution by each of Swire Pacific, CITIC Pacific, Air China and China National Aviation Company Limited. In other words, the Deed of Release will become effective when both the Air China Transaction and the Swire Transaction are completed.

Upon completion of the Air China Transaction, CITIC Pacific will cease to be entitled to appoint two non-executive directors to the board of directors of Cathay Pacific and Air China will be entitled to nominate two additional non-executive directors to the board of directors of Cathay Pacific.

For the purposes of this announcement, all references in this announcement to percentage holdings in Cathay Pacific Shares following the date of this announcement assume there will be no change in the issued share capital of Cathay Pacific following the date of this announcement.

There is no certainty as to whether or not the Air China Transaction and/or the Swire Transaction will complete. Accordingly, investors should exercise caution in dealing in shares of Air China, Cathay Pacific, CITIC Pacific and Swire Pacific.

Directors

As at the date of this announcement, the Directors of Air China are:

Non-Executive Directors: Kong Dong (Chairman), Wang Yinxiang, Wang Shixiang, Cao Jianxiong, Christopher Pratt, Philip Chen;
Executive Directors: Cai Jianjiang, Fan Cheng; and
Independent Non-Executive Directors: Hu Hung Lick, Henry, Zhang Ke, Jia Kang and Fu Yang.

As at the date of this announcement, the Directors of Cathay Pacific are:

Executive Directors: Christopher Pratt (Chairman), James E. Hughes-Hallett, Ian Shiu, John Slosar and Tony Tyler;
Non-Executive Directors: Chang Zhenming, Philip Chen, James W.J. Hughes-Hallett, Kong Dong, Peter Kilgour, Vernon Moore, Robert Woods and Zhang Lan; and
Independent Non-Executive Directors: Peter Lee, Jack So, Tung Chee Chen and Peter Wong.

As at the date of this announcement, the Directors of CITIC Pacific are:

Executive Directors: Chang Zhenming (Chairman), Peter Lee Chung Hing, Carl Yung Ming Jie, Vernon Francis Moore, Li Shilin, Liu Jifu, Milton Law Ming To, Wang Ande and Kwok Man Leung;

Non-Executive Directors: Willie Chang, André Desmarais, Zhang Jijing, Ju Weimin and Peter Kruyt (alternate director to André Desmarais); and

Independent Non-Executive Directors: Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.

As at the date of this announcement, the Directors of Swire Pacific are:

Executive Directors: Christopher Pratt (Chairman), Philip Chen, Martin Cubbon, Davy Ho, Peter Kilgour, John Slosar and Tony Tyler;

Non-Executive Directors: Baroness Dunn, James W.J. Hughes-Hallett, Peter Johansen and Merlin Swire; and

Independent Non-Executive Directors: Tim Freshwater, Clement Kwok, Chien Lee, Margaret Leung, Michael Sze and Marjorie Yang.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Air China”	Air China Limited, a company incorporated in the People’s Republic of China, whose H shares are listed on The Stock Exchange of Hong Kong Limited 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.
“Air China Agreement”	The share purchase agreement dated 17th August 2009 entered into between Air China, Total Transform and CITIC Pacific.
“Air China Transaction”	The sale and purchase of 491,864,724 Cathay Pacific Shares in accordance with the terms of the Air China Agreement.
“Business Day”	A day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong.
“Cathay Pacific”	Cathay Pacific Airways Limited, a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange.

“Cathay Pacific Shares”	Ordinary shares of HK\$0.20 each in the share capital of Cathay Pacific.
“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange.
“Deed of Release”	A deed of release to be executed by Swire Pacific, CITIC Pacific, Air China and China National Aviation Company Limited in respect of the release of CITIC Pacific from the Shareholders Agreement and the continuation of the Shareholders Agreement.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“PRC”	The People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan.
“Shareholders Agreement”	The shareholders agreement dated 8th June 2006 between Air China, China National Aviation Company Limited, CITIC Pacific and Swire Pacific regulating their relationship as shareholders of Cathay Pacific.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Super Supreme”	Super Supreme Company Limited, a wholly-owned special purpose vehicle established in Liberia by CITIC Pacific.
“Swire Agreement”	The share purchase agreement dated 17th August 2009 entered into between Swire Pacific and CITIC Pacific.
“Swire Pacific”	Swire Pacific Limited, a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange.
“Swire Sale Shares”	78,676,891 Cathay Pacific Shares which CITIC Pacific has agreed to sell (or procure the sale of) and Swire Pacific has agreed to purchase under the Swire Agreement.
“Swire Transaction”	The sale and purchase of 78,676,891 Cathay Pacific Shares in accordance with the terms of the Swire Agreement.
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of Hong Kong.
“Total Transform”	Total Transform Group Limited, a subsidiary of Air China, incorporated in the British Virgin Islands.

By Order of the Board
Air China Limited
Huang Bin Tam Shuit Mui
Joint Company Secretaries
Beijing, 17th August 2009

By Order of the Board
CITIC Pacific Limited
Stella Chan Chui Sheung
Company Secretary
Hong Kong, 17th August 2009

By Order of the Board
Cathay Pacific Airways Limited
David Fu
Company Secretary
Hong Kong, 17th August 2009

By Order of the Board
Swire Pacific Limited
David Fu
Company Secretary
Hong Kong, 17th August 2009