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Cathay Pacific Airways Limited
(incorporated in Hong Kong with limited liability)
(Stock Code: 293)



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



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

Connected Transactions

Sale of Interests in Hong Kong Air Cargo Terminals Limited and HACTL Investment Holdings Limited

The Sellers and the Purchasers entered into the Sale and Purchase Agreement on 25th May 2010 for the sale by the Sellers of 40% interests in HACTL and HIHL to the Purchasers for a cash consideration of HK\$2,560 million. The Sale and Purchase Agreement constitutes a connected transaction for each of Cathay Pacific, CITIC Pacific and Swire Pacific and is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules.

Reference is made to Cathay Pacific's announcement dated 18th March 2008 (the "**2008 Announcement**") regarding the entry by Cathay Pacific Services Limited, a wholly owned subsidiary of Cathay Pacific, into a franchise agreement with AAHK on 18th March 2008 for the franchise to invest in, design, construct and operate a new air cargo terminal at Hong Kong International Airport. As set out in the 2008 Announcement, Cathay Pacific has given an undertaking to AAHK that Cathay Pacific will dispose of its entire 10% interest in HACTL.

Completion of the Transaction under the Sale and Purchase Agreement is conditional upon, among other things, consent being given by AAHK.

THE SALE AND PURCHASE AGREEMENT dated 25th May 2010

Parties: Swire Aviation, Swire Finance, Swire Pacific, CITIC Pacific and Cathay Pacific, as Sellers

Jardines, Wharf, Mosgen, HPHL and CNACG, as Purchasers

Sale Interest: 40% interests in HACTL and HIHL

Consideration: HK\$2,560 million payable upon completion.

Particulars of the Transaction

The Sellers and the Purchasers entered into the Sale and Purchase Agreement on 25th May 2010 for the sale by the Sellers of 40% interests in HACTL and HIHL comprising:

- (1) the Cathay Pacific Sale Interest, being Cathay Pacific's entire 10% interests in HACTL and HIHL,
- (2) the CITIC Pacific Sale Interest, being CITIC Pacific's entire 10.002% interests in HACTL and HIHL, and
- (3) the Swire Pacific Sale Interest, being Swire Pacific's entire 19.998% interests in HACTL and HIHL,

to the Purchasers for a cash consideration of HK\$2,560 million, comprising:

- (1) HK\$640,000,000 in respect of the Cathay Pacific Sale Interest,
- (2) HK\$640,128,000 in respect of the CITIC Pacific Sale Interest, and
- (3) HK\$1,279,872,000 in respect of the Swire Pacific Sale Interest.

On completion of the Transaction, the Sellers will cease to have any interest in HACTL and HIHL.

Each party to the Sale and Purchase Agreement will be responsible for its costs and expenses incurred in connection with the Transaction. Stamp duty in connection with the Transaction will be borne by the Sellers and the Purchasers in equal proportions.

Pursuant to the Sale and Purchase Agreement, Cathay Pacific and HACTL will enter into an amendment to the ground handling agreement between Cathay Pacific and HACTL dated 6th November 2002 (the "Ground Handling Agreement"), which provides for (among other things) an extension of the Ground Handling Agreement until 2013.

Financial Matters

As at 31st December 2009, the net asset value attributable to the equity portion of the Sale Interest, being 40% of the issued share capital of HACTL and HIHL, was approximately HK\$148 million; and the net asset value attributable to the non-equity portion of the Sale Interest, being the loan stock of HACTL and HIHL held by the Sellers, was approximately HK\$773 million. For the year ended 31st December 2008, the audited net profits before and after taxation and extraordinary items attributable to the equity portion of the Sale Interest were approximately HK\$425 million and approximately HK\$365 million respectively. For the year ended 31st December 2009, the audited net profits before and after taxation and extraordinary items attributable to the equity portion of the Sale Interest were approximately HK\$373 million and approximately HK\$311 million respectively.

The book cost of the Cathay Pacific Sale Interest as at 31st December 2009 was approximately HK\$311 million. Cathay Pacific will record a profit of approximately HK\$329 million on completion of the Transaction.

The book cost of the CITIC Pacific Sale Interest as at 31st December 2009 was approximately HK\$227 million. CITIC Pacific will record a profit of approximately HK\$413 million on completion of the Transaction.

The book cost of the Swire Pacific Sale Interest as at 31st December 2009 was approximately HK\$454 million. Swire Pacific will record a profit of approximately HK\$826 million on completion of the Transaction.

Reference is made to the 2008 Announcement regarding the entry by Cathay Pacific Services Limited, a wholly owned subsidiary of Cathay Pacific, into a franchise agreement with AAHK on 18th March 2008 for the franchise to invest in, design, construct and operate a new air cargo terminal at Hong Kong International Airport. As set out in the 2008 Announcement, Cathay Pacific has given an undertaking to AAHK that Cathay Pacific will dispose of its entire 10% interest in HACTL.

The consideration for the sale and purchase of the Sale Interest was determined after arm's length negotiation between the parties and having regard to the matters referred to under "Financial Matters" above.

Completion

Completion of the Transaction under the Sale and Purchase Agreement is conditional upon, among other things, consent being given by AAHK.

Completion of the Transaction is scheduled to take place on 31st May 2010. If the Sale and Purchase Agreement has not become unconditional on or before 31st May 2010 (or such later date as the parties may agree), it will terminate.

Reasons for and benefits of the Transaction

The Transaction enables each of Cathay Pacific, CITIC Pacific and Swire Pacific to realise cash from its investment in the Sale Interest. The proceeds from the Transaction will be applied towards general working capital requirements of each of Cathay Pacific, CITIC Pacific and Swire Pacific.

Reference is made to the 2008 Announcement regarding the entry by Cathay Pacific Services Limited, a wholly owned subsidiary of Cathay Pacific, into a franchise agreement with AAHK on 18th March 2008 for the franchise to invest in, design, construct and operate a new air cargo terminal at Hong Kong International Airport. As set out in the 2008 Announcement, Cathay Pacific has given an undertaking to AAHK that Cathay Pacific will dispose of its entire 10% interest in HACTL.

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

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

The directors of Swire Pacific (including the independent non-executive directors of Swire Pacific) consider that the 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.

Connection between the parties

Cathay Pacific is a substantial shareholder of certain subsidiaries of CITIC Pacific, and therefore a connected person of CITIC Pacific under the Listing Rules.

CITIC Pacific is a substantial shareholder of Swire Aviation, a subsidiary of Swire Pacific, and therefore a connected person of Swire Pacific under the Listing Rules.

CNACG is a connected person of Cathay Pacific because it is an associate of Air China Limited which is a substantial shareholder of Cathay Pacific.

Swire Pacific is a substantial shareholder and therefore a connected person of Cathay Pacific under the Listing Rules.

As Swire Pacific is a controlling shareholder of Cathay Pacific and is also a substantial shareholder of HACTL and HIHL, the sale of the Cathay Pacific Sale Interest constitutes a connected transaction of Cathay Pacific under Listing Rule 14A.13(1)(b).

Compliance with the Listing Rules

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 sale of the Cathay Pacific Sale Interest is more than 0.1% but less than 2.5%, the Transaction as a connected transaction for Cathay Pacific is subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

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 sale of the CITIC Pacific Sale Interest is more than 0.1% but less than 2.5%, the Transaction as a connected transaction for CITIC Pacific is subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

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 sale of the Swire Pacific Sale Interest is more than 0.1% but less than 2.5%, the Transaction as a connected transaction for Swire Pacific is subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

Definitions

- “AAHK”** Airport Authority of Hong Kong.
- “Cathay Pacific”** 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.
- “Cathay Pacific Sale Interest”** Cathay Pacific’s interests in HACTL and HIHL (all held directly by Cathay Pacific), comprising:
- (a) 60,000 fully paid ordinary shares of HACTL of HK\$100 each, representing 10% of HACTL’s issued share capital;
 - (b) 20,000 nil paid ordinary shares of HACTL of HK\$100 each, representing 10% of HACTL’s nil paid share capital;
 - (c) shareholders’ loan stock of HACTL amounting to HK\$178,147,223.67, representing 10% of HACTL’s aggregate shareholders’ loan stock;
 - (d) 100 fully paid ordinary shares of HIHL of US\$1 each, representing 10% of HIHL’s issued share capital; and
 - (e) shareholders’ loan stock of HIHL amounting to HK\$15,000,000, representing 10% of HIHL’s aggregate shareholders’ loan stock.

“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong and listed on the Stock Exchange. CITIC Pacific’s operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.
“CITIC Pacific Sale Interest”	CITIC Pacific’s interests in HACTL and HIHL, comprising: <ul style="list-style-type: none"> (a) 60,012 fully paid ordinary shares of HACTL of HK\$100 each held indirectly via Swire Aviation, representing 10.002% of HACTL’s issued share capital; (b) 20,004 nil paid ordinary shares of HACTL of HK\$100 each held indirectly via Swire Aviation, representing 10.002% of HACTL’s nil paid share capital; (c) shareholders’ loan stock of HACTL amounting to HK\$178,182,853.14 held by CITIC Pacific, representing 10.002% of HACTL’s aggregate shareholders’ loan stock; (d) 100.02 fully paid ordinary shares of HIHL of US\$1 each held indirectly via Swire Aviation, representing 10.002% of HIHL’s issued share capital; and (e) shareholders’ loan stock of HIHL amounting to HK\$15,003,000 held by CITIC Pacific, representing 10.002% of HIHL’s aggregate shareholders’ loan stock.
“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated in Hong Kong, whose principal activity is investment holding.
“HACTL”	Hong Kong Air Cargo Terminals Limited, a company incorporated in Hong Kong, the principal activity of which is the operation of an air cargo terminal at Hong Kong International Airport.
“HIHL”	HACTL Investment Holdings Limited, a company incorporated in the British Virgin Islands, the principal activity of which is investment holding.
“HPhL”	Hutchison Port Holdings Limited, a company incorporated in the British Virgin Islands and a subsidiary of Hutchison Whampoa Limited, whose principal activity is investment holding.
“Jardines”	Jardine, Matheson & Co., Limited, a company incorporated in Hong Kong, the principal activity of which is investment holding.

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Mosgen”	Mosgen Limited, a company incorporated in the British Virgin Islands and wholly owned by Hutchison Whampoa Limited, whose principal activity is investment holding.
“Purchasers”	Jardines, Wharf, Mosgen, HPHL and CNACG.
“Sale and Purchase Agreement”	The sale and purchase agreement dated 25th May 2010 entered into between the Sellers (as vendors) and the Purchasers (as purchasers) relating to the Sale Interest.
“Sale Interest”	The Cathay Pacific Sale Interest, the CITIC Pacific Sale Interest and the Swire Pacific Sale Interest, representing in total 40% interests in HACTL and HIHL.
“Sellers”	Swire Aviation, Swire Finance, Swire Pacific, CITIC Pacific and Cathay Pacific.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Swire Aviation”	Swire Aviation Limited, a company incorporated in Hong Kong and owned 66.66% by Swire Pacific and 33.34% by CITIC Pacific, whose principal activity is investment holding.
“Swire Finance”	Swire Finance Limited, a company incorporated in Hong Kong and wholly owned by Swire Pacific, whose principal activity is the provision of financing services.
“Swire Pacific”	Swire Pacific Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is investment holding.
“Swire Pacific Sale Interest”	Swire Pacific’s interests in HACTL and HIHL, comprising: <ul style="list-style-type: none"> (a) 119,988 fully paid ordinary shares of HACTL of HK\$100 each held indirectly via Swire Aviation, representing 19.998% of HACTL’s issued share capital; (b) 39,996 nil paid ordinary shares of HACTL of HK\$100 each held indirectly via Swire Aviation, representing 19.998% of HACTL’s nil paid share capital; (c) shareholders’ loan stock of HACTL amounting to HK\$356,258,817.95 held by Swire Finance, a wholly owned subsidiary of Swire Pacific, representing 19.998% of HACTL’s aggregate shareholders’ loan stock;

- (d) 199.98 fully paid ordinary shares of HIHL of US\$1 each, representing 19.998% of HIHL's issued share capital, held indirectly via Swire Aviation; and
- (e) shareholders' loan stock of HIHL amounting to HK\$29,997,000 held by Swire Pacific, representing 19.998% of HIHL's aggregate shareholders' loan stock.

“Transaction” The sale of the Sale Interest by the Sellers pursuant to the Sale and Purchase Agreement.

“Wharf” The Wharf (Holdings) Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is investment holding.

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: Cai Jianjiang, Philip Chen, Fan Cheng, James W.J. Hughes-Hallett, Kong Dong, Peter Kilgour, Robert Woods and Zhang Lan; and

Independent Non-Executive Directors: Irene 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), Zhang Jijing, 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, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to André Desmarais); and

Independent Non-Executive Directors: 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, 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.

By Order of the Board
Cathay Pacific Airways Limited
David Fu
Company Secretary
Hong Kong, 25th May 2010

By Order of the Board
CITIC Pacific Limited
Ricky Choy Wing Kay
Company Secretary
Hong Kong, 25th May 2010

By Order of the Board
Swire Pacific Limited
David Fu
Company Secretary
Hong Kong, 25th May 2010