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SWIRE PACIFIC LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

Price Sensitive Information

Purchase of 12.45% Shareholding in

Hong Kong Aircraft Engineering Company Limited

CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Connected Transaction

Sale of 12.45% Shareholding in

Hong Kong Aircraft Engineering Company Limited

On 16th September 2009 Swire Pacific and Cathay Pacific entered into the Agreement for Swire Pacific to purchase and Cathay Pacific to sell 12.45% of the shares in HAECO for a consideration of approximately HK\$1,901 million (equivalent to HK\$91.83 per HAECO share), payable in cash on completion of the Transaction. The Agreement is conditional upon the independent shareholders of Cathay Pacific having approved the Transaction as a connected transaction (in accordance with the provisions of the Listing Rules) in general meeting.

As Swire Pacific is a substantial shareholder and therefore a connected person of Cathay Pacific, the Transaction is a connected transaction for Cathay Pacific under Rule 14A.14 of the Listing Rules. It is subject to the reporting, announcement and independent shareholders' approval requirements of Rule 14A.35 of the Listing Rules.

The Executive has waived the requirement which, on completion of the Agreement, would otherwise arise under Rule 26.1 of the Takeovers Code for Swire Pacific to make a general offer for the shares in HAECO.

A circular containing the particulars of the Agreement, a letter from the Cathay Pacific Independent Board Committee, a letter from the Cathay Pacific Independent Financial Adviser and notice of the Cathay Pacific EGM, will be despatched to the shareholders of Cathay Pacific as soon as practicable.

The Agreement

The Agreement is dated 16th September 2009. It provides for Cathay Pacific to sell and Swire Pacific to purchase 20,700,958 ordinary shares of HK\$1 each in HAECO (representing 12.45% of the total such ordinary shares in issue) for a consideration of approximately HK\$1,901 million (equivalent to HK\$91.83 per HAECO share), payable in cash on completion of the Transaction. The Agreement is conditional upon the independent shareholders of Cathay Pacific having approved the Transaction as a connected transaction (in accordance with the provisions of the Listing Rules) in general meeting.

On completion of the Transaction, Cathay Pacific's direct percentage interest in the issued share capital of HAECO will decrease from 27.45% to 15.00% and Swire Pacific's direct percentage interest in the issued share capital of HAECO will increase from 33.52% to 45.96%.

Each party to the Agreement will be responsible for its costs and expenses incurred in connection with the Transaction. Stamp duty on the sale and purchase of the Sale Shares will be borne by the parties in equal shares.

Financial Matters

As at 30th June 2009, the net asset value attributable to the Sale Shares was HK\$748 million. For the year ended 31st December 2007, the audited net profits before and after taxation and extraordinary items attributable to the Sale Shares were HK\$174 million and HK\$164 million respectively. For the year ended 31st December 2008, the audited net profits before and after taxation and extraordinary items attributable to the Sale Shares were HK\$184 million and HK\$168 million respectively. The closing price of HAECO shares on the Stock Exchange on 15th September 2009, being the closing price immediately prior to the date of this announcement, was HK\$92.95 per share. The average closing price of HAECO shares on the Stock Exchange in the five trading days immediately prior to the date of this announcement was HK\$91.83 per share.

The book cost of the Sale Shares as at 30th June 2009 was HK\$630 million. Cathay Pacific will record a profit of approximately HK\$1,271 million on completion of the Transaction.

The consideration for the sale and purchase of the Sale Shares 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 will take place within seven business days of the Agreement becoming unconditional. If the Agreement has not become unconditional on or before 31st December 2009 (or such later date as the parties may agree), it will terminate.

Reasons for and benefits of the Transaction

The Transaction enables Cathay Pacific to realise cash from its investment in the Sale Shares while at the same time maintaining, through its continued holding of a 15% shareholding interest in HAECO, a strategic investment in HAECO. The proceeds from the Transaction will be applied towards Cathay Pacific's general working capital requirements.

The Cathay Pacific Directors (other than the independent non-executive Cathay Pacific Directors whose views will be set out in the circular to be dispatched to the Cathay Pacific shareholders together with the advice of the Cathay Pacific Independent Financial Adviser) 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.

Swire Pacific regards its shareholding in HAECO as a key long term strategic investment. The Transaction enables Swire Pacific to make a significant increase in this investment on terms which it regards as appropriate.

Connection between the parties

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

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 Transaction is more than 2.5%, Cathay Pacific has to comply with the announcement, reporting and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Cathay Pacific Independent Board Committee has been constituted to advise the Cathay Pacific Independent Shareholders on the Transaction. KBC Bank N.V., Hong Kong Branch has been appointed as the Cathay Pacific Independent Financial Adviser to advise the Cathay Pacific Independent Board Committee and the Cathay Pacific Independent Shareholders on the Transaction.

Cathay Pacific will convene the Cathay Pacific EGM to consider and, if thought fit, to approve the Transaction. Voting will be by poll and Swire Pacific, being a substantial shareholder of Cathay Pacific, will abstain from voting.

A circular containing particulars of the Agreement, a letter from the Cathay Pacific Independent Board Committee, a letter from the Cathay Pacific Independent Financial Adviser and notice of the Cathay Pacific EGM will be dispatched to shareholders of Cathay Pacific as soon as practicable.

This announcement is made by Swire Pacific pursuant to Rule 13.09 of the Listing Rules.

Takeovers Code

Rule 26.1 of the Takeovers Code would ordinarily require Swire Pacific (as the holder of 33.52% of the votes exercisable at general meetings of HAECO) to make a general offer for the shares in HAECO upon acquiring a further 12.45% of such votes. Swire Pacific and Cathay Pacific are concert parties (as defined in the Takeovers Code). Note 6 to Rule 26.1 of the Takeovers Code enables the Executive, having considered certain factors referred to in that Note, to grant waivers from obligations to make general offers which would otherwise arise upon acquisitions of shares by one concert party from another concert party. The Executive has granted such a waiver in this case. In connection with the waiver, Swire Pacific has undertaken to the Executive that, except with the prior written consent of the Executive, Swire Pacific will not, for a period of two years following completion of the acquisition of the Sale Shares, make any further acquisition of shares in HAECO which would increase its percentage of the votes exercisable at general meetings of HAECO.

Directors

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

Executive Directors: C.D. Pratt (Chairman), P.N.L. Chen, M. Cubbon, D. Ho, P.A. Kilgour, J.R. Slosar and A.N. Tyler;

Non-Executive Directors: Baroness Dunn, J.W.J. Hughes-Hallett, P.A. Johansen and M.B. Swire; and

Independent Non-Executive Directors: T.G. Freshwater, C.K.M. Kwok, C. Lee, M. Leung, M.C.C. Sze and M.M.T. 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.

Definitions

“Agreement”	The sale and purchase agreement dated 16th September 2009 entered into between Cathay Pacific as vendor and Swire Pacific as purchaser in respect of the Transaction.
“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 Directors”	The directors of Cathay Pacific.
“Cathay Pacific EGM”	An extraordinary general meeting of Cathay Pacific to be convened to approve the Transaction.
“Cathay Pacific Independent Board Committee”	An independent committee of the Cathay Pacific Directors comprising Peter Lee, Jack So, Tung Chee Chen and Peter Wong, all of whom are independent non-executive Cathay Pacific Directors.
“Cathay Pacific Independent Financial Adviser”	KBC Bank N.V., Hong Kong Branch.
“Cathay Pacific Independent Shareholders”	Shareholders of Cathay Pacific apart from Swire Pacific.
“Executive”	The Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director.
“HAECO”	Hong Kong Aircraft Engineering Company Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is the provision of overhaul and maintenance services for commercial aircraft.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Sale Shares”	20,700,958 ordinary shares of HK\$1.00 each in the issued share capital of HAECO.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.



- “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.
- “Takeovers Code”** The Hong Kong Code on Takeovers and Mergers.
- “Transaction”** The sale and purchase of the Sale Shares pursuant to the terms of the Agreement.

By Order of the Board
Swire Pacific Limited
David Fu
Company Secretary
Hong Kong, 16th September 2009

By Order of the Board
Cathay Pacific Airways Limited
David Fu
Company Secretary
Hong Kong, 16th September 2009