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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

Cathay Pacific Airways Limited
Company Secretary's Department
35th Floor, Two Pacific Place
88 Queensway, Hong Kong
Telephone : (852) 2840 8869
Facsimile : (852) 2845 5445
www.cathaypacific.com

22nd May 2007**By Registered Airmail**

Securities and Exchange Commission
Office of International Corporate Finance
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, DC 20549
U.S.A.



SUPPL

Dear Sir/Madam,

Cathay Pacific Airways Limited (the "Company")
File No. 82-1390

Pursuant to our obligation under Rule 12g3-2(b) of the Securities and Exchanges Act of 1934, we are pleased to enclose herewith a copy of the Company's announcement published today in The Standard for your record.

Yours faithfully,
For CATHAY PACIFIC AIRWAYS LIMITED

David Fu
Company Secretary

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Encl.

c.c.: Judy Kang, ADR Relationship Management - Asia/Pacific, The Bank of New York (w/e, by e-mail: judykang@bankofny.com)
Ms. Irene Fung, Vice President, The Bank of New York, H.K. (w/e, by hand)



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CATHAY PACIFIC AIRWAYS LIMITED

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

Announcement
Continuing Connected Transactions
Aircraft Maintenance

Independent Financial Adviser: Commerzbank AG

Cathay Pacific and HAECCO have entered into the Framework Agreement on 21st May 2007 for HAECCO Group to provide the Services to Cathay Pacific Group for maintenance of Cathay Pacific Group's aircraft for a term of 10 years ending on 31st December 2016.

As HAECCO is a connected person of Cathay Pacific, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for Cathay Pacific under Rule 14A.14 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' requirements under Rule 14A.33.

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

Framework Agreement dated 21st May 2007

Parties: (1) Cathay Pacific
(2) HAECCO

Particulars

Pursuant to the Framework Agreement, HAECCO Group provides the Services to Cathay Pacific Group for maintenance of Cathay Pacific Group's aircraft.

The Framework Agreement is for a term of 10 years ending on 31st December 2016. A duration of 10 years for the Framework Agreement is required in order for HAECCO Group to maintain necessary facilities, components and spare parts for providing the Services to Cathay Pacific Group cost-effectively. Since the term of Framework Agreement is for 10 years, Commerzbank AG has been appointed as independent financial adviser to comment on the duration of the Framework Agreement and their comments will be set out in the letter from the Independent Financial Adviser contained in the circular to be dispatched to shareholders. The Framework Agreement incorporates the Relevant Agreements between Cathay Pacific Group and HAECCO Group and provides for a framework under which a Relevant Agreement is entered, renewed or extended. In particular, the Framework Agreement also provides for the entry, renewal or extension of a Relevant Agreement between Cathay Pacific Group and HAECCO Group for a term of successive terms expiring on or before 31st December 2016.

The terms of the Framework Agreement are consistent with normal business practices. A party may terminate the Framework Agreement with immediate effect by notice to the other party in the event of material default by that other party. In the event of termination of the Framework Agreement, all the rights and obligations of the parties under the Framework Agreement shall forthwith cease, but any rights, liabilities or remedies arising prior to such termination shall not be affected.

The terms of the Framework Agreement, including the charges for the Services determined by reference to the respective types of aircraft, parts and components and technical standards required, have been arrived at after negotiations at an arm's length on normal commercial terms.

Payment shall be made in cash by Cathay Pacific Group to HAECCO Group within 10 days upon receipt of the invoice.

The Services

The Services are provided under the following Relevant Agreements:

- (1) Total Care Package Contract dated 9th September 2004 between HAECCO and AHK, pursuant to which HAECCO published announcements dated 13th September 2004, 16th February 2006 and 14th February 2007;
- (2) Line Maintenance Contract dated 9th September 2004 between HAECCO and AHK, pursuant to which HAECCO published announcements dated 13th September 2004, 16th February 2006 and 14th February 2007;
- (3) HAECCO Service Agreement dated 10th November 2005 between Cathay Pacific and HAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005;
- (4) TAECCO Service Agreement dated 10th November 2005 between Cathay Pacific and TAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005;
- (5) TAECCO Line Maintenance Agreement dated 10th November 2005 between Cathay Pacific and TAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005; and/or
- (6) any further agreements entered into between Cathay Pacific Group and HAECCO Group in respect of maintenance of aircraft, parts or components from time to time.

The Services include, but not limited to, the following:

- (1) the provision by HAECCO to AHK of a total care package for AHK's fleet, including acquisition of an inventory of rotatable and repairable spares for leasing to AHK and providing management, logistic support and maintenance to this inventory;
- (2) the provision by HAECCO of line maintenance services for AHK's fleet at HKIA, including routine maintenance check, non-routine maintenance, actions to address substantial technical issues, ad-hoc maintenance support, ramp services, material supplies, tooling supplies, aircraft release and certification, and aircraft on ground support;
- (3) the provision by HAECCO to Cathay Pacific Group of LM Services for aircraft visiting HKIA; BM Services at HKIA; comprehensive repair and logistics support services comprising receiving / inspection, warehousing, distribution, support / repair services; material supply; CAO Services; and Engineering Services; and/or
- (4) the provision by TAECCO to Cathay Pacific Group of store facilities, material supply, BM Services at Xiamen, Engineering Services, LM Services for aircraft visiting Xiamen and such other supports as Cathay Pacific Group and TAECCO shall from time to time agree.

The annual caps

The annual caps for the Transactions have been determined by reference to the actual amounts of the Services in the four years ended 31st December 2006 set out below, the forecast payments for the Services to be provided by HAECCO Group to Cathay Pacific Group at the 10 years ending 31st December 2016 and the projections of Cathay Pacific Group in respect of the fleet size, annual aircraft utilisation and other operating parameters, taking into account that 34 aircraft are under firm orders for delivery from 2007 to 2010. In addition, a cushion of 10% has been added to provide flexibility for possible changes in the level of Services associated with the growth and the scheduled and possible unscheduled maintenance of the aircraft of Cathay Pacific Group. The Directors estimate that the amounts payable for the Services in respect of aircraft maintenance for the 10 years ending 31st December 2016 will not exceed the annual caps set out below, which consolidates and replaces the annual caps previously set for the Transactions.

	2003	2004	2005	2006
(HK\$ million)	Actual	Actual	Actual	Actual
Services	1,227	1,345	1,476	1,647
	2007	2008	2009	2010
(HK\$ million)	Cap	Cap	Cap	Cap
Services	3,000	3,500	3,630	3,993
	2012	2013	2014	2015
(HK\$ million)	Cap	Cap	Cap	Cap
Services	4,832	5,315	5,346	6,431

Reasons for, and benefits of, the Transactions

For over 37 years, Cathay Pacific's fleet has been maintained by HAECCO and now by HAECCO since 1994. HAECCO Group has the necessary expertise and efficiency to provide the Services which will enable Cathay Pacific Group to maintain its aircraft fleet in a cost effective manner which is beneficial to Cathay Pacific Group's business.

Connection between the parties

Swire, which is a substantial shareholder of Cathay Pacific by virtue of its 35.92% shareholding in Cathay, owns 31.80% of the issued share capital of HAECCO. HAECCO is therefore an associate of Swire and hence a connected person of Cathay Pacific under the Listing Rules.

Compliance with 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 Transactions will, on an annual basis, be more than 2.5%, the Company has to comply with the announcement, reporting and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

The Independent Board Committee has been convened to advise the Independent Shareholders in respect of the resolution to approve the Framework Agreement, its term and the Transactions (including the annual caps). Commerzbank AG has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement, its term and the Transactions (including the annual caps).

The Company will convene an EGM to consider and, if thought fit, to approve the Framework Agreement, its term and the Transactions (including the annual caps). Voting will be by poll and Swire, being a substantial shareholder of both Cathay Pacific and HAECCO, will abstain from voting.

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

The Company will comply with the continuing obligations under Rules 14A.37-41 of the Listing Rules and will re-comply with the relevant Listing Rules after 31st December 2016 or if the company is no longer a listed company or where there is a material change to the terms of the Framework Agreement.

Opinion of the Directors

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be dispatched to the shareholders together with the advice of the Independent Financial Adviser) consider that the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole and have been negotiated on an arm's length basis in the usual and ordinary course of business, on normal commercial terms and on terms no more favourable to HAECCO than those which the Company would offer to parties which are not connected persons (as defined under the Listing Rules) of the Company.

Directors

As at the date of this announcement, the Directors of the Company are: Executive Directors: Christopher Pratt (Chairman), Robert Atkinson, Philip Chen, Augustus Tang and Tony Yip; Non-Executive Directors: Martin Cribbin, Henry Fan, Davy Ho, James Hughes-Hadfield, Li Jiaxing, Vernon Moore, Robert Woods, Zhang Lan and Leslie Chang (Chairman); and Independent Non-Executive Directors: Peter Lee, Raymond Oi, Jack So and Tung Chee Chean.

Definitions

"AHK" AHK Air Hong Kong Limited, a non-wholly owned subsidiary of Cathay Pacific, the principal activity of which is the operation of cargo airline services.

"BM Services" Comprehensive range of scheduled maintenance services such as airframe heavy checks, major structural and systems modifications, refurbishments, painting and lighter conversions.

"CAO Services" Component and avionics overhaul services to a range of aircraft components such as mechanical, hydraulic and avionics equipment.

"Cathay Pacific" or "Company" 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. It owns 27.43% of the issued share capital of HAECCO.

"Cathay Pacific Group" Cathay Pacific and its subsidiaries, including AHK and Dragonair.

"Directors" The Directors of the Company.

"Dragonair" Hong Kong Dragon Airlines Limited, a wholly owned subsidiary of Cathay Pacific, the principal activity of which is the operation of scheduled airline services.

"EGM" Extraordinary General Meeting of the Company.

"Engineering Services"

Services in support of LM Services, BM Services and CAO Services, including visual documentation, technical data exchange and interior product maintenance and such other support services to be agreed from time to time between Cathay Pacific Group and HAECCO Group.

"Framework Agreement"

The framework agreement dated 21st May 2007 between Cathay Pacific and HAECCO for provision of the Services by HAECCO Group to Cathay Pacific Group under the Relevant Agreements and any further agreements between Cathay Pacific Group and HAECCO Group.

"HAECCO"

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.

"HAECCO Group"

HAECCO and its subsidiaries, including TAECCO and Taikoo Landing Group.

"HKIA"

Hong Kong International Airport.

"Independent Board Committee"

An independent committee of the Board of Directors comprising Peter Lee, Raymond Oi, Jack So and Tung Chee Chean, all of whom are independent non-executive Directors.

"Independent Financial Adviser"

Commerzbank AG.

"Independent Shareholders"

Shareholders of Cathay Pacific apart from Swire and its associates.

"Listing Rules"

The Rules Governing the Listing of Securities on the Stock Exchange.

"LM Services"

Line maintenance services covering transit and overnight servicing as well as progressive maintenance checks up to "A" checks including defect rectification. Also includes non-technical services such as aircraft towing, water/ toilet servicing, exterior aircraft washing/waxing and cabin cleaning and ground equipment support.

"PRC"

The People's Republic of China.

"Relevant Agreements"

Any one or all of the following agreements:

- (1) Total Care Package Contract dated 9th September 2004 between HAECCO and AHK, pursuant to which HAECCO published announcements dated 13th September 2004, 16th February 2006 and 14th February 2007;
- (2) Line Maintenance Contract dated 9th September 2004 between HAECCO and AHK, pursuant to which HAECCO published announcements dated 13th September 2004, 16th February 2006 and 14th February 2007;
- (3) HAECCO Service Agreement dated 10th November 2005 between Cathay Pacific and HAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005;
- (4) TAECCO Service Agreement dated 10th November 2005 between Cathay Pacific and TAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005;
- (5) TAECCO Line Maintenance Agreement dated 10th November 2005 between Cathay Pacific and TAECCO, pursuant to which Cathay Pacific and HAECCO published announcements dated 10th November 2005 and dispatched circulars to shareholders dated 22nd November 2005; and/or
- (6) any further agreements entered into between Cathay Pacific Group and HAECCO Group in respect of maintenance of aircraft, parts or components from time to time.

"Services"

The maintenance services in respect of aircraft, parts and/or components provided under the Framework Agreement and/or the Relevant Agreements.

"Stock Exchange"

The Stock Exchange of Hong Kong Limited.

"Swire"

Swire Pacific Limited, a company incorporated in Hong Kong and listed on the Stock Exchange.

"TAECCO"

Taichou (Xiamen) Aircraft Engineering Company Limited, a non-wholly owned subsidiary of HAECCO incorporated in the PRC, whose principal activity is the provision of overhaul and maintenance services for commercial aircraft.

"Taikoo Landing Group"

Taichou (Xiamen) Landing Group Services Co., Ltd., a non-wholly owned subsidiary of HAECCO incorporated in the PRC, whose principal activity is the provision of repair, overhaul and support services of landing gear of civil aircraft.

"Transactions"

The provision of the Services by HAECCO Group to Cathay Pacific Group pursuant to the Framework Agreement and the Relevant Agreements.

By Order of the Board

Cathay Pacific Airways Limited

David Fu

Company Secretary

Hong Kong, 21st May 2007

END

