

Media Information

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FOR IMMEDIATE RELEASE

CATHAY PACIFIC SERVICES LTD AWARDED NEW CARGO TERMINAL FRANCHISE IN HONG KONG

Cathay Pacific today welcomed the announcement made by the Airport Authority of Hong Kong (“AAHK”) to award the airline’s wholly owned subsidiary, Cathay Pacific Services Ltd (“CPSL”), a franchise to invest in, design, construct and operate a new air cargo terminal at Hong Kong International Airport (“HKIA”). A 20-year franchise agreement was signed between CPSL and AAHK on 18 March 2008 for a common use cargo terminal.

Cathay Pacific will invest a total development cost of approximately HK\$4.8 billion into the design, construction and equipment of the new cargo terminal which will have a designed annual air cargo throughput capacity of 2.6 million tonnes. The facility is planned to commence operation in the second half of 2011.

The new cargo terminal will be built in the cargo area at the airport, close to the existing cargo servicing facilities. The terminal facility will occupy a site area of approximately 10 hectares.

Cathay Pacific Chief Executive Tony Tyler said: “We are delighted to have been awarded the franchise agreement to build and operate the new cargo terminal in Hong Kong. The facility represents a significant investment and commitment by Cathay Pacific that will strengthen HKIA’s position as the world’s leading air cargo and logistics hub.

“The new cargo terminal is planned to be a common use facility that will be open to all airline customers. The additional air cargo handling capacity and facilities provided by the new terminal will give HKIA a much-needed boost to contend with increasing competition from other airports in the region.

“We will be giving the market an additional choice and a differentiated service proposition. This is an important investment not just for Cathay Pacific, but will also contribute to the competitiveness of HKIA as a centre of international and regional air cargo.

“The addition of new capacity and more competition will stimulate an increase in cargo flights to HKIA which in turn will bring substantial economic benefit to Hong Kong. There will be new employment opportunities arising not only out of the construction and operation of the cargo terminal but also for the entire air cargo industry as it grows.”



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Mr Tyler added that Cathay Pacific's long-term confidence in Hong Kong as a major airfreight hub is underlined by the airline's investment in new freighters. The airline has a total of 18 freighters due for delivery over the next four years including 10 Boeing 747-8 Freighters, six Boeing 747-400ERF Extended Range Freighters, and two 747-400BCF Boeing Converted Freighters. There will be 30 freighters in the Cathay Pacific fleet by 2012.

The new cargo terminal, which will set new standards in operational efficiency, environmental design and service levels, will be operated at arms' length from Cathay Pacific Cargo by a separate management team in CPSL, a wholly owned subsidiary of Cathay Pacific.

AAHK statistics for 2007 indicated an overall 4.5% growth in HKIA cargo throughput to 3.74 million tonnes and a 6.4% increase in air traffic movements for cargo. According to the International Air Transport Association (IATA), international air freight traffic grew 4.3% in 2007 with an industry growth forecast of 4%-4.5% for 2008.

Last year, Cathay Pacific and its sister airline Dragonair operated an aggregate total of 1.67 million tonnes of freight. This represented a 3.2% increase from the combined freight handled by Cathay Pacific and Dragonair for the whole year of 2006, noting that the combined Cathay Pacific and Dragonair traffic figures were only consolidated from October 2006 onwards.

"Despite a slowdown in air cargo tonnage growth worldwide, we believe that the long-term growth prospects remain good. Air cargo is a cyclical business: 2008 and 2009 are likely to be challenging but we expect a pick-up in growth during 2010-2012. It is important that we plan and develop the additional handling capacity in time to meet future growth needs," said Mr Tyler.

In relation to the franchise agreement, Cathay Pacific has given an undertaking to AAHK that the airline will dispose of its entire 10% interest in Hong Kong Air Cargo Terminals Limited (Hactl) before the operational commencement date of the new cargo terminal.

Attached: New cargo terminal fact sheet and graphics.

FOR FURTHER INFORMATION PLEASE CONTACT:

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The Cathay Pacific Website can be found at www.cathaypacific.com

