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CATHAY PACIFIC AIRWAYS LIMITED

國泰航空有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

Announcement

- (1) Continuing Connected Transactions for Aircraft Maintenance
and
(2) Proposed Amendment to Articles of Association**

Continuing connected transactions for aircraft maintenance

Cathay Pacific and HAECO entered into the Framework Agreement on 17th November 2022. It provides a framework for the provision of the Services for a term of 10 years ending on 31st December 2032. The Services (being maintenance and related services in respect of aircraft, aircraft engines and aircraft parts and components and including ITM Services) may from time to time be provided by the HAECO Group to the Cathay Pacific Group.

As HAECO is a connected person of Cathay Pacific, the Transactions constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Proposed amendment to the articles of association

For the purpose of promoting gender equality, the Company proposes that the references in its articles of association to "Chairman", "chairman" and "Chairmen" be amended to "Chair", "chair" and "Chairs", respectively. The Proposed Amendment is subject to the approval of the shareholders of the Company by way of a special resolution.

Despatch of circular

A circular containing particulars of the Framework Agreement, letters from the Independent Board Committee and from the Independent Financial Adviser in relation to the Framework Agreement, particulars of the Proposed Amendment and notice of an EGM of the Company will be despatched to the shareholders of the Company on or before 30th November 2022 in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS FOR AIRCRAFT MAINTENANCE

Framework Agreement dated 17th November 2022

Parties: (1) Cathay Pacific
(2) HAECO

Particulars

Cathay Pacific and HAECO entered into the Framework Agreement on 17th November 2022. It provides a framework for the provision of the Services for a term of 10 years ending on 31st December 2032. The Services (being maintenance and related services in respect of aircraft, aircraft engines and aircraft parts and components and including ITM Services) may from time to time be provided by the HAECO Group to the Cathay Pacific Group.

A duration of 10 years for the Framework Agreement is required in order for the HAECO Group to maintain the facilities, components and spare parts necessary for it to provide the Services in a cost effective manner. Since the duration of the Framework Agreement is 10 years, Octal Capital Limited has been appointed as Independent Financial Adviser to comment on such duration. The comments of the Independent Financial Adviser will be set out in a letter from it in the circular to be despatched to shareholders. The Framework Agreement covers existing Relevant Agreements between the Cathay Pacific Group and the HAECO Group and provides a framework under which Relevant Agreements are entered into, renewed and extended for a term or successive terms expiring on or before 31st December 2032.

The terms of the Framework Agreement are consistent with normal business practices.

The terms of the existing Relevant Agreements covered by the Framework Agreement, including the term that charges for the Services are determined by reference to the aircraft, aircraft engines, aircraft parts and components concerned and the required technical standards, have been arrived at after negotiations at arm's length on normal commercial terms. Payments under the Relevant Agreements are required to be made in cash within 30 days of receipt of invoices. A party to any Relevant Agreement may terminate that Relevant Agreement with immediate effect by notice in the event of material default by the other party. If a Relevant Agreement is terminated, all the rights and obligations of the parties under it, except those subsisting at the time of termination, will thereupon cease.

The Framework Agreement is conditional upon approval being given by the Independent Shareholders at an EGM of Cathay Pacific. If such condition is satisfied, the Framework Agreement will come into effect on 1st January 2023. The 2013 Framework Agreement (for which Cathay Pacific published an announcement dated 13th November 2013 and despatched a circular dated 3rd December 2013 to its shareholders) will expire on 31st December 2022.

The Services

The Services are or will be provided under the following Relevant Agreements:

- (1) Service Agreement dated 1st March 2019 between Cathay Pacific and HAECO;
- (2) Engineering Service Agreement dated 1st March 2019 between Cathay Pacific and HAECO Xiamen;
- (3) IATA Standard Ground Handling Agreement dated 1st January 2008 between Cathay Pacific and HAECO Xiamen;
- (4) Pooled Components Agreement dated 1st April 2019 between, among others, Cathay Pacific and HXITM;
- (5) Landing Gear Exchange and Overhaul Services Agreement dated 13th September 2016 between Cathay Pacific and HAECO Landing Gear Services;
- (6) Consignment General Terms Agreement dated 1st April 2020 between Cathay Pacific and HAECO Composite Services;
- (7) Aircraft Maintenance Services Agreement for AHK A300-600F aircraft and AHK A330-300F aircraft dated 1st March 2019 between AHK and HAECO;
- (8) Agreement for Inventory Technical Management Programme dated 14th August 2015 between HXITM and AHK;
- (9) Bilateral Agreement for Inventory Support dated 24th January 2022 between, among others, HXITM, Cathay Pacific and HK Express;
- (10) Engineering Service Agreement dated 1st November 2020 between AHK and HAECO Xiamen; and
- (11) any further agreements under which the Services are provided by the HAECO Group to the Cathay Pacific Group.

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

- (1) the provision by HAECO to the Cathay Pacific Group of LM Services, BM Services and storage facilities at HKIA, supply of materials and tooling, CRO Services and Engineering Services;
- (2) the provision by HXITM to the Cathay Pacific Group of a total care package for Cathay Pacific's and AHK's fleet, including acquisition of inventory of rotatable and repairable spares for leasing to Cathay Pacific and AHK and providing management of, and logistics support and maintenance for, this inventory;
- (3) the provision by HAECO Landing Gear Services to Cathay Pacific of landing gear overhaul services for the Boeing 777 fleet;

- (4) the provision by HAECO Composite Services to Cathay Pacific of consignment and repair of rotatable assets to support Cathay Pacific's fleet;
- (5) the provision by HAECO Xiamen to Cathay Pacific of BM Services and storage facilities in Xiamen, supply of materials and tooling, Engineering Services and LM Services for aircraft visiting Xiamen and such other airports as Cathay Pacific and HAECO Xiamen agree;
- (6) the loan and exchange of aircraft parts on ad-hoc basis between the HAECO Group and the Cathay Pacific Group; and
- (7) the provision by HAECO Xiamen to AHK of design engineering and certification services under the authorities of the Civil Aviation Department of Hong Kong and the European Union Aviation Safety Agency for AHK's fleet.

The annual caps

The annual caps for the Transactions have been determined by reference to the actual amounts of the payments for the Services made in the four years ending 31st December 2022 (or, in the case of the year ending 31st December 2022, the annualised amount based on the actual amount of the payments for the Services made in the nine months ended 30th September 2022) (as set out below) and a forecast of payments for the Services to be provided in the 10 years ending 31st December 2032.

The forecast has been prepared having regard to, *inter alia*, projections by the Cathay Pacific Group of its fleet size, annual aircraft utilisation and other operating parameters, including the plan to progressively resume pre-COVID-19 pandemic capacity, and the fact that there are firm orders for the delivery of 12 aircraft in 2023 and 30 aircraft from 2024 onwards. Buffers have been added to provide flexibility for possible changes in the level of Services associated with the growth of the Cathay Pacific Group and in the scheduled and possible unscheduled maintenance of its aircraft.

The Directors estimate that the amounts payable for the Services for the 10 years ending 31st December 2032 will not exceed the annual caps set out below.

(HK\$ million)	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Services	Actual	Actual	Actual	Annualised	
	3,947	2,762	1,816	1,735	
(HK\$ million)	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Services	Cap	Cap	Cap	Cap	Cap
	3,815	4,691	4,992	5,218	5,451
(HK\$ million)	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Services	Cap	Cap	Cap	Cap	Cap
	5,697	5,954	6,221	6,502	6,794

Reasons for, and benefits of, the Transactions

The Cathay Pacific Group's fleet has been maintained by HAECO for over 72 years and also by HAECO Xiamen since 1996. The HAECO Group has the necessary expertise and efficiency to provide the Services. The Transactions will enable the Cathay Pacific Group to maintain its aircraft fleet in a cost effective manner which will benefit the Cathay Pacific Group's business.

Connections between the parties

As HAECO is an associate of Swire Pacific, which is a substantial shareholder of Cathay Pacific, HAECO is a connected person of Cathay Pacific.

Compliance with the Listing Rules

As HAECO is a connected person of Cathay Pacific, the Transactions constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 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 annual caps of the Transactions is more than 5%, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been set up to advise the Independent Shareholders in respect of the resolution to approve the Framework Agreement, its term and the Transactions (including the annual caps). Octal Capital Limited has been appointed as the 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 Pacific, being a substantial shareholder of Cathay Pacific and the sole shareholder of HAECO, will abstain from voting.

The Company will comply with its continuing obligations under Rules 14A.55 to 14A.59 of the Listing Rules and will re-comply with the relevant requirements under the Listing Rules before the annual caps are exceeded or before 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 despatched 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 HAECO than those which the Company would offer to parties which are not connected persons (as defined under the Listing Rules) of the Company.

Patrick Healy, Guy Bradley, Merlin Swire, Samuel Swire and Zhang Zhuo Ping, being directors of Swire Pacific (and of HAECO in the case of Guy Bradley), are interested in the Transactions and have abstained from voting on the relevant board resolutions of Cathay Pacific in respect of the Transactions.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

For the purpose of promoting gender equality, the Company proposes the Proposed Amendment, which is that the references in its articles of association to “Chairman”, “chairman” and “Chairmen” be amended to “Chair”, “chair” and “Chairs”, respectively.

The Proposed Amendment is subject to the approval of the shareholders of the Company by way of a special resolution.

DESPATCH OF CIRCULAR

A circular containing the particulars of the Framework Agreement, letters from the Independent Board Committee and from the Independent Financial Adviser in relation to the Framework Agreement, particulars of the Proposed Amendment and notice of an EGM of the Company will be despatched to shareholders on or before 30th November 2022 in accordance with the Listing Rules.

DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Patrick Healy (Chairman), Gregory Hughes, Ronald Lam, Rebecca Sharpe, Augustus Tang;

Non-Executive Directors: Guy Bradley, Ma Chongxian, Sun Yuquan, Merlin Swire, Samuel Swire, Xiao Feng, Zhang Zhuo Ping;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung.

DEFINITIONS

“2013 Framework Agreement”

The framework agreement dated 13th November 2013 between Cathay Pacific, HAECO and HXITM for, among others, the provision of services by the HAECO Group to the Cathay Pacific Group under the agreements referred to in that agreement.

“AHK”

AHK Air Hong Kong Limited, a company incorporated in Hong Kong and a subsidiary of Cathay Pacific, the principal activity of which is the operation of cargo airline services.

“BM Services”	Base maintenance services, comprising a comprehensive range of scheduled maintenance services, for example airframe heavy checks, major structural and avionics modifications, refurbishment, painting and freighter conversions.
“Cathay Pacific” or the “Company”	Cathay Pacific Airways Limited, a company incorporated in Hong Kong and whose shares are listed on the Stock Exchange, the principal activity of which is the operation of scheduled airline services.
“Cathay Pacific Group”	Cathay Pacific and its subsidiaries from time to time.
“CRO Services”	Component repairing and overhaul services for a range of aircraft components and avionics equipment, including mechanical and hydraulic equipment.
“Directors”	The directors of the Company.
“EGM”	Extraordinary general meeting.
“Engineering Services”	Services in support of LM Services, BM Services and CRO Services, including aircraft documentation, technical data exchanges, interior product maintenance and other support services agreed between the Cathay Pacific Group and the HAECO Group.
“Framework Agreement”	The framework agreement dated 17th November 2022 between Cathay Pacific and HAECO for the provision of the Services by the HAECO Group to the Cathay Pacific Group.
“HAECO”	Hong Kong Aircraft Engineering Company Limited, a company incorporated in Hong Kong and a subsidiary of Swire Pacific, the principal activity of which is the provision of maintenance, repair and overhaul of commercial aircraft.
“HAECO Composite Services”	HAECO Composite Structures (Jinjiang) Company Limited, a company incorporated in the PRC and a subsidiary of HAECO, the principal activity of which is the provision of repair capabilities covering engine nacelles, flight control surfaces and radomes of various aircraft and engine types.
“HAECO Group”	HAECO and its subsidiaries from time to time.
“HAECO Landing Gear Services”	Taikoo (Xiamen) Landing Gear Services Company Limited, a company incorporated in the PRC and a subsidiary of HAECO, the principal activity of which is the provision of repair, overhaul and leasing services for landing gears.

“HAECO Xiamen”	Taikoo (Xiamen) Aircraft Engineering Company Limited, a company incorporated in the PRC and a subsidiary of HAECO, the principal activity of which is the provision of overhaul and maintenance services for commercial aircraft.
“HK Express”	Hong Kong Express Airways Limited, a company incorporated in Hong Kong and a subsidiary of Cathay Pacific, the principal activity of which is the operation of scheduled airline services.
“HKIA”	Hong Kong International Airport.
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC.
“HXITM”	HAECO ITM Limited, a company incorporated in Hong Kong and a subsidiary of HAECO which is owned as to 70% by HAECO and 30% by Cathay Pacific, the principal activity of which is the provision of ITM Services (including, where relevant, any subsidiaries of HXITM).
“Independent Board Committee”	An independent committee of the board of Directors comprising Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung, all of whom are independent non-executive Directors.
“Independent Financial Adviser”	Octal Capital Limited, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders and is licensed to conduct Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong).
“Independent Shareholders”	Shareholders of Cathay Pacific other than Swire Pacific and its associates.
“ITM Services”	Inventory technical management services provided in connection with the maintenance and management of aircraft components.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“LM Services”	Line maintenance services, including transit and overnight servicing, progressive maintenance checks (up to “A” checks), defect rectification and non-technical services such as aircraft towing, provision of water, servicing of toilets, washing and waxing the exterior of aircraft, cabin cleaning and ground equipment support.

“PRC”	The People’s Republic of China.
“Proposed Amendment”	The proposed amendment of the articles of association of the Company by amending the references to “Chairman”, “chairman” and “Chairmen” to “Chair”, “chair” and “Chairs”, respectively.
“Relevant Agreements”	The agreements described under the heading “The Services” in this announcement (as amended or supplemented from time to time).
“Services”	Maintenance and related services in respect of aircraft, aircraft engines and aircraft parts and components and including ITM Services.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Swire Pacific”	Swire Pacific Limited, an investment holding company incorporated in Hong Kong and whose shares are listed on the Stock Exchange, the subsidiaries, associated companies and jointly controlled entities of which are engaged in property, aviation, beverages, marine services and trading and industrial businesses.
“Transactions”	The provision of the Services in accordance with the Framework Agreement and the Relevant Agreements.

By Order of the Board
CATHAY PACIFIC AIRWAYS LIMITED
國泰航空有限公司
Joanna Lai
Company Secretary

Hong Kong, 17th November 2022