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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)

### **Continuing Connected Transactions**

The Cathay Group receives from CASL the Services from time to time in the ordinary and usual course of business of the Cathay Group. Cathay Pacific and CASL entered into the Framework Agreement on the date of this announcement as a framework for the CASL Group's provision of the Services to the Cathay Group for a term of three years ending on 31st December 2026.

As CASL is a connected person of Cathay Pacific, the Transactions constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 of the Listing Rules. The Transactions are subject to the reporting, annual review and announcement requirements and are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Framework Agreement**

**Dated** : 26th April 2024  
**Parties** : (1) Cathay Pacific  
(2) CASL

#### **Particulars**

The Cathay Group receives from CASL the Services from time to time in the ordinary and usual course of the business of the Cathay Group. Cathay Pacific and CASL entered into the Framework Agreement on the date of this announcement as a framework for the CASL Group's provision of the Services to the Cathay Group for a term of three years ending on 31st December 2026.

The Framework Agreement covers existing Relevant Agreements between the Cathay Group and CASL 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 2026.

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 respective types of aircraft and the technical standards required, 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 45 days (or, in some cases, 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 Services**

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

- (1) service agreement between Cathay Pacific and CASL for line maintenance and engineering services;
- (2) service agreement between Cathay Pacific and CASL for base maintenance services;
- (3) IATA standard ground handling agreement between Cathay Pacific and CASL for line maintenance service (riding engineer);
- (4) IATA standard ground handling agreement between Cathay Pacific and CASL for hangar support;
- (5) IATA standard ground handling agreement between AHK and CASL for A330F line maintenance service (riding engineer);
- (6) IATA standard ground handling agreement between AHK and CASL for hangar support;
- (7) IATA standard ground handling agreements between HK Express and CASL for line maintenance services;
- (8) service agreement between HK Express and CASL for base maintenance services;
- (9) agreement between HK Express and CASL for the loan of tools and equipment;
- (10) IATA standard ground handling agreement between HK Express and CASL for cabin cleaning services; and
- (11) any further agreements under which the Services are provided by the CASL Group to the Cathay Group.

The Services comprise line maintenance services, base maintenance services, supply of materials and tooling, storage facilities and various aircraft maintenance support services.

## Pricing policies

The majority of the Transactions are competitively sourced and negotiated on a procurement basis, with proposals to be requested from CASL and other suppliers and the preferred supplier to be selected by reference to factors such as price, reliability, expertise and experience. Such procurement process is in place to ensure that the Transactions are always on normal commercial terms or better.

The other Transactions are not negotiated on a procurement basis because there is a reasonable commercial rationale for not doing so, for example, when Services from the CASL Group are required on an ad hoc basis for emergency aircraft recovery to avoid operation disruption when there is no other practical option. In such cases, the price and the other terms of the Transactions are reviewed against terms for similar or comparable services from other suppliers to ensure that the Transactions are on normal commercial terms or better.

## 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 seventeen years ended 31st December 2023 (as set out below), the reduction in the Cathay Group's demands for the Services during the COVID-19 pandemic and a forecast of payments for the Services to be provided in the three years ending 31st December 2026.

The forecast has been prepared having regard to, *inter alia*, projections by the Cathay 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 delivery schedules of new aircraft which the Cathay Group has ordered. Buffers have been added to provide flexibility for possible changes in the level of Services associated with the growth of the Cathay Group and in the scheduled and possible unscheduled maintenance of its aircraft.

The Directors estimate that the amounts payable for the Services for the three years ending 31st December 2026 will not exceed the annual caps set out below.

(HK\$ million)	<u>2007</u> Actual	<u>2008</u> Actual	<u>2009</u> Actual	<u>2010</u> Actual	<u>2011</u> Actual	<u>2012</u> Actual	<u>2013</u> Actual	<u>2014</u> Actual	<u>2015</u> Actual
	50	51	47	44	55	62	64	62	198

(HK\$ million)	<u>2016</u> Actual	<u>2017</u> Actual	<u>2018</u> Actual	<u>2019</u> Actual	<u>2020</u> Actual	<u>2021</u> Actual	<u>2022</u> Actual	<u>2023</u> Actual
	218	209	182	255	137	67	52	130

(HK\$ million)	<u>2024</u> Cap	<u>2025</u> Cap	<u>2026</u> Cap
	396	481	591

### **Reasons for, and benefits of, the Transactions**

The CASL Group has the necessary expertise and efficiency to provide the Services. The Transactions will enable the Cathay Group to maintain its aircraft fleet in a cost-effective manner which will benefit the Cathay Group's business.

The Cathay Group first received the Services from CASL as a result of Hong Kong Dragon Airlines Limited, which was already receiving the Services from CASL, becoming a subsidiary of the Company in September 2006. The Cathay Group has since then been receiving the Services from CASL in the ordinary and usual course of the business of the Cathay Group.

The Services are strictly necessary for the safety and efficiency of the Cathay Group's operations and its compliance with aviation regulations.

### **Connections between the parties**

Air China, by virtue of its 29.99% shareholding in the Company, is a substantial shareholder (as defined in the Listing Rules) of the Company. CNAHC is a holding company of Air China and is therefore a connected person (as defined in the Listing Rules) of the Company. CNACG is a wholly-owned subsidiary of CNAHC and therefore a subsidiary of a holding company of, and an associate (as defined in the Listing Rules) of, Air China. CNACG is therefore a connected person of the Company. CNACG holds more than 30% interest in CASL. CASL is therefore a 30%-controlled company (as defined in the Listing Rules) of CNACG and a connected person of the Company.

### **Compliance with the Listing Rules**

As CASL 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 applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps applicable to the Transactions will, on an annual basis, be more than 0.1% but less than 5%, the Transactions are subject to the announcement, annual review and annual reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, including the independent non-executive directors, consider that the terms of the Framework Agreement are fair and reasonable and that the Framework Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Cathay Group and is in the interests of Cathay Pacific and its shareholders as a whole.

Wang Mingyuan, being a director of CNAHC, and Ma Chongxian and Sun Yuquan, holding positions in CNAHC, are materially interested in the Transactions and have abstained from voting on the relevant board resolutions of Cathay Pacific in respect of the Transactions.

## DIRECTORS

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

Executive Directors: Patrick Healy (Chair), Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe;

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng, Zhang Zhuo Ping; Independent Non-Executive Directors: Bernard Chan, John Harrison, Christoph Mueller and Andrew Tung.

## DEFINITIONS

- “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.
- “Air China”** Air China Limited, a company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange as its primary listing venue and have been admitted to the Official List of the UK Listing Authority as its secondary listing venue, and the A shares of which are listed on the Shanghai Stock Exchange.
- “CASL”** China Aircraft Services Limited, a company incorporated in Hong Kong, the principal activity of which is the provision of aircraft line maintenance, base maintenance, cabin cleaning and ground support services at the Hong Kong International Airport.
- “CASL Group”** CASL and its subsidiaries from time to time.
- “Cathay Pacific” or the “Company”** Cathay Pacific Airways Limited, a company incorporated in Hong Kong and whose shares are listed on the Hong Kong Stock Exchange, one of whose principal business activities is the operation of scheduled airline services.
- “Cathay Group”** Cathay Pacific and its subsidiaries from time to time.
- “CNACG”** China National Aviation Corporation (Group) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CNAHC.
- “CNAHC”** China National Aviation Holding Corporation Limited, a PRC state-owned enterprise and the controlling

shareholder of Air China. CNAHC mainly operates all the state-owned assets and state-owned equity interests in CNAHC and its invested enterprises formed by state investment, aircraft leasing and maintenance of aviation equipment and facilities.

<b>“Directors”</b>	The directors of the Company.
<b>“Framework Agreement”</b>	The framework agreement entered into between Cathay Pacific and CASL on the date of this announcement for the CASL Group’s provision of the Services to the Cathay Group.
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited.
<b>“HK Express”</b>	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.
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the PRC.
<b>“IATA”</b>	The International Air Transport Association.
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
<b>“PRC”</b>	The People’s Republic of China.
<b>“Relevant Agreements”</b>	The agreements described under the heading “The Services” in this announcement (as amended or supplemented from time to time).
<b>“Services”</b>	Line maintenance services, base maintenance services, supply of materials and tooling, storage facilities and various aircraft maintenance support services.
<b>“Transactions”</b>	The CASL Group’s provision of the Services to the Cathay Group.

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

Hong Kong, 26th April 2024