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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)

### **HK\$39.0 BILLION RECAPITALISATION PROPOSAL INVOLVING**

**(1) PROPOSED ISSUE OF PREFERENCE SHARES AND WARRANTS; AND**

**(2) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES ON THE BASIS OF SEVEN RIGHTS SHARES FOR EVERY ELEVEN EXISTING SHARES; AND**

**(3) PROPOSED BRIDGE LOAN FACILITY**

**AND**

**PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

**AND**

**CLOSURE OF REGISTER OF MEMBERS**

**AND**

**RESUMPTION OF TRADING**

**Sole Financial Adviser to Cathay Pacific**

**Morgan Stanley**

**Underwriters to the Rights Issue**

**Morgan Stanley**  **BOC INTERNATIONAL**  **HSBC**  **BNP PARIBAS**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED 

The board of directors of Cathay Pacific announces that it proposes to implement a recapitalisation plan with a view to raising aggregate proceeds of approximately HK\$39.0 billion.

#### **OVERVIEW OF RECAPITALISATION PROPOSAL**

The Recapitalisation Proposal involves:

- (1) the Preference Shares and Warrants Issue, being a proposed issuance by Cathay Pacific to Aviation 2020 Limited of: (a) the Preference Shares for an aggregate subscription price of HK\$19.5 billion; and (b) Warrants to subscribe for Shares with an aggregate exercise price of approximately HK\$1.95 billion (subject to adjustment);
- (2) the Rights Issue, being a proposed rights issue of 2,503,355,631 Rights Shares on the basis of seven Rights Shares for every 11 existing Shares held on the Rights Issue Record Date at a Rights Subscription Price of HK\$4.68 to raise aggregate proceeds of approximately HK\$11.7 billion; and
- (3) the Bridge Loan, being a committed bridge loan facility to be extended by Aviation 2020 Limited to Cathay Pacific in an amount of HK\$7.8 billion.

In connection with the Recapitalisation Proposal, on 9 June 2020, the following agreements and undertakings were entered into:

- (1) the PS Subscription Agreement between Cathay Pacific and Aviation 2020 Limited, pursuant to which Aviation 2020 Limited has conditionally agreed to subscribe for and Cathay Pacific has agreed to issue to Aviation 2020 Limited the Preference Shares and the Warrants;
- (2) the Rights Issue Underwriting Agreement between Cathay Pacific and the Underwriters, pursuant to which the Underwriters have conditionally agreed to underwrite the Underwritten Rights Shares;
- (3) the Bridge Loan Facility Agreement between Cathay Pacific and Aviation 2020 Limited in respect of the Bridge Loan;
- (4) the separate Irrevocable Undertakings by Swire Pacific, Air China and Qatar Airways, pursuant to which each of Swire Pacific, Air China and Qatar Airways has irrevocably undertaken, among other things, to (or, where applicable, to procure that its subsidiaries will) subscribe at the Rights Subscription Price for all of the Rights Shares to be provisionally allotted to it (or its subsidiaries) pursuant to the Rights Issue and, save (as applicable) to the extent prohibited under the Listing Rules or the Articles, to vote in favour of all resolutions to be proposed at the EGM that are required to give effect to the Recapitalisation Proposal. Swire Pacific and its associates will be required to abstain from voting in favour of the resolution relating to the Rights Issue pursuant to Rule 7.27A of the Listing Rules;
- (5) a letter of undertaking by Cathay Pacific in favour of Aviation 2020 Limited pursuant to which Cathay Pacific has agreed that Aviation 2020 Limited shall have the right to appoint two observers to attend Board meetings and have access to management and information for as long as Aviation 2020 Limited remains a holder of any of the Preference Shares or any amount under the Bridge Loan remains outstanding; and

- (6) two deeds of undertaking by Swire Pacific in favour of Aviation 2020 Limited pursuant to which Swire Pacific has undertaken, among other things, to remain a controlling shareholder of Cathay Pacific from 9 June 2020 and for so long as Aviation 2020 Limited remains the holder of any Preference Shares or any amount of the Bridge Loan remains outstanding.

The Board will continue to explore opportunities to improve Cathay Pacific's capital structure. If suitable market conditions arise, Cathay Pacific may further access the equity and debt capital markets in order to strengthen its balance sheet.

### **REASONS FOR THE RECAPITALISATION PROPOSAL AND FUTURE PLANS**

The Recapitalisation Proposal is proposed in response to a series of unexpected events outside the Cathay Pacific Group's control, including the outbreak of the global COVID-19 pandemic which has created significant challenges for the airline industry. Travel restrictions imposed by various governments have led to significantly reduced inbound and outbound passenger traffic for the Cathay Pacific Group and uncertainty over the Cathay Pacific Group's future prospects and operations.

Cathay Pacific has explored available options and believes that a recapitalisation is required to ensure it has sufficient liquidity to weather this current crisis. In addition, it is expected to place Cathay Pacific in a better position to compete vigorously and to capitalise on any opportunities that may arise as a result of the current crisis and should position Cathay Pacific for growth when the crisis resolves.

In addition to the Recapitalisation Proposal, the Board intends to implement a further round of executive pay cuts and a second voluntary special leave scheme for employees and, in the longer term, to re-evaluate all aspects of the Cathay Pacific Group's business model to meet the air travel needs of Hong Kong while keeping Cathay Pacific's financial status at a healthy level and meeting its responsibilities to Shareholders.

### **PROPOSED AMENDMENTS TO THE ARTICLES**

It is proposed that certain amendments will be made to the Articles as required (i) to reflect the terms of the Preference Shares; and (ii) to bring the Articles in line with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

### **LISTING RULES IMPLICATIONS AND SHAREHOLDER APPROVALS**

The Preference Shares, Warrants and Warrant Shares will be issued and allotted pursuant to the Specific Mandates to be sought from the Shareholders at the EGM. In addition, the issue of the Warrants will require approval by the Stock Exchange pursuant to Rule 15.02 of the Listing Rules and the listing of, and permission to deal in, the Warrant Shares will require approval by the Stock Exchange. The terms of the Preference Shares and amendments to the Articles will also require approval from the Shareholders under the Articles.

The Rights Issue will require approval from the Independent Shareholders at the EGM pursuant to Rule 7.19A(1) of the Listing Rules. Pursuant to Rule 7.27A of the Listing Rules, Swire Pacific and its associates will be required to abstain from voting in favour of the resolution relating to the Rights Issue.

In addition, in order to facilitate potential future access to the equity capital markets, the General Mandate will be sought from the Shareholders at the EGM to authorise the Directors to (among other things) allot Shares or securities convertible into Shares.

The Independent Board Committee (comprising John Harrison, Robert Milton and Andrew Tung, each being an independent non-executive Director) has been established to advise the Independent Shareholders in respect of the terms of the Rights Issue. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of Cathay Pacific and the Shareholders as a whole.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving (among other things) (i) the grant of the Specific Mandates; (ii) the terms of the Preference Shares; (iii) the terms of the Rights Issue; (iv) certain amendments to the Articles; and (v) the grant of the General Mandate. It is currently expected that the EGM will be held on or around 13 July 2020. The Circular will be despatched to the Shareholders on or around 19 June 2020.

### **WARNING**

**Holders of Shares and other securities of and potential investors in Cathay Pacific should note that the Preference Shares and Warrants Issue and the Rights Issue are subject to Shareholders' approval and approval from the Stock Exchange. In addition, each of the Preference Shares and Warrants Issue, the Rights Issue and the Bridge Loan is subject to the satisfaction or waiver of the conditions precedent applicable to it. Accordingly, there is no certainty as to whether, and if so when, the Recapitalisation Proposal will proceed.**

**Holders of Shares and other securities of and potential investors in Cathay Pacific should exercise caution when dealing in the Shares or other securities of Cathay Pacific. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.**

### **RESUMPTION OF TRADING**

At the request of Cathay Pacific, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 June 2020 pending the release of this announcement. An application will be made by Cathay Pacific to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 June 2020.

This announcement is made by Cathay Pacific pursuant to the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

### **INTRODUCTION**

The Board proposes to implement a recapitalisation plan with a view to raising aggregate proceeds of approximately HK\$39.0 billion. The Recapitalisation Proposal involves:

- (1) the Preference Shares and Warrants Issue, being a proposed issuance by Cathay Pacific to Aviation 2020 Limited of: (a) the Preference Shares for an aggregate subscription price of HK\$19.5 billion; and (b) Warrants to subscribe for Shares with an aggregate exercise price of approximately HK\$1.95 billion (subject to adjustment);
- (2) the Rights Issue, being a proposed rights issue of 2,503,355,631 Rights Shares on the basis of seven Rights Shares for every 11 existing Shares held on the Rights Issue Record Date at a Rights Subscription Price of HK\$4.68 to raise aggregate proceeds of approximately HK\$11.7 billion; and

- (3) the Bridge Loan, being a committed bridge loan facility to be extended by Aviation 2020 Limited to Cathay Pacific in an amount of HK\$7.8 billion.

Further details of the Recapitalisation Proposal are set out in this announcement.

The Board will continue to explore opportunities to improve Cathay Pacific's capital structure. If suitable market conditions arise, Cathay Pacific may further access the equity and debt capital markets in order to strengthen its balance sheet.

## **REASONS FOR THE RECAPITALISATION PROPOSAL AND FUTURE PLANS**

The Recapitalisation Proposal is proposed in response to a series of unexpected events outside the Cathay Pacific Group's control, including the outbreak of the global COVID-19 pandemic which has created significant challenges for the airline industry. Travel restrictions imposed by various governments have led to significantly reduced inbound and outbound passenger traffic for the Cathay Pacific Group and uncertainty over the Cathay Pacific Group's future prospects and operations.

### ***Current market environment***

The airline industry faces significant challenges as a result of the COVID-19 pandemic. Travel demand has declined to an unprecedented level with most nations issuing strict travel restrictions and passengers halting business and international travel.

Cathay Pacific is particularly impacted by such travel restrictions as it has no domestic network and is wholly reliant on cross-border travel, which remains highly restricted and subject to quarantine constraints, with no prospects for a return to normal international travel arrangements any time soon.

### ***Impact on business operations***

In the first four months of 2020, the number of passengers carried by the Cathay Pacific Group dropped by 64.4% against a 49.9% decrease in capacity and a 59.1% decrease in revenue passenger kilometres, as compared to the same period in 2019. Although it is the Cathay Pacific Group's intention to increase slightly its passenger flight capacity from 3% in May to 5% in June of total capacity, this is still subject to a potential relaxation in government health measures. Furthermore, in the first four months of 2020, the tonnage carried by the Cathay Pacific Group fell by 26.6% against a 25.4% drop in capacity and a 20.6% decrease in revenue freight tonne kilometres, as compared to the same period in 2019.

Cathay Pacific's management team has been active and agile in responding to the extremely difficult environment. Cathay Pacific has implemented a number of cash preservation measures, including but not limited to cutting passenger capacity by 97%, implementing executive pay cuts, deferring new aircraft orders and deciding on the early retirement of older aircraft, as well as implementing a voluntary special leave scheme for employees which had an uptake of 80%. Despite all these measures, the drop in passenger revenue to around only 1% of prior year levels has meant that Cathay Pacific has been losing cash at a rate of HK\$2.5 to 3.0 billion per month since February 2020.

**Outlook**

The International Air Transport Association (IATA) has released updated analysis indicating that the COVID-19 crisis will see global airline passenger revenues drop by US\$314 billion in 2020, a 55% decline compared to 2019. Airlines in Asia Pacific will see the largest revenue drop of US\$113 billion and a 50% fall in passenger demand year-on-year. Most industry analysts are forecasting very gradual recoveries over a protracted period, and the IATA is forecasting that it will be 2023 at the earliest before international passenger demand returns to pre-crisis levels.

This is the biggest challenge to the aviation industry that Cathay Pacific has ever witnessed and, overall, it does not anticipate that there will be a meaningful recovery for an extended period.

**Recapitalisation Proposal**

Cathay Pacific has explored available options and believes that a recapitalisation is required to ensure it has sufficient liquidity to weather this current crisis. In addition, it is expected to place Cathay Pacific in a better position to compete vigorously and to capitalise on any opportunities that may arise as a result of the current crisis and should position Cathay Pacific for growth when the crisis resolves.

The Directors consider that, after taking into account the costs and benefits of different fundraising alternatives available to the Cathay Pacific Group, the Recapitalisation Proposal is the preferred means of implementing a fundraising of the size envisaged.

**Future plans**

In the short term, the Board intends to implement a further round of executive pay cuts and a second voluntary special leave scheme for employees. In the longer term, all aspects of the Cathay Pacific Group's business model will be re-evaluated. By the fourth quarter of 2020, Cathay Pacific's management team will recommend to the Board the optimum size and shape of the Cathay Pacific Group to meet the air travel needs of Hong Kong while keeping Cathay Pacific's financial status at a healthy level and meeting its responsibilities to Shareholders. Inevitably this will involve rationalisation of future planned capacity compared to the pre-crisis plans, taking into account the market outlook and cost structure at that time.

**PREFERENCE SHARES AND WARRANTS ISSUE**

In connection with the Recapitalisation Proposal, on 9 June 2020, Cathay Pacific entered into the PS Subscription Agreement with Aviation 2020 Limited pursuant to which:

- (i) Aviation 2020 Limited has agreed to subscribe for and Cathay Pacific has agreed to issue to Aviation 2020 Limited 195,000,000 Preference Shares in an aggregate amount of HK\$19.5 billion; and
- (ii) Cathay Pacific has agreed to issue to Aviation 2020 Limited the Warrants, which will entitle Aviation 2020 Limited to subscribe for up to 416,666,666 Shares at the Warrant Exercise Price of HK\$4.68 (subject to adjustment), with an aggregate exercise price of approximately HK\$1.95 billion (subject to adjustment).



Completion of the Preference Shares and Warrants Issue is conditional on certain conditions precedent as set out in the PS Subscription Agreement including but not limited to completion of the Rights Issue, approval by the Shareholders of the Preference Shares and Warrants Issue and the transactions contemplated thereunder and approval by the Stock Exchange of the issue of the Warrants and the listing of, and permission to deal in, the Warrant Shares. It is expected that completion of the issue of the Preference Shares and completion of the issue of the Warrants will take place at or around the same time on the PS and Warrants Issue Date.

**(a) Proposed terms of the PS Subscription Agreement, Preference Shares and Warrants**

The key terms of the PS Subscription Agreement, the Preference Shares and the Warrants are summarised below.

***PS Subscription Agreement***

Date: 9 June 2020

Parties: (1) Cathay Pacific (as issuer); and  
(2) Aviation 2020 Limited (as subscriber).

Conditions precedent: The obligations of Aviation 2020 Limited to consummate closing in respect of the Preference Shares and Warrants Issue are conditional on:

- (1) **EGM:** on or prior to the PS and Warrants Issue Date, the EGM having been convened to approve, and resolutions having been passed and such approvals having been given in respect of the Specific Mandates, and such approvals remaining in force as at the PS and Warrants Issue Date;
- (2) **Warrant Instrument:** the execution and delivery (on or before the PS and Warrants Issue Date) of the warrant instrument by Cathay Pacific in the form set out in the PS Subscription Agreement;
- (3) **Amended Articles:** the delivery (on or before the PS and Warrants Issue Date) of a copy of the amended and restated Articles in the form set out in the PS Subscription Agreement;
- (4) **Auditor confirmation:** on or before the PS and Warrants Issue Date, KPMG, the auditors of Cathay Pacific, having confirmed that, upon issue, the Preference Shares will be recorded and accounted for as “equity” of Cathay Pacific pursuant to Hong Kong Financial Reporting Standards for the purposes of Cathay Pacific’s consolidated financial statements;
- (5) **Listing Approval:** Cathay Pacific having received approval for the listing of and permission to deal in the Warrant Shares from the Stock Exchange;

- (6) **Rights Issue:** Cathay Pacific having consummated the Rights Issue in accordance with the terms of the Rights Issue Underwriting Agreement and Irrevocable Undertakings such that all Rights Shares issuable thereunder become fully paid and all net proceeds of the Rights Issue are received by Cathay Pacific;
- (7) **Compliance:** there being no outstanding breach of any of the obligations of Cathay Pacific under the PS Subscription Agreement which has not been expressly waived by Aviation 2020 Limited on or prior to the PS and Warrants Issue Date nor the occurrence of any event making untrue or incorrect any of the representations and warranties of Cathay Pacific contained in the PS Subscription Agreement;
- (8) **Initial Deed of Undertaking:** there being no outstanding breach by Swire Pacific in respect of any undertaking given by it in the Initial Deed of Undertaking; and
- (9) **Authorisations:** there being in full force and effect the consent of the Board and/or the Shareholders, as the case may be, to the issue of the Preference Shares, the Warrants and the Warrant Shares, and Cathay Pacific having delivered to Aviation 2020 Limited copies of those resolutions, approvals or consents and, where applicable, English translations of them.

Aviation 2020 Limited may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions precedent.

As at the date of this announcement, save for the condition set out in (4) above, none of the conditions precedent have been satisfied.

Restrictions on subordinated obligations:

For so long as Aviation 2020 Limited remains the holder of any of the Preference Shares, Cathay Pacific shall not issue, enter into or guarantee any subordinated instrument or other subordinated obligation which ranks or is expressed to rank, senior to or *pari passu* with the Preference Shares, provided that this restriction shall not apply to (a) any unsubordinated indebtedness or unsubordinated guarantees issued or entered into by Cathay Pacific or (b) any indebtedness or guarantee issued or entered into by Cathay Pacific which by operation of law ranks or is expressed to rank senior to or *pari passu* with the Preference Shares.

Closing date:

The PS and Warrants Issue Date, which is expected to be on or around 12 August 2020 (assuming that the Rights Issue is completed on 11 August 2020 in accordance with the expected timetable set out in the section headed "Expected Timetable of the Rights Issue" below and all other conditions precedent to the PS Subscription Agreement have been satisfied or waived at that time).



Termination: If closing of the Preference Shares and Warrants Issue has not occurred by the date which is four calendar months after the date of the PS Subscription Agreement, then either Cathay Pacific or Aviation 2020 Limited shall be entitled (but not bound) to terminate the PS Subscription Agreement upon providing written notice thereof.

Aviation 2020 Limited may, by notice to Cathay Pacific, terminate the PS Subscription Agreement at any time prior to payment of the subscription price to Cathay Pacific if there shall have occurred any breach of, or any event rendering untrue or incorrect in any respect of, any of the warranties and representations of Cathay Pacific as contained in the PS Subscription Agreement.

**Preference Shares**

Description: HK\$19,500,000,000 cumulative preference shares

Issuer: Cathay Pacific

Issue size: HK\$19,500,000,000

Form: Registered only.

Issue price per Preference Share: HK\$100

Status of the Preference Shares In the event of a winding-up, the rights and claims of the Preference Shareholders shall rank in priority to holders of Junior Obligations and equally in all respects with each other and with the holders of any Parity Obligations, but shall be subordinated in right of payment to Senior Preferred Obligations, where:

**“Junior Obligations”** means (i) the Shares, and (ii) any other instrument or security issued, entered into or guaranteed by Cathay Pacific which ranks or is expressed to rank, by its terms or by operation of law, junior to the Preference Shares;

**“Parity Obligations”** means any instrument or security issued, entered into or guaranteed by Cathay Pacific which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Preference Shares; and

**“Senior Preferred Obligations”** means (i) any unsubordinated instrument or other obligation issued, entered into, or guaranteed by Cathay Pacific, and (ii) any other instrument or obligation issued, entered into, or guaranteed by Cathay Pacific that ranks or is expressed to rank, by its terms or by operation of law, senior to the Preference Shares.

No redemption at the option of Aviation 2020 Limited: The Preference Shares are not redeemable at the option of Aviation 2020 Limited.

Preference dividend rate:	<p>(1) 3.00% per annum from and including the PS and Warrants Issue Date to but excluding the date falling three years from the PS and Warrants Issue Date (the “<b>First Step-up Date</b>”);</p> <p>(2) 5.00% per annum from and including the First Step-up Date to but excluding the date falling four years from the PS and Warrants Issue Date (the “<b>Second Step-up Date</b>”);</p> <p>(3) 7.00% per annum from and including the Second Step-up Date to but excluding the date falling five years from the PS and Warrants Issue Date (the “<b>Third Step-up Date</b>”); and</p> <p>(4) 9.00% per annum from and including the Third Step-up Date.</p>
Deferral of preference dividend:	At Cathay Pacific’s discretion, in whole or in part.
Dividend payment date:	Payable semi-annually in arrear (each such payment date, a “ <b>Dividend Payment Date</b> ”).
Redemption at the option of the issuer:	At any time, Cathay Pacific may redeem all or some of the Preference Shares, in an aggregate amount equal to the issue price of the Preference Shares of HK\$100 each (the “ <b>Liquidation Amount</b> ”) plus any unpaid dividends (including any Arrears of Dividend (as defined below) or any dividends with respect to each amount of Arrears of Dividend at the dividend rate then in effect (the “ <b>Additional Dividend Amount</b> ”).
Conditions to distribution of dividends:	<p>Dividends on the Preference Shares shall be paid, if and so far as, in the opinion of the Directors, the amounts available to Cathay Pacific for distribution as a distribution or dividend to its shareholders as at the date to which its latest audited or unaudited interim accounts are drawn up (being accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital) (“<b>Distributable Items</b>”) justify such payment, and subject to: (i) the amount of Cathay Pacific’s net assets being not less than the aggregate of its called-up share capital and undistributable reserves as at such date; and (ii) such dividend not reducing the amount of Cathay Pacific’s net assets to an amount less than that aggregate.</p> <p>No payment of dividends on the Preference Shares can be made unless Cathay Pacific has sufficient Distributable Items to cover the dividend and the Directors resolve to distribute such profits.</p> <p>Any dividends not paid on the Preference Shares shall accumulate and constitute “<b>Arrears of Dividend</b>”. The Directors may also elect to defer (in whole or in part) any dividend which is otherwise scheduled to be paid on a Dividend Payment Date or to defer further any Arrears of Dividend in the manner provided in the terms of the Preference Shares for any reason.</p>

Cathay Pacific is not subject to any limit as to the number of times Dividends and Arrears of Dividend can or shall be deferred except that the restrictions following non-payment or deferral of dividends as summarised below shall be complied with until all outstanding Arrears of Dividends have been paid in full.

Restrictions following non-payment or deferral of dividends:

From the day immediately following the non-payment of any dividend which is otherwise payable under the terms of the Preference Shares, Cathay Pacific shall not:

- (a) make any discretionary distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any Junior Obligations or Parity Obligations (except, in relation to the Parity Obligations of Cathay Pacific, where such distribution or dividend is made on a *pro rata* basis with payment on the Preference Shares); or
- (b) redeem, reduce, cancel, buy-back or acquire at its discretion for any consideration any Junior Obligations or Parity Obligations (except, in relation to the Parity Obligations of Cathay Pacific, where such redemption, reduction, cancellation or buy-back is made on a *pro rata* basis with purchase of the Preference Shares), provided that such restriction shall not apply to an exchange or conversion of any Parity Obligations in whole for Junior Obligations,

unless or until the earlier of:

- (i) the dividend scheduled to be paid on any subsequent Dividend Payment Date, and all outstanding Arrears of Dividend and Additional Dividend Amount, are paid in full to the Preference Shareholders;
- (ii) Cathay Pacific being permitted to do so by a special resolution passed at a class meeting of Preference Shareholders; or
- (iii) the redemption and cancellation of all outstanding Preference Shares.

Transferability:

The Preference Shares may be sold, transferred, pledged or otherwise disposed of at any time subject to limited exceptions as set out in the PS Subscription Agreement.

Voting rights:

Preference Shareholders shall be entitled to attend class meetings of Preference Shareholders. The issuance of any other class of preference shares which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Preference Shares shall be deemed to constitute a matter for which the sanction of Preference Shareholders at a class meeting of Preference Shareholders in accordance with the provisions of the Articles is required.

Preference Shareholders shall not be entitled to convene, attend or vote at any general meeting, other than where the business of a general meeting is the consideration of resolutions for:

- (i) amendments to the Articles that directly and adversely modify or abrogate any of the special rights and privileges attached to the Preference Shares; or
- (ii) the winding-up of Cathay Pacific, the amalgamation, reorganisation or restructuring of Cathay Pacific and its subsidiaries such that Cathay Pacific and its subsidiaries together cease to carry on all of their businesses taken as a whole or the appointment of a provisional liquidator or the approval of a voluntary arrangement or any resolution directly and adversely modifying or abrogating any of the special rights and privileges attached to the Preference Shares,

in which case the Preference Shareholders will be entitled to attend the general meeting and vote only upon such resolutions. Where entitled to vote on any resolution at a general meeting, on a show of hands every Preference Shareholder present in person shall have one vote, and on a poll every Preference Shareholder present in person or by proxy shall have one vote for every Preference Share of which he is the holder. Any Preference Shares held by, or on behalf of, Cathay Pacific shall have no voting rights.

### **Warrants**

Issuer:	Cathay Pacific
Issue size:	416,666,666 Warrants, each of a notional amount of HK\$4.68 per Warrant (the “ <b>Notional Amount</b> ”), each exercisable for Shares.
Expiry date:	Five years from the PS and Warrants Issue Date (the “ <b>Expiry Date</b> ”)
Subscription price:	Nil
Warrant Exercise Price:	HK\$4.68 per Share, subject to adjustment upon the occurrence of certain prescribed events, namely: (i) consolidation, subdivision, redesignation or reclassification of Shares; (ii) capitalisation of profits or reserves; (iii) distributions; (iv) rights issues of Shares or options over Shares at a price of less than 95% of the then current market price per Share; (v) rights issues of other securities; (vi) issues at a price of less than 95% of the then current market price per Share; (vii) other issues at a price of less than 95% of the then current market price per Share; (viii) modification of rights of conversion resulting in a conversion price of less than 95% of the then current market price per Share; (ix) other offers to Shareholders; or (x) other events that gives rise to an adjustment pursuant to the terms and conditions of the Warrants; provided that there will be no adjustment as a result of or otherwise in connection with the Rights Issue (as the current

expected dilutive impact of the Rights Issue has already been reflected in the initial Warrant Exercise Price).

Warrant Exercise Right:	For each Warrant, the Warranholders may subscribe at any time during the Warrant Exercise Period for such number of Shares (the “ <b>Warrant Shares</b> ”) as determined by dividing the Notional Amount of each Warrant, by the Warrant Exercise Price then in effect, save where such exercise would cause Cathay Pacific to breach the open market requirements as set out in the Listing Rules (the “ <b>Warrant Exercise Right</b> ”).
Warrant Exercise Period:	Subject to and upon compliance with the terms and conditions of the Warrants, the Warrant Exercise Right in respect of a Warrant may be exercised, at the option of the relevant Warranholder, at any time on or after the date of the certificate evidencing such Warrant up to the close of business (at the place where the certificate evidencing such Warrant is deposited for exercise) on the Expiry Date (the “ <b>Warrant Exercise Period</b> ”).
Form:	The Warrants will be issued in definitive registered form.
Transferability of the Warrants:	<p>Subject to the terms and conditions of the Warrants, the Warrants or interests in such Warrants are transferable, in whole or in part, provided that the Warrants or interest in such Warrants may not be sold, transferred, pledged or otherwise disposed of to any Competitor or Substantial Shareholder without the prior written consent of Cathay Pacific (such consent not to be unreasonably withheld).</p> <p>In this paragraph:</p> <p>“<b>Competitor</b>” means any person engaged directly, wholly or primarily, in a business which is substantially the same as the businesses carried on by the Cathay Pacific Group or which competes with the businesses carried on by the Cathay Pacific Group.</p> <p>“<b>Substantial Shareholder</b>” means any individual or corporation, whether individually or together with any of its close associates (as defined under the Listing Rules), who is/are interested in 10% or more of any class of voting shares in Cathay Pacific.</p>
Status of Warrants:	The Warrants shall at all times rank <i>pari passu</i> and without any preference or priority among themselves, and, save for such exceptions as may be provided by mandatory provisions of applicable legislation, shall at all times rank at least equally with all of Cathay Pacific’s other options or warrants exercisable into Shares that are in issue.
Voting rights and other rights of Warranholders:	The Warranholders will not have any right to vote or to receive dividends or to consent or to receive notice as Shareholders in respect of any meeting of Shareholders, or any rights whatsoever as Shareholders.

The Warrantheolders shall not have the right to participate in any distributions and/or offers of further securities made by Cathay Pacific.

Rights on winding-up of Cathay Pacific: If Cathay Pacific is wound up at any time during the Warrant Exercise Period, all Warrant Exercise Rights which have not been exercised prior to the commencement of the winding-up shall lapse.

The terms of the PS Subscription Agreement, Preference Shares and Warrants were arrived at after arm's length negotiations between Cathay Pacific and Aviation 2020 Limited. The Board considers that the PS Subscription Agreement and the terms of the Preference Shares and Warrants are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

### **(b) Application for Listing**

No application will be made for the listing of either the Preference Shares or the Warrants on the Stock Exchange or any other stock exchange. Application will be made by Cathay Pacific to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

## **RIGHTS ISSUE**

### **(a) Rights Issue statistics**

Basis of the Rights Issue:	Seven Rights Shares for every 11 existing Shares held on the Rights Issue Record Date
Rights Subscription Price:	HK\$4.68 per Rights Share
Number of Shares in issue as at the date of this announcement:	3,933,844,572 Shares
Number of Rights Shares to be issued under the Rights Issue:	2,503,355,631 Rights Shares (based on the number of issued Shares as at the date of this announcement and assuming no change in the number of issued Shares on or before the Rights Issue Record Date)
Amount to be raised:	Approximately HK\$11.7 billion, before expenses (based on the number of Shares in issue as at the date of this announcement and assuming no change in the number of issued Shares on or before the Rights Issue Record Date)
Underwriters:	Morgan Stanley Asia Limited BOCI Asia Limited The Hongkong and Shanghai Banking Corporation Limited BNP Paribas Securities (Asia) Limited



Enlarged number of Shares in issue upon completion of the Rights Issue: 6,437,200,203 Shares (based on the number of issued Shares as at the date of this announcement and assuming no change in the number of issued Shares (other than as a result of the allotment and issuance of the Rights Shares) on or before completion of the Rights Issue)

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued after the date of this announcement and on or before the Rights Issue Record Date.

Cathay Pacific has no outstanding convertible securities or options in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the date of this announcement.

Assuming there is no change in the number of issued Shares (other than as a result of the allotment and issuance of the Rights Shares) on or before completion of the Rights Issue, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents (i) approximately 63.6% of the total number of issued Shares as at the date of this announcement; (ii) approximately 38.9% of the total number of issued Shares as enlarged by the Rights Issue (assuming that all Rights Shares are taken up); and (iii) approximately 36.5% of the total number of issued Shares as enlarged by the Recapitalisation Proposal (assuming that all Rights Shares are taken up and full exercise of the Warrants).

#### **(b) Rights Subscription Price**

The Rights Subscription Price is HK\$4.68 per Rights Share, which is payable in full upon a Qualifying Shareholder accepting the relevant provisional allotment of the Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Rights Subscription Price represents:

- (i) a discount of approximately 46.9% to the closing price of HK\$8.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 35.0% to the theoretical ex-rights price of approximately HK\$7.20 per Share, which is calculated based on the closing price of HK\$8.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 45.0% to the average of the closing prices of approximately HK\$8.51 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on and including the Last Trading Day;
- (iv) a discount of approximately 43.4% to the average of the closing prices of approximately HK\$8.27 per Share as quoted on the Stock Exchange for the ten consecutive trading days ending on and including the Last Trading Day;
- (v) a discount of approximately 70.7% to the consolidated net asset value attributable to the Shareholders as at 31 December 2019 as extracted from the annual report of Cathay Pacific for the year ended 31 December 2019 of approximately HK\$15.96 per Share; and

- (vi) a dilution effect of approximately 15.4% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$7.20 per Share (taking into account the closing price of the Last Trading Day of HK\$8.81 per Share) and the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$8.51 per Share.

The Rights Subscription Price was determined by the Directors with reference to the market price of the Shares under the prevailing market conditions preceding and including the date of this announcement. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Rights Subscription Price in proportion to his/her/its shareholding in Cathay Pacific held on the Rights Issue Record Date.

### **(c) Basis of provisional allotment**

The basis of the provisional allotment shall be seven Rights Share (in nil-paid form) for every 11 existing Shares held by a Qualifying Shareholder on the Rights Issue Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **(d) Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of Cathay Pacific on the Rights Issue Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of Cathay Pacific on the Rights Issue Record Date, any transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by 4:30 p.m. on the Last Day for Transfer.

The last day for dealing in the Shares on a cum-rights basis is expected to be Tuesday, 14 July 2020. The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 15 July 2020.

Cathay Pacific expects to despatch the Rights Issue Documents to Qualifying Shareholders on or around Wednesday, 22 July 2020. The Latest Time for Acceptance is expected to be 4:00 p.m. on the Final Acceptance Date, which is expected to be Wednesday, 5 August 2020.

### **(e) Rights of Non-Qualifying Shareholders**

Overseas Shareholders on the Rights Issue Record Date may not be eligible to take part in the Rights Issue as explained below.

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and the People's Republic of China, in accordance with the notice issued by the China Securities Regulatory Commission of *Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect (Announcement [2016] No.21)*.

The Board will make enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders. The Board notes the requirements specified in Rule 13.36(2)(a) of the Listing Rules and will only exclude from the Rights Issue Overseas Shareholders whom the Board, after making enquiries, considers it necessary or expedient to exclude on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. The basis of exclusion of Non-Qualifying Shareholders from the Rights Issue, if any, will be disclosed in the Rights Issue Prospectus. Cathay Pacific will, subject to the advice of its legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted, send copies of the Rights Issue Prospectus to Non-Qualifying Shareholders outside the United States for their information only. Cathay Pacific will not send any PAL or EAF to Non-Qualifying Shareholders.

Notwithstanding the foregoing, the Rights Issue Prospectus is expected to include provisions permitting certain categories of sophisticated and/or qualified investors in certain overseas jurisdictions to take up their rights under the Rights Issue, subject to complying with certain certification and other requirements (to be described in the Rights Issue Prospectus) which the Directors consider necessary or desirable in order to enable those investors to take part in the Rights Issue in compliance with their applicable local laws and regulations. Cathay Pacific reserves the absolute discretion to determine whether to allow such participation as well as the identity of any person(s) who may be allowed to do so.

Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement to be allotted Rights Shares under the Rights Issue. However, Cathay Pacific will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The aggregate net proceeds of such sale will be distributed by Cathay Pacific to Non-Qualifying Shareholders (pro-rata to their shareholdings on the Rights Issue Record Date) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not exceeding HK\$100, such sum will be retained by Cathay Pacific for its own benefit. Any unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be available for excess application by Qualifying Shareholders under the EAFs.

For the avoidance of doubt, each Non-Qualifying Shareholder will be entitled to vote on the resolutions in relation to the Rights Issue at the EGM unless such person is not an Independent Shareholder.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Cathay Pacific reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

**(f) Fractions of Rights Shares and dilution**

Cathay Pacific will not provisionally allot and will not accept application for any fractions of Rights Shares. Such fractional entitlements to Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of Cathay Pacific if a premium (net of expenses) can be obtained. Any unsold Rights Shares representing the aggregation of the fractions will be available for excess application by Qualifying Shareholders under the EAFs. Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in Cathay Pacific as a result of the Rights Issue (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in Cathay Pacific will be diluted. Shareholders' interests will also potentially be diluted by any exercise of the Warrants.

**(g) Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for:

- (i) any unsold Rights Shares which would have been allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and
- (iii) any Rights Shares provisionally allotted but not validly accepted by Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis and as far as practicable on a pro rata basis by reference to the number of excess Rights Shares applied for under each application. No reference will be made to Rights Shares comprised in applications under a PAL or the existing number of Shares held by such Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs. No preference will be given to topping up odd lots to whole board lots.

Beneficial Owners whose Shares are held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC) as one single Shareholder according to the register of members of Cathay Pacific. Accordingly, such Beneficial Owners should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to them individually.

Beneficial Owners whose Shares are held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under their names before the Rights Issue Record Date. Beneficial Owners whose Shares are held by a nominee (or which are held in CCASS) and who would like to have their names registered on the register of members of Cathay Pacific must lodge all necessary documents with the Registrar by 4:30 p.m. on the Last Day for Transfer.

**(h) Conditions of the Rights Issue**

The Rights Issue will be conditional on (i) approval of the Rights Issue by the Independent Shareholders at the EGM; and (ii) the Rights Issue Underwriting Agreement having become unconditional and not having been terminated by the Underwriters in accordance with its terms. In the event that the Rights Issue Underwriting Agreement does not become unconditional or is terminated in accordance with its terms, the Rights Issue will not proceed.

**(i) Rights Issue Underwriting Agreement**

The principal terms of the Rights Issue Underwriting Agreement are summarised below:

Date:	9 June 2020
Issuer:	Cathay Pacific
Underwriters:	Morgan Stanley Asia Limited BOCI Asia Limited The Hongkong and Shanghai Banking Corporation Limited BNP Paribas Securities (Asia) Limited
Number of Underwritten Rights Shares:	All of the Rights Shares other than the Committed Rights Shares, being 375,999,022 Rights Shares (based on the number of issued Shares as at the date of this announcement and assuming no change in the number of issued Shares on or before the Rights Issue Record Date) in the following proportions: <ol style="list-style-type: none"><li>1) 50.0% of the Underwritten Rights Shares underwritten by Morgan Stanley Asia Limited;</li><li>2) 20.0% of the Underwritten Rights Shares underwritten by BOCI Asia Limited;</li><li>3) 20.0% of the Underwritten Rights Shares underwritten by The Hongkong and Shanghai Banking Corporation Limited; and</li><li>4) 10.0% of the Underwritten Rights Shares underwritten by BNP Paribas Securities (Asia) Limited.</li></ol>
Fees and expenses:	A commission in an amount which is 2.0% of the product of the Rights Subscription Price multiplied by such Underwriter's relevant portion of the Underwritten Rights Shares.

Subject to the fulfilment of the conditions precedent contained in the Rights Issue Underwriting Agreement and provided that the Rights Issue Underwriting Agreement is not terminated before the Latest Termination Time in accordance with the terms thereof, the Underwriters have severally agreed to subscribe or procure subscribers for their respective proportions of the Underwritten Rights Shares that are not taken up by the Qualifying Shareholders (or their renounees), unsold entitlements of the Non-Qualifying Shareholders to the Rights Shares and unsold Rights Shares representing the aggregation of fractions.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each Underwriter is an Independent Third Party.

The Board (excluding members of the Independent Board Committee whose opinion will be contained in the Circular after having been advised by the Independent Financial Adviser) considers that the Rights Issue Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

***Conditions of the Rights Issue Underwriting Agreement***

The obligations of the Underwriters under the Rights Issue Underwriting Agreement are conditional upon:

- (i) the Shareholders having passed the requisite resolutions at an extraordinary general meeting of Cathay Pacific approving the Recapitalisation Proposal, including the Rights Issue and the transactions contemplated under the Rights Issue Underwriting Agreement in accordance with the Articles and all applicable laws, regulations or rules and such resolutions not being withdrawn or revoked prior to the Latest Termination Time;
- (ii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) being granted (subject only to allotment and despatch of the appropriate documents of title) by the Stock Exchange by no later than the business day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and such permission not being withdrawn or revoked prior to the Latest Termination Time;
- (iii) compliance by Cathay Pacific with its obligations under the Rights Issue Underwriting Agreement in relation to making the Rights Issue and allotting and offering the Rights Shares by the specified times (or such later time and/or date as Cathay Pacific and the Underwriters may agree in writing);
- (iv) each condition to enable the nil-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied not later than the business day prior to the first day of dealings in the nil-paid Rights Shares as set out in the Rights Issue Prospectus and no notification having been received by Cathay Pacific from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (v) the Stock Exchange issuing a certificate authorising registration of the Rights Issue Prospectus with the Hong Kong Companies Registry under section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than a business day before the date of the Rights Issue Prospectus (or such later time and/or date as Cathay Pacific and the Underwriters may agree in writing);
- (vi) a duly certified copy of each of the Rights Issue Documents (and other required documents) having been lodged with the Hong Kong Companies Registry not later than a business day before the date of the Rights Issue Prospectus, and the Hong Kong Companies Registry issuing a letter of confirmation of the registration of the Rights Issue Documents not later than a business day before the date of the Rights Issue Prospectus;
- (vii) posting of the Rights Issue Documents to the Qualifying Shareholders not later than the date of the Rights Issue Prospectus (or such later time and/or date as Cathay Pacific and the Underwriters may agree in writing);
- (viii) compliance by Swire Pacific, Air China and Qatar Airways with their respective obligations under the Irrevocable Undertakings by the times specified, and the Irrevocable Undertakings not having been terminated;



- (ix) (a) the PS Subscription Agreement having been duly executed by Aviation 2020 Limited and Cathay Pacific; (b) the conditions to closing of the subscription under the PS Subscription Agreement having been fulfilled except for (1) the condition regarding completion of the Rights Issue in accordance with its terms; and (2) those conditions which by their terms are to be satisfied on the date of closing of the PS Subscription Agreement (including, without limitation, the condition that Swire Pacific has complied with the Initial Deed of Undertaking), unless any of the foregoing matters have been waived by Aviation 2020 Limited; and (c) the PS Subscription Agreement not having been terminated, nor there being a reasonable basis to believe the PS Subscription Agreement or the transactions thereunder might be terminated;
- (x) an amount of not less than HK\$7.8 billion being available for drawdown by Cathay Pacific under the Bridge Loan Facility Agreement, and there being no reasonable basis to believe the Bridge Loan Facility Agreement might be terminated;
- (xi) receipt by the Underwriters (in such form and substance as reasonably satisfactory to the Underwriters) of all relevant documents on or before such time as specified in the Rights Issue Underwriting Agreement;
- (xii) by the Latest Termination Time, in respect of the warranties and undertakings given by Cathay Pacific under the Rights Issue Underwriting Agreement, (a) such warranties remaining true, accurate, complete and not misleading, and none of such undertakings having been breached in any material respect; and (b) a matter not having arisen which would reasonably be expected to give rise to any breach of such warranties or material breach of such undertakings or a claim in respect of such warranties or material breach of such undertakings;
- (xiii) compliance in all material respects by Cathay Pacific with all of its obligations under the Rights Issue Underwriting Agreement, and the Rights Issue Underwriting Agreement not having been terminated;
- (xiv) all relevant consents, approvals, permits, authorisations or clearances (as the case may be) required to be obtained by any member of the Cathay Pacific Group under applicable laws, regulations or rules for the Rights Issue and the transactions contemplated under the Rights Issue Underwriting Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time up to the Latest Termination Time; and
- (xv) (i) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Termination Time and the current listing of the Shares not having been withdrawn or, other than pending publication of this announcement, the trading of the Shares not having been suspended or put on halt for a consecutive period of more than two trading days (or such longer period as Cathay Pacific and the Underwriters may agree); and (ii) no indication having been received before 4:00 p.m. on the date of the Latest Termination Time from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Rights Issue Underwriting Agreement or for any other reason.

If any of the above conditions of the Rights Issue Underwriting Agreement is not fulfilled or waived in accordance with the terms of the Rights Issue Underwriting Agreement by the specified time and date, or where there are no times or dates specified by 31 August 2020, the Rights Issue Underwriting Agreement shall terminate (save for certain provisions thereof and without prejudice to the rights of the parties thereto in respect of any breach of the Rights Issue Underwriting Agreement occurring before such termination) and the Rights Issue will not proceed.

The Underwriters shall have the right, in their absolute discretion, by giving written notice to Cathay Pacific on or before the latest time at which, or the latest day on which, any of the above conditions of the Rights Issue Underwriting Agreement may be fulfilled:

- (i) to extend the deadline for the fulfilment of such condition by such time or number of days or in such manner as the Underwriters may determine; or
- (ii) to waive such condition (other than conditions (i), (ii), (iv), (v) and (vi) above), and such waiver may be made subject to such terms and conditions as the Underwriters may determine.

As at the date of this announcement, none of the conditions has been fulfilled.

#### ***Termination of the Rights Issue Underwriting Agreement***

The Rights Issue Underwriting Agreement contains provisions granting the Underwriters, acting jointly, by notice to Cathay Pacific at any time before the Latest Termination Time, the right to rescind or terminate the Rights Issue Underwriting Agreement on the occurrence of any of the following events:

- (i) any matter or circumstance arises as a result of which any of the conditions set out in the section headed "Rights Issue – (i) Rights Issue Underwriting Agreement – Conditions of the Rights Issue Underwriting Agreement" above has become incapable of satisfaction (or, as applicable, waiver) as at the required time; or
- (ii) there has been any breach by Cathay Pacific of any of the representations, warranties, or any material breach by Cathay Pacific of any of the undertakings and other provisions contained in the Rights Issue Underwriting Agreement, or any matter has arisen which would reasonably be expected to give rise to such a breach by Cathay Pacific or a claim in respect of any of the representations and warranties by Cathay Pacific, or a material breach by Cathay Pacific of any of the undertakings and other provisions contained in the Rights Issue Underwriting Agreement; or
- (iii) there has been any breach by any of Swire Pacific, Air China and Qatar Airways of its undertakings contained in the Irrevocable Undertakings or any matter has arisen which would reasonably be expected to give rise to such a breach by any of Swire Pacific, Air China and Qatar Airways or a claim in respect of a breach by any of Swire Pacific, Air China and Qatar Airways of any of the undertakings contained in the Irrevocable Undertakings; or
- (iv) any event occurs or matter arises, which, if it had occurred before the date of the Rights Issue Underwriting Agreement or before any of the times on which the warranties given by Cathay Pacific under the Rights Issue Underwriting Agreement are deemed to be given, would have rendered any of such warranties untrue, incorrect or misleading; or

- (v) any statement contained in any of the Rights Issue Documents or other announcement, circular or public documents issued or authorised by Cathay Pacific relating to the Rights Issue has become or been discovered to be untrue, incorrect, incomplete or misleading, or matters have arisen or have been discovered which would, if any of such documents was to be issued at the time, constitute a material omission therefrom; or
- (vi) there shall have developed, occurred or come in effect any change or development involving a prospective change, any event or circumstance likely to result in a change or development involving a prospective change, in or affecting the assets, liabilities, business, condition, results of operations, prospects, management, shareholders' equity or in the financial or trading position of any member of the Cathay Pacific Group which, in the sole opinion of the Underwriters, is or may be materially adverse in the context of the Rights Issue or makes or may make it impracticable, inadvisable or inexpedient to proceed with the Rights Issue; or
- (vii) a petition is presented for the winding-up or liquidation of any member of the Cathay Pacific Group or any member of the Cathay Pacific Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Cathay Pacific Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Cathay Pacific Group or anything analogues thereto occurs in respect of any member of the Cathay Pacific Group;
- (viii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (ix) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
  - (a) any change in, or any event or series of events likely to result in any change in (whether or not permanent) in local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in or affecting Hong Kong, the People's Republic of China, the United States, the European Union (or any member thereof), the United Kingdom, Singapore, Japan or any other jurisdictions relevant to any member of the Cathay Pacific Group or the Rights Issue (collectively, the "**Relevant Jurisdictions**"); or
  - (b) any event or circumstance in the nature of force majeure, including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, public disorder fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, declaration of a state of emergency or calamity or crisis, in or affecting any of the Relevant Jurisdictions; or
  - (c) the declaration of a banking moratorium by authorities in any of the Relevant Jurisdictions occurring due to exceptional financial circumstances or otherwise; or

- (d) any moratorium, suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, NASDAQ, the London Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange, or any major disruption of any securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or
- (e) any trading halt or suspension of dealings in the Shares (other than pending publication of this announcement or where such trading halt or suspension does not last for more than two trading days); or
- (f) any government authority commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Cathay Pacific Group or any Director; or
- (g) any new law or regulation or any change, or any development involving a prospective change, whether or not permanent, in or affecting any taxation, exchange controls, currency exchange rates, laws or regulations (or judicial interpretation thereof) in or affecting any of the Relevant Jurisdictions,

the effect of which events or circumstances referred to in (ix) above individually or in the aggregate (in the sole opinion of the Underwriters) (1) is or would be materially adverse to, or materially prejudicially affects or would materially prejudicially affect, the Cathay Pacific Group as a whole or its prospects or the Rights Issue or (2) makes or may make it impracticable, inadvisable or inexpedient to proceed with the Rights Issue.

**In the event the Underwriters exercise their right to terminate the Rights Issue Underwriting Agreement before the Latest Termination Time, the obligations of all parties thereunder shall terminate forthwith (save in respect of certain rights and obligations under the Rights Issue Underwriting Agreement) and no party will have any claim against the other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of Cathay Pacific and the Underwriters in respect of any breach of the Rights Issue Underwriting Agreement occurring before such termination.**

**If the Underwriters exercise such right, the Rights Issue will not become unconditional and the Rights Issue will not proceed. A further announcement will be made if the Rights Issue Underwriting Agreement is terminated by the Underwriters.**

### ***Lock-up Undertakings***

Cathay Pacific has undertaken to the Underwriters that for the period from the date of the Rights Issue Underwriting Agreement and ending on the date which is 90 days from the date of the listing of the Rights Shares on the Stock Exchange, except with the prior written consent of the Underwriters, Cathay Pacific shall not:

- (i) except for (i) the nil-paid and fully-paid Rights Shares; and (ii) any securities to be issued under the Recapitalisation Proposal (including, for the avoidance of doubt, any Warrant Shares), allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Shares or any interests in Shares or any securities which are convertible into or exercisable or exchangeable for any Shares or any interests in Shares (other than such securities in

respect of which the exercise of the convertible, exercisable or exchangeable rights attaching thereto may only be exercised after the said 90 day-period);

- (ii) buy back, cancel, retire, reduce, redeem, re-purchase, purchase or otherwise acquire any Shares;
- (iii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) and (ii) above; or
- (iv) announce any intention to enter into or effect any such transaction described in (i), (ii) and (iii) above.

**(j) Status of the Rights Shares**

The Rights Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

**(k) Application for listing of and dealings in the Rights Shares**

Cathay Pacific will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, namely 1,000 Shares in one board lot. No part of the securities of Cathay Pacific in issue or for which listing or permission to deal is being or is proposed to be sought is listed on, or dealt in, any stock exchange other than the Stock Exchange.

**(l) Rights Shares will be eligible for admission into CCASS**

Subject to the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

**(m) Closure of register of members**

The register of members of Cathay Pacific will be closed from Friday, 17 July 2020 to Tuesday, 21 July 2020 (both dates inclusive) for determining the entitlements to the Rights Shares. No transfers of Shares will be registered during this period.

**(n) Effect of bad weather on Latest Time for Acceptance**

The Latest Time for Acceptance will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning, in force in Hong Kong at any local time:

- (i) before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date for the Final Acceptance Date, the dates mentioned in the section headed “Expected Timetable of the Rights Issue” below may be affected. Cathay Pacific will notify the Shareholders by way of an announcement of any change to the expected timetable as soon as practicable.

**(o) Share certificates for Rights Shares and refund cheques for Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before Monday, 10 August 2020. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before Monday, 10 August 2020.

**(p) Stamp duty and other applicable fees and charges**

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, the SFC transaction levy and other applicable fees and charges in Hong Kong.

**(q) Odd lot arrangement**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker will be appointed to provide odd lots matching services. Details of the odd lot arrangement will be provided in the Circular.

**(r) General**

Subject to the various approvals to be obtained from the Shareholders at the EGM, Cathay Pacific expects to despatch the Rights Issue Documents to Qualifying Shareholders on or before Wednesday, 22 July 2020. Subject to the advice of Cathay Pacific’s legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted, Cathay Pacific will send copies of the Rights Issue Prospectus to Non-Qualifying Shareholders for their information only but will not send any PAL or EAF to them. A copy of the Rights Issue Prospectus will also be made available on the respective websites of Cathay Pacific ([www.cathaypacific.com](http://www.cathaypacific.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).



### **(s) Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of, in the case of Qualifying Shareholders, the receipt, purchase, holding, exercising, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, in the case of Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES**

**The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 15 July 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 24 July 2020 to Friday, 31 July 2020 (both dates inclusive). The Rights Issue is subject to certain conditions including but not limited to the approval of the Rights Issue by the Independent Shareholders at the EGM. If the approval of the Rights Issue by the Independent Shareholders at the EGM is not obtained, the Rights Issue will not proceed, in which case a further announcement will be made by Cathay Pacific at the relevant time.**

**Any Shareholder or other person dealing in Shares or other securities of Cathay Pacific up to the date of fulfilment of all conditions to which the Rights Issue is subject (as set out under the paragraph headed “(h) Conditions of the Rights Issue” in this announcement) and any person dealing in the nil-paid Rights Shares will bear the risk that the Rights Issue may not become unconditional or may not proceed and are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares. If in any doubt, Shareholders and other persons contemplating dealing in securities of Cathay Pacific and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of Cathay Pacific. Any buying or selling of the securities of Cathay Pacific from now up to the date of fulfilment of all the conditions to which the Rights Issue is subject, and any buying or selling of nil-paid Rights Shares, is at each investor’s own risk that the Rights Issue may not become unconditional and may not proceed.**

### **BRIDGE LOAN**

In connection with the Recapitalisation Proposal, on 9 June 2020, Cathay Pacific entered into the Bridge Loan Facility Agreement with Aviation 2020 Limited, pursuant to which Aviation 2020 Limited has agreed to, among other things, make available to Cathay Pacific the Bridge Loan.

#### **(a) Bridge Loan Facility Agreement**

The key terms of the Bridge Loan Facility Agreement are summarised below.

Date:	9 June 2020
Parties:	(1) Cathay Pacific (as borrower); and (2) Aviation 2020 Limited (as lender).
Facility amount:	HK\$7.8 billion, available in Hong Kong dollars
Availability period:	Available for drawdown in one or more advances from the date of the Bridge Loan Facility Agreement to up to 12 months thereafter (subject to satisfaction of various conditions precedent including but not limited to execution of all requisite corporate authorisations)

	and finance documents and the delivery of a satisfactory appraisal report).
Maturity date:	Each loan matures 18 months after the date of the relevant advance.
Interest rate:	1.50% per annum above HIBOR in addition to an upfront fee payable upon each drawdown.
Mandatory prepayment events include (but not limited to):	<ol style="list-style-type: none"><li>(1) If a total loss occurs with respect to any encumbered aircraft, the relevant total loss proceeds received shall be applied in prepayment of the Bridge Loan.</li><li>(2) If any encumbered aircraft suffers damage (not constituting a total loss), the relevant casualty insurance proceeds received (to the extent not applied towards acquisition of a replacement aircraft or repair of the damaged encumbered aircraft within a specified period) shall be applied in prepayment of the Bridge Loan.</li><li>(3) If the relevant owner disposes of any encumbered aircraft, to the extent that no replacement aircraft is provided to Aviation 2020 Limited, the greater of the net disposal proceeds in respect of the disposal or the adjusted appraised value of the encumbered aircraft that is being disposed of shall be applied in prepayment of the Bridge Loan.</li><li>(4) If any financial covenant is not satisfied, Aviation 2020 Limited may cancel the Bridge Loan and require the Bridge Loan to be repaid in full.</li><li>(5) If Cathay Pacific has not consummated the Rights Issue by 31 August 2020, Aviation 2020 Limited may cancel the Bridge Loan and require the Bridge Loan to be repaid in full.</li></ol>
Subordination:	Subject to certain carveouts, the Bridge Loan must be repaid prior to the prepayment, repayment, redemption, defeasance or discharge of any amount in respect of: <ol style="list-style-type: none"><li>(1) any financial indebtedness or indebtedness for borrowed money incurred by any member of the Cathay Pacific Group and owed to Swire Pacific, Air China or any of their respective affiliates; or</li><li>(2) preference shares issued by any member of the Cathay Pacific Group (which shares are held by a person that is not a member of the Cathay Pacific Group).</li></ol>

The terms of the Bridge Loan Facility Agreement were arrived at after arm's length negotiations between Cathay Pacific and Aviation 2020 Limited. The Board considers that the Bridge Loan Facility Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

**(b) Security**

Security will be granted over certain aircraft and related insurances of the Cathay Pacific Group in favour of Aviation 2020 Limited. In addition, subject to certain conditions set out in the Bridge Loan Facility Agreement, assignments of reinsurances, insurances by sublessee and airframe or engine warranties relating to encumbered aircraft will also be granted in favour of Aviation 2020 Limited by no later than 30 days from the date an aircraft becomes encumbered. Such security will become immediately enforceable upon the delivery of a notice of acceleration by Aviation 2020 Limited following the occurrence of an event of default under the Bridge Loan Facility Agreement.

**IRREVOCABLE UNDERTAKINGS FROM SWIRE PACIFIC, AIR CHINA AND QATAR AIRWAYS**

As at the date of this announcement, Swire Pacific directly holds 1,770,238,000 Shares, Air China indirectly (through certain subsidiaries) holds 1,179,759,987 Shares and Qatar Airways directly holds 392,991,000 Shares, representing approximately 45.00%, 29.99% and 9.99% of the total number of issued Shares, respectively.

Pursuant to the Irrevocable Undertakings:

- (i) Swire Pacific has irrevocably undertaken to Cathay Pacific, the Underwriters and Aviation 2020 Limited, that it will, among other things, (a) subscribe at the Rights Subscription Price for all of the Rights Shares to be provisionally allotted to it pursuant to the Rights Issue; (b) remain the sole legal owner and the registered holder of the Shares it holds as at the date of the Irrevocable Undertakings at 5:00 p.m. on the record date for determining Shareholders' entitlement to vote at the EGM and on the Rights Issue Record Date; (c) vote in favour of all resolutions to be proposed at the EGM that are required to give effect to the Recapitalisation Proposal, save for the resolution(s) in relation to the Rights Issue, where it is required to abstain from voting in favour of the Rights Issue according to the requirements under Rule 7.27A of the Listing Rules, and any resolution(s) to the extent it is prohibited from voting (or from voting in favour) by the Listing Rules, the Takeovers Code or the Articles; and (d) not apply for further additional Rights Shares by way of excess application under the Rights Issue;
- (ii) Air China has irrevocably undertaken to Cathay Pacific that, among other things and to the extent that it does not result in it being required to make a mandatory takeover offer for the Shares under the Takeovers Code or Cathay Pacific being in breach of the public float requirements under the Listing Rules upon completion of the Rights Issue, (a) it will procure each of its relevant subsidiaries to take up in full at the Rights Subscription Price its respective entitlement to Rights Shares pursuant to the Rights Issue; (b) it will remain the indirect beneficial owner of the Shares its subsidiaries hold as at the date of the Irrevocable Undertakings, and will procure that each of its relevant subsidiaries shall remain the sole legal owner and the registered holder of such Shares or the beneficial owner of such Shares, as the case may be, at 5:00 p.m. on the Rights Issue Record Date; (c) it will procure each of its relevant subsidiaries to vote in favour of all resolutions to be proposed at the EGM that are required to give effect to the Recapitalisation Proposal; and (d) none of its relevant subsidiaries will apply for further additional Rights Shares, by way of excess application under the Rights Issue; and
- (iii) Qatar Airways has irrevocably undertaken to Cathay Pacific that it will, among other things, (a) remain the beneficial owner of the Shares it beneficially owns as at the date of the Irrevocable Undertakings at 5:00 p.m. on the record date for determining Shareholders' entitlements to vote at the EGM and on the Rights Issue Record Date; (b) procure that the Shares it holds remain registered in the name of HKSCC Nominees Limited until 5:00 p.m. on the Rights Issue Record

Date; (c) take up (or procure the take-up of) in full at the Rights Subscription Price its entitlement to Rights Shares pursuant to the Rights Issue; (d) vote in favour of all resolutions to be proposed at the EGM that are required to give effect to the Recapitalisation Proposal, save for any resolution(s) to the extent it is prohibited from voting by the Listing Rules or the Articles; and (e) not apply for further additional Rights Shares by way of excess application under the Rights Issue.

Swire Pacific has also undertaken to Cathay Pacific, the Underwriters and Aviation 2020 Limited that, from the date of the Irrevocable Undertakings up to 90 calendar days after the first day of trading of the Rights Shares, it will not, among other things, sell, transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, or enter into any swap or other transaction that transfers the economic consequences of ownership of, any Share held by, or any Rights Shares provisionally allotted to it or any interest therein, except for any sale, transfer or disposal of such Shares among it and its subsidiaries, or pursuant to any existing security interest over such Shares, or the grant of security interest over such Shares in favour of the Underwriters providing finance to enable it to subscribe for the Rights Shares.

## **OTHER UNDERTAKINGS**

### **(a) Appointment of Board observers**

Cathay Pacific has agreed that Aviation 2020 Limited shall have the right to appoint two observers to attend Board meetings and have access to management and information for as long as Aviation 2020 Limited remains a holder of any of the Preference Shares or any amount under the Bridge Loan remains outstanding.

### **(b) Swire Pacific to remain as a controlling shareholder of Cathay Pacific**

In connection with the Preference Shares and Warrants Issue, Swire Pacific has given undertakings to Aviation 2020 Limited that it will remain a controlling shareholder of Cathay Pacific and will ensure that Cathay Pacific will not do any act or thing that would result in Swire Pacific ceasing to be a controlling shareholder of Cathay Pacific for the following periods:

- (i) under the Initial Deed of Undertaking, from and including 9 June 2020 to and including the PS and Warrants Issue Date; and
- (ii) under a separate deed of undertaking dated 9 June 2020 given by Swire Pacific in favour of Aviation 2020 Limited, upon Aviation 2020 Limited becoming the holder of the Preference Shares and for so long as Aviation 2020 Limited remains the holder of any of the Preference Shares or any amount of the Bridge Loan remains outstanding.

## **USE OF PROCEEDS OF THE RECAPITALISATION PROPOSAL**

The expenses in relation to the Recapitalisation Proposal (including financial, legal advisory and other professional expenses) are estimated to be approximately HK\$100 million and will be borne by Cathay Pacific.

The estimated net proceeds of the Recapitalisation Proposal are approximately HK\$38.9 billion after the deduction of all estimated expenses. The Directors currently intend to use the net proceeds of the Recapitalisation Proposal for general corporate purposes.

## PROPOSED AMENDMENTS TO THE ARTICLES

It is proposed that certain amendments will be made to the Articles as required (i) to reflect the terms of the Preference Shares; and (ii) to bring the Articles in line with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Details of the proposed amendments to the Articles will be set out in the Circular to be despatched to the Shareholders and such amendments will be subject to approval by the Shareholders at the EGM.

## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue is set out below:

2020

Despatch of the Circular with notice and proxy form for the EGM .....	Friday, 19 June
Latest time for lodging transfer documents of Shares in order to qualify to attend and vote at the EGM.....	4:30 p.m. on Tuesday, 7 July
Closure of the register of members of Cathay Pacific for determining the entitlements to attend and vote at the EGM (both days inclusive) .....	Wednesday, 8 July to Monday, 13 July
Latest date and time for lodging proxy forms for the EGM.....	2:00 p.m. on Saturday, 11 July
Record date for attendance and voting at the EGM.....	Monday, 13 July
Date and time of the EGM .....	2:00 p.m. on Monday, 13 July
Announcement of the results of the EGM .....	Monday, 13 July
Last day of dealing in Shares on a cum-rights basis.....	Tuesday, 14 July
First day of dealing in Shares on an ex-rights basis .....	Wednesday, 15 July
Latest time for lodging transfer documents of Shares in order to be qualified for the Rights Issue .....	4:30 p.m. on Thursday, 16 July
Closure of the register of members Cathay Pacific for determining entitlements under the Rights Issue (both days inclusive) .....	Friday, 17 July to Tuesday, 21 July
Rights Issue Record Date for determining entitlements under the Rights Issue .....	Tuesday, 21 July
Reopening of the register of members of Cathay Pacific.....	Wednesday, 22 July
Rights Issue Documents expected to be despatched .....	Wednesday, 22 July
First day of dealing in nil-paid Rights Shares .....	Friday, 24 July
Latest time for splitting PALs .....	4:30 p.m. on Tuesday, 28 July
Last day of dealing in nil-paid Rights Shares .....	Friday, 31 July
Latest Time for Acceptance .....	4:00 p.m. on Wednesday, 5 August
Rights Issue expected to become unconditional on or before .....	4:00 p.m. on Thursday, 6 August
Publication of announcement of results of the Rights Issue and excess applications .....	Friday, 7 August

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before.....Monday, 10 August

Share certificates for fully-paid Rights Shares to be posted .....Monday, 10 August

Dealing of Rights Shares in fully-paid form commences..... 9:00 a.m. on Tuesday, 11 August

*Note: All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by Cathay Pacific as and when appropriate.*

## EFFECT OF THE RECAPITALISATION PROPOSAL ON SHAREHOLDINGS IN CATHAY PACIFIC

Based on the assumption that no new Shares (other than the Rights Shares and Warrant Shares) are allotted and issued on or before exercise of the Warrants, the following table sets forth details of the holdings of Shares in Cathay Pacific: (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue (assuming all Rights Shares are taken up but before any exercise of the Warrants); and (iii) immediately after completion of the Recapitalisation Proposal (assuming all Rights Shares are taken up and full exercise of the Warrants). Save for the issue of Warrant Shares upon exercise of the Warrants, the Preference Shares and Warrants Issue will not affect the holdings of the Shareholders.

	As at the date of this announcement		Immediately after the completion of the Rights Issue (assuming all Rights Shares are taken up but before any exercise of the Warrants)		Immediately after the completion of the Recapitalisation Proposal (assuming all Rights Shares are taken up and full exercise of the Warrants)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Swire Pacific	1,770,238,000	45.00	2,896,753,089	45.00	2,896,753,089	42.26
Air China <sup>(1)</sup>	1,179,759,987	29.99	1,930,516,329	29.99	1,930,516,329	28.17
Qatar Airways <sup>(2)</sup>	392,991,000	9.99	643,076,178	9.99	643,076,178	9.38
Aviation 2020 Limited <sup>(2) (3)</sup>	-	-	-	-	416,666,666	6.08
Other Shareholders <sup>(2)</sup>	590,855,585	15.02	966,854,607	15.02	966,854,607	14.11
<b>Total</b>	<b>3,933,844,572</b>	<b>100.00</b>	<b>6,437,200,203</b>	<b>100.00</b>	<b>6,853,866,869</b>	<b>100.00</b>

Notes:

- (1) As at the date of this announcement, 1,179,759,987 Shares are indirectly held by Air China through its subsidiaries, namely 288,596,335 Shares held by Angel Paradise Ltd., 280,078,680 Shares held by Custain Limited, 191,922,273 Shares held by Easerich Investments Inc., 189,976,645 Shares held by Grand Link Investments Holdings Ltd., 207,376,655 Shares held by Motive Link Holdings Inc. and 21,809,399 Shares held by Perfect Match Assets Holdings Ltd.
- (2) Shares held by such Shareholders are and will be counted towards the public float for the purpose of Rule 8.08(1) of the Listing Rules.
- (3) In addition, Aviation 2020 Limited will also hold 195,000,000 Preference Shares immediately after the completion of the Recapitalisation Proposal.
- (4) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals or sub-totals may not be an arithmetic aggregation of the figures preceding them.



## **PREVIOUS EQUITY FUND RAISING BY CATHAY PACIFIC**

Cathay Pacific has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

## **INFORMATION ABOUT THE CATHAY PACIFIC GROUP**

The Cathay Pacific Group is mainly engaged in the provision of international passenger and cargo air transportation. The Cathay Pacific Group operates business through its four operating segments. The Cathay Pacific and Cathay Dragon segment provides full service international passenger and cargo air transportation under the Cathay Pacific and Cathay Dragon brands. The Air Hong Kong segment provides express cargo air transportation offering scheduled services within Asia. The HK Express segment provides low-cost passenger air transportation offering scheduled services within Asia. The Airline Services segment provides supporting airline operations services include catering, cargo terminal operations, ground handling services and commercial laundry operations.

## **INFORMATION ABOUT AVIATION 2020 LIMITED**

Aviation 2020 Limited is a limited company incorporated in Hong Kong that is wholly owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong).

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Aviation 2020 Limited is an Independent Third Party.

## **LISTING RULES IMPLICATIONS AND SHAREHOLDER APPROVALS**

Certain approvals will be sought from the Shareholders (or, as applicable, the Independent Shareholders) at the EGM as detailed below. All of these approvals will be interconditional on each other.

### ***Preference Shares and Warrants Issue***

The Preference Shares will be issued and allotted pursuant to the Preference Shares Specific Mandate to be sought from the Shareholders at the EGM. The terms of the Preference Shares and amendments to the Articles will also require approval from the Shareholders under the Articles by way of special resolution.

The Warrants, as well as the Warrant Shares to be issued upon exercise of the Warrants, will be issued and allotted pursuant to the Warrants Specific Mandate to be sought from the Shareholders at the EGM. In addition, the issue of the Warrants will require approval by the Stock Exchange pursuant to Rule 15.02 of the Listing Rules and the listing of, and permission to deal in, the Warrant Shares will require approval by the Stock Exchange.

### ***Rights Issue***

As the Rights Issue would increase the total number of issued Shares by more than 50%, pursuant to Rule 7.19A(1) of the Listing Rules, the Rights Issue will require approval from the Independent Shareholders at the EGM. In accordance with Rule 7.27A of the Listing Rules, Swire Pacific (a controlling shareholder of Cathay Pacific) and its associates will be required to abstain from voting in favour of the resolution relating to the Rights Issue.



***Proposed amendments to the Articles***

The proposed amendments to the Articles will require approval from the Shareholders under the Articles by way of special resolution at the EGM.

***Other***

In order to facilitate potential future access to the equity capital markets, the General Mandate will be sought from the Shareholders at the EGM to authorise the Directors to (among other things) allot, issue and deal with Shares, and grant rights to convert any security into Shares, in respect of an aggregate of 20% of the number of Shares in issue as at the date of the EGM, for cash or otherwise (replacing the general mandate sought from Shareholders at the annual general meeting of Cathay Pacific to be held on 23 June 2020).

***Independent Board Committee and Independent Financial Adviser***

The Independent Board Committee (comprising John Harrison, Robert Milton and Andrew Tung, each being an independent non-executive Director) has been established to advise the Independent Shareholders in respect of the terms of the Rights Issue. Bernard Chan (an independent non-executive Director) is not a member of the Independent Board Committee due to a potential conflict of interest in his role as Non-Official Convenor of the Executive Council of Hong Kong. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of Cathay Pacific and the Shareholders as a whole.

***EGM and Despatch of Circular***

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (among other things) (i) the grant of the Specific Mandates; (ii) the terms of the Preference Shares; (iii) the terms of the Rights Issue; (iv) certain amendments to the Articles; and (v) the grant of the General Mandate. It is currently expected that the EGM will be held on or around Monday, 13 July 2020. The Circular will be despatched to the Shareholders on or around Friday, 19 June 2020.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of Cathay Pacific will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfers of Shares will be registered during this book closure period.

In order to be entitled to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 7 July 2020.

## **WARNING**

**Holders of Shares and other securities of and potential investors in Cathay Pacific should note that the Preference Shares and Warrants Issue and the Rights Issue are subject to Shareholders' approval and approval from the Stock Exchange. In addition, each of the Preference Shares and Warrants Issue, the Rights Issue and the Bridge Loan is subject to the satisfaction or waiver of the conditions precedent applicable to it. Accordingly, there is no certainty as to whether, and if so when, the Recapitalisation Proposal will proceed.**

**Holders of Shares and other securities of and potential investors in Cathay Pacific should exercise caution when dealing in the Shares or other securities of Cathay Pacific. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.**

## **RESUMPTION OF TRADING**

At the request of Cathay Pacific, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 June 2020 pending the release of this announcement. An application will be made by Cathay Pacific to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 June 2020.

## **DEFINITIONS**

Unless the context otherwise requires, terms used in this announcement shall have the following respective meanings:

“Air China”	Air China Limited 中國國際航空股份有限公司 (stock code: 00753), a joint stock limited company incorporated in the People's Republic of China, the H shares of which are listed on the Main Board as its primary listing venue and on 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
“Articles”	the articles of association of Cathay Pacific
“associate”	has the meaning ascribed to it under the Listing Rules
“Aviation 2020 Limited”	Aviation 2020 Limited, a limited company incorporated in Hong Kong that is wholly owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong)
“Beneficial Owners”	owners of Shares whose Shares are registered in the name of a registered Shareholder as shown in the register of members of Cathay Pacific
“Board”	the board of Directors
“Bridge Loan”	the bridge loan facility in the principal amount of HK\$7.8 billion to be granted by Aviation 2020 Limited to Cathay Pacific pursuant to the Bridge Loan Facility Agreement

“Bridge Loan Facility Agreement”	the facility agreement dated 9 June 2020 entered into between Cathay Pacific and Aviation 2020 Limited relating to the provision of the Bridge Loan
“Business Day”	any day on which banks are generally open for business in Hong Kong (excluding Saturday and Sunday)
“Cathay Pacific”	Cathay Pacific Airways Limited 國泰航空有限公司 (stock code: 293), a company incorporated under the laws of Hong Kong, the shares of which are listed on the Main Board
“Cathay Pacific Group”	Cathay Pacific and its subsidiaries
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	a circular containing, among other things, (i) further details of Preference Shares and Warrants Issue and the Rights Issue; (ii) the proposed amendments to the Articles; (iii) further details of the General Mandate; and (iv) a notice convening the EGM
“Committed Rights Shares”	an aggregate of 2,127,356,609 Rights Shares to be subscribed for by Swire Pacific, Air China and Qatar Airways pursuant to the Irrevocable Undertakings
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of Cathay Pacific
“EAF(s)”	the application forms for excess Rights Shares to be issued to Qualifying Shareholders in respect of any application for excess Rights Shares
“EGM”	the extraordinary general meeting of Cathay Pacific to be convened to approve, among other things: (i) the grant of the Specific Mandates; (ii) the terms of the Preference Shares; (iii) the terms of the Rights Issue; (iv) certain amendments to the Articles; and (v) the grant of the General Mandate
“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently expected to be Wednesday, 5 August 2020 or such later date as Cathay Pacific and the Underwriters may agree in writing
“General Mandate”	the general mandate to be sought from Shareholders at the EGM to authorise Directors to allot, issue and deal with Shares and grant rights to convert any securities into Shares
“HKSCC”	Hong Kong Securities Clearing Company Limited, including, where the context so requires, its agents, nominees, representatives, officers and employees
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising John Harrison, Robert Milton and Andrew Tung, each being an independent non-executive Director, which has been established under the Listing Rules to advise the Independent Shareholders on the terms of the Rights Issue
“Independent Financial Adviser”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue
“Independent Shareholder(s)”	Shareholder(s) other than Swire Pacific and its associates
“Independent Third Party”	a third party independent of Cathay Pacific and not a connected person (as defined in the Listing Rules) of Cathay Pacific
“Initial Deed of Undertaking”	a deed of undertaking dated 9 June 2020 given by Swire Pacific in favour of Aviation 2020 Limited pursuant to which Swire Pacific undertook, among other things, that it will remain a controlling shareholder of Cathay Pacific from and including 9 June 2020 to and including the PS and Warrants Issue Date
“Irrevocable Undertakings”	the irrevocable undertakings dated 9 June 2020 given by each of Swire Pacific, Air China and Qatar Airways to Cathay Pacific
“Last Day for Transfer”	the last date for lodging transfers of Shares prior to the closure of register of members of Cathay Pacific for the purpose of determining entitlements under the Rights Issue, which is currently expected to be Thursday, 16 July 2020
“Last Trading Day”	8 June 2020, being the last trading day before the Rights Issue Underwriting Agreement was entered into
“Latest Termination Time”	4:00 p.m. on the first business day after the Final Acceptance Date or such later date as Cathay Pacific and the Underwriters may agree in writing, being the latest time at which the Underwriters may terminate the Rights Issue Underwriting Agreement
“Latest Time for Acceptance”	4:00 p.m. on the Final Acceptance Date, being the latest time for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange

“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, based on advice provided by legal advisers in the relevant jurisdiction(s), consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, subject to certain limited exceptions
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of Cathay Pacific as at the close of business on the Rights Issue Record Date and whose address(es) as shown on such register is/are outside Hong Kong and Shareholder(s) and Beneficial Owner(s) who is/are otherwise known to Cathay Pacific to be resident outside Hong Kong (and, as applicable and to the extent of such Beneficial Owner’s interests, the Shareholder(s) in whose name(s) Beneficial Owner’s Shares are registered)
“PAL(s)”	the provisional allotment letter(s) to be issued to Qualifying Shareholders in respect of their entitlements under the Rights Issue
“Preference Shares”	195,000,000 new preference shares of HK\$100 each in the capital of Cathay Pacific to be issued by Cathay Pacific to Aviation 2020 Limited pursuant to the PS Subscription Agreement
“Preference Shareholder(s)”	holder(s) of the Preference Shares from time to time
“Preference Shares and Warrants Issue”	the proposed issue of the Preference Shares and the Warrants
“Preference Shares Specific Mandate”	the specific mandate to be sought from Shareholders at the EGM to approve the allotment and issue of the Preference Shares
“PS and Warrants Issue Date”	the date falling one business day after the conditions precedent as set out in the PS Subscription Agreement (other than those conditions which by their terms are to be satisfied on the date of closing but subject to the satisfaction or waiver of such conditions) have been satisfied or waived or such other date as Cathay Pacific and Aviation 2020 Limited may agree
“PS Subscription Agreement”	the subscription agreement dated 9 June 2020 and entered into between Cathay Pacific and Aviation 2020 Limited in relation to the Preference Shares and Warrants Issue
“Qatar Airways”	Qatar Airways Group Q.C.S.C., a Qatari closed shareholding company registered in the State of Qatar
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of Cathay Pacific as at the close of business on the Rights Issue Record Date
“Recapitalisation Proposal”	the proposed recapitalisation plan of Cathay Pacific to raise approximately HK\$39.0 billion consisting of the Preference Shares and Warrants Issue, the Rights Issue and the Bridge Loan

“Registrar”	the share registrar of Cathay Pacific, being Computershare Hong Kong Investor Services Limited
“Rights Issue”	the proposed rights issue of 2,503,355,631 Rights Shares at the Rights Subscription Price on the basis of seven Rights Shares for every 11 existing Shares held on the Rights Issue Record Date
“Rights Issue Documents”	the Rights Issue Prospectus, the PALs and the EAFs
“Rights Issue Prospectus”	the prospectus to be issued by Cathay Pacific in relation to the Rights Issue
“Rights Issue Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently expected to be on Tuesday, 21 July 2020 or such later date as announced by Cathay Pacific
“Rights Issue Underwriting Agreement”	the underwriting agreement dated 9 June 2020 entered into between Cathay Pacific and the Underwriters in relation to the Rights Issue
“Rights Share(s)”	the new Share(s) to be allotted and issued pursuant to the Rights Issue
“Rights Subscription Price”	the subscription price of HK\$4.68 per Rights Share
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of Cathay Pacific
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandates”	the Preference Shares Specific Mandate and the Warrants Specific Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Swire Pacific”	Swire Pacific Limited 太古股份有限公司 (stock codes: 19 and 87), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board, and a controlling shareholder of Cathay Pacific
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Underwriter(s)”	Morgan Stanley Asia Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and BNP Paribas Securities (Asia) Limited
“Underwritten Rights Shares”	the Rights Shares (other than the Committed Rights Shares)
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)



“US Person(s)”	any person(s) or entity(ies) deemed to be a US Person for the purposes of Regulation S under the US Securities Act
“US Securities Act”	the US Securities Act of 1933, as amended
“US\$”	US dollar(s), the lawful currency of the United States
“Warrant Exercise Price”	HK\$4.68, being the price per Share (subject to adjustment) at which Warrantholders may subscribe for the Warrant Shares
“Warrant Shares”	up to 416,666,666 Shares (subject to adjustment) to be allotted and issued by Cathay Pacific upon the exercise of the subscription rights attaching to the Warrants
“Warrants Specific Mandate”	the specific mandate to be sought from Shareholders at the EGM to approve the allotment and issue of the Warrants and the Warrant Shares
“Warrantholder(s)”	holder(s) of Warrants from time to time
“Warrants”	the unlisted warrants to be issued by Cathay Pacific to Aviation 2020 Limited pursuant to the PS Subscription Agreement which entitle holders to subscribe for the Warrant Shares
“%”	per cent. or percentage

*Certain amounts and percentage figures in this announcement have been subject to rounding adjustments.*

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

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

Non-Executive Directors: Cai Jianjiang, Michelle Low, Song Zhiyong, Merlin Swire, Samuel Swire, Xiao Feng, Zhang Zhuo Ping, Zhao Xiaohang;

Independent Non-Executive Directors: Bernard Chan, John Harrison, Robert Milton and Andrew Tung.

By Order of the Board

**CATHAY PACIFIC AIRWAYS LIMITED**

國泰航空有限公司

Paul Chow

Company Secretary

Hong Kong, 9 June 2020