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If you have sold or transferred all your shares in Cathay Pacific, you should at once hand this circular and the accompanying forms of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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The securities described herein will be sold in accordance with all applicable laws and regulations.



**CATHAY PACIFIC**  
**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**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING AND**  
**CLOSURE OF REGISTER OF MEMBERS**

**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  
英高

Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 9 to 43 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 44 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 74 of this circular.

To qualify for the Rights Issue, Shareholders must be registered as a member of Cathay Pacific on the Rights Issue Record Date, which is currently expected to be Tuesday, 21 July 2020. In order to be registered as a member of Cathay Pacific on the Rights Issue Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. on Thursday, 16 July 2020. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Tuesday, 14 July 2020. The Shares will be dealt in on an ex-rights basis from Wednesday, 15 July 2020.

A notice convening the EGM of Cathay Pacific to be held at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 13 July 2020 at 2:00 p.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and Cathay Pacific (<http://www.cathaypacific.com>).

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should you so wish and, in such event, the proxy shall be deemed to be revoked. All times and dates specified in this circular refer to Hong Kong local times and dates.

**The EGM is being held at the Island Shangri-La Hotel in Hong Kong. We understand that the hotel may refuse entry to the hotel by persons who fail temperature checks. Persons so refused entry to the hotel will not be able to attend the EGM. Persons attending the EGM will be required to wear surgical face masks on entry to and throughout the meeting. Additional precautionary safety measures may also be adopted. Shareholders are in any event asked (i) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment, (ii) to follow any guidelines or requirements of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the EGM and (iii) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19. No refreshments will be served at the EGM. As a precautionary safety measure, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM. Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. They may appoint proxies to vote on their behalf.**

The Rights Issue is conditional upon the fulfilment of the conditions (or, in respect of certain conditions, waiver thereof) as set out in the section headed "Letter from the Board – Rights Issue – (m) Rights Issue Underwriting Agreement – Conditions of the Rights Issue Underwriting Agreement". It should be noted that the Rights Issue Underwriting Agreement contains provisions entitling the Underwriters to terminate the Rights Issue Underwriting Agreement at any time before the Latest Termination Time on the occurrence of certain events including force majeure. These events are set out in the section headed "Underwriters' Rights to Terminate the Rights Issue Underwriting Agreement" on pages i to iii of this circular. If the Rights Issue Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

Pursuant to the Articles and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, there are no requirements for minimum levels of subscription. Subject to fulfilment of the conditions of the Rights Issue and the Rights Issue Underwriting Agreement not being terminated, the Rights Issue will proceed regardless of the ultimate subscription level.

Dealings in the Rights Shares in nil-paid form will take place from Friday, 24 July 2020 to Friday, 31 July 2020 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 4:00 p.m. on Thursday, 6 August 2020 (or such later date as Cathay Pacific and the Underwriters may agree in writing), the Rights Issue will not proceed. Any persons contemplating buying or selling Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in nil-paid form between Friday, 24 July 2020 and Friday, 31 July 2020 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

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## UNDERWRITERS' RIGHT TO TERMINATE THE RIGHTS ISSUE UNDERWRITING AGREEMENT

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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 "Letter from the Board – Rights Issue – (m) Rights Issue Underwriting Agreement – Conditions of the Rights Issue Underwriting Agreement" of this circular 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

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## UNDERWRITERS' RIGHT TO TERMINATE THE RIGHTS ISSUE UNDERWRITING AGREEMENT

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undertaking of any member of the Cathay Pacific Group or anything analogues thereto occurs in respect of any member of the Cathay Pacific Group; or

- (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 the 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,

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**UNDERWRITERS' RIGHT TO TERMINATE THE RIGHTS ISSUE  
UNDERWRITING AGREEMENT**

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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 others 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.**

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## CONTENTS

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	<u>Pages</u>
<b>Underwriters' Right to Terminate the Rights Issue Underwriting Agreement</b> .....	i
<b>Contents</b> .....	iv
<b>Definitions</b> .....	1
<b>Expected Timetable of the Rights Issue</b> .....	7
<b>Letter from the Board</b> .....	9
<b>Letter from the Independent Board Committee</b> .....	44
<b>Letter from the Independent Financial Adviser</b> .....	45
<b>Appendix I - Financial Information of the Cathay Pacific Group</b> .....	I-1
<b>Appendix II - Unaudited Pro Forma Financial Information of the Cathay Pacific Group</b> .....	II-1
<b>Appendix III - Explanatory Statement on the Adoption of the New Articles</b> .....	III-1
<b>Appendix IV - Proposed New Articles</b> .....	IV-1
<b>Appendix V - General Information</b> .....	V-1
<b>Notice of EGM</b> .....	EGM-1

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## DEFINITIONS

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*In this circular the following expressions have the following meanings unless the context requires otherwise. Certain amounts and percentage figures in this circular have been subject to rounding adjustments.*

“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 PRC, 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
“Announcement”	the announcement of Cathay Pacific dated 9 June 2020 in relation to, among other things, the Recapitalisation Proposal
“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 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
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

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## DEFINITIONS

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“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“ChinaClear”	China Securities Depository and Clearing Corporation Limited
“China Connect”	Shanghai Connect and Shenzhen Connect
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement [2016] No. 21)
“Director(s)”	the director(s) of Cathay Pacific
“EAF(s)”	the application forms for excess Rights Shares to be issued to Qualifying Shareholders (other than the PRC Southbound Trading Investors) in respect of any application for excess Rights Shares
“EGM”	the extraordinary general meeting of Cathay Pacific to be convened and held on Monday, 13 July 2020 at 2:00 p.m. 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 New General Mandate
“Existing General Mandate”	the general mandate sought from the Shareholders at the annual general meeting of Cathay Pacific to be held on 23 June 2020 to authorise the Directors to allot, issue and deal with Shares in respect of an aggregate of 20% of the number of Shares in issue as at that date, or 5% in the case of an allotment wholly for cash
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited, including, where the context so requires, its agents, nominees, representatives, officers and employees
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“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 the 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 Practicable Date”	9 June 2020, being the latest practicable date before the printing of this circular for the purpose of ascertaining information contained herein
“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
“Memorandum”	the memorandum of association of Cathay Pacific



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## DEFINITIONS

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“New General Mandate”	the general mandate to be sought from the Shareholders at the EGM to authorise the Directors (among other things) to 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
“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 name(s) appear(s) 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) such 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
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Southbound Trading Investors”	the PRC investors who hold Shares through ChinaClear as nominee under China Connect
“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
“Previous Companies Ordinance”	the previous Companies Ordinance (Chapter 32 of the Laws of Hong Kong), before the Companies Ordinance became effective
“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

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## DEFINITIONS

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“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(s) 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
“Registered Nominee”	a nominee (including HKSCC Nominees) whose name appears on the register of members of Cathay Pacific
“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)
“Shanghai Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shanghai Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) of Cathay Pacific
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Connect”	a securities trading and clearing links programme developed by the Stock Exchange, the Shenzhen Stock Exchange, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shenzhen

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## DEFINITIONS

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“Specific Mandates”	the Preference Shares Specific Mandate and the Warrants Specific Mandate
“Specified Territories”	Canada, Japan, the PRC, the United Arab Emirates and the United States, and any one of them a “Specified Territory”
“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 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 Warranholders 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
“Warranholder(s)”	holder(s) of Warrants from time to time
“Warrants”	the 416,666,666 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
“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
“%”	per cent. or percentage

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## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

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

	2020
Despatch of this 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 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 of 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
Dealings in Rights Shares in fully-paid form commences .....	9:00 a.m. on Tuesday, 11 August

*Note: All times and dates in this circular 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 circular 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.*

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## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

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### **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 this section 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.

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## LETTER FROM THE BOARD

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**CATHAY PACIFIC**  
**CATHAY PACIFIC AIRWAYS LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 293)

***Executive Directors:***

HEALY, Patrick  
TANG, Kin Wing Augustus  
HUGHES, Gregory Thomas Forrest  
LAM, Siu Por Ronald  
MURRAY, Martin James

***Registered office:***

33<sup>rd</sup> Floor, One Pacific Place  
88 Queensway  
Hong Kong

***Non-executive Directors:***

CAI, Jianjiang  
LOW, Mei Shuen Michelle  
SONG, Zhiyong  
SWIRE, Merlin Bingham  
SWIRE, Samuel Compton  
XIAO, Feng  
ZHANG, Zhuo Ping  
ZHAO, Xiaohang

***Independent Non-executive Directors:***

CHAN, Bernard Charnwut  
HARRISON, John Barrie  
MILTON, Robert Aaron  
TUNG, Lieh Cheung Andrew

19 June 2020

*To the Shareholders*

Dear Sir or Madam,

**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  
NOTICE OF EXTRAORDINARY GENERAL MEETING  
AND  
CLOSURE OF REGISTER OF MEMBERS**

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## LETTER FROM THE BOARD

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### INTRODUCTION

As disclosed in the Announcement, 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.

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.

Further details of the Recapitalisation Proposal are set out in this circular. The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions to be proposed at the EGM, including (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 New General Mandate.

### 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 five months of 2020, the number of passengers carried by the Cathay Pacific Group dropped by 71.2% against a 59.5% decrease in capacity and a 67% decrease in revenue passenger

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## LETTER FROM THE BOARD

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kilometres, as compared to the same period in 2019. Overall, the Cathay Pacific Group plans to operate approximately 3.5% capacity in June and 9.4% in July; however, these plans remain contingent on the further relaxation of travel restrictions around the world and are subject to change. Furthermore, in the first five months of 2020, the tonnage carried by the Cathay Pacific Group fell by 29.7% against a 27.9% drop in capacity and a 22.3% 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.



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## LETTER FROM THE BOARD

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### 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 on the PS and Warrants Issue Date. A further announcement will be made by Cathay Pacific upon completion of the Preference Shares and Warrants Issue.

#### (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: <ol style="list-style-type: none"><li>(1) <b>EGM:</b> 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;</li><li>(2) <b>Warrant Instrument:</b> 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;</li><li>(3) <b>Amended Articles:</b> 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;</li></ol>

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## LETTER FROM THE BOARD

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- (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 Latest Practicable Date, save for the condition set out in (4) above, none of the conditions precedent had 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.

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## LETTER FROM THE BOARD

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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 of this circular headed “Expected Timetable of the Rights Issue” 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.

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## LETTER FROM THE BOARD

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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:	<ol style="list-style-type: none"><li>(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>”);</li><li>(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>”);</li><li>(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</li><li>(4) 9.00% per annum from and including the Third Step-up Date.</li></ol>
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>

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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- (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 Warrant holders 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> ”).

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## LETTER FROM THE BOARD

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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 Warrantholder, 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; and</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 Warrantholders:	<p>The Warrantholders 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.</p> <p>The Warrantholders shall not have the right to participate in any distributions and/or offers of further securities made by Cathay Pacific.</p>
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.

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## LETTER FROM THE BOARD

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### (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 has been 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 Latest Practicable Date:	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 Latest Practicable Date 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 Latest Practicable Date 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 Latest Practicable Date 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 Latest Practicable Date and on or before the Rights Issue Record Date.

Cathay Pacific had 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 Latest Practicable Date.

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 Latest Practicable Date; (ii) approximately 38.9% of the total number of issued Shares as enlarged by the



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## LETTER FROM THE BOARD

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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 (being the last full trading day of the Shares before the Latest Practicable Date, on which the trading of the Shares was suspended);
- (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 the 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.

The Directors (including members of the Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) consider the

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## LETTER FROM THE BOARD

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terms of the Rights Issue, including the Rights Subscription Price (and the discounts to the relative values as indicated above), is fair and reasonable and is in the interests of Cathay Pacific and the Shareholders as a whole.

### **(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.

Qualifying Shareholders who take up their pro rata entitlements 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.

### **(e) Rights of Overseas Shareholders**

As at the Latest Practicable Date, according to the register of members of Cathay Pacific, Cathay Pacific had 413 Overseas Shareholders with registered addresses in 32 jurisdictions, which collectively held 1,617,301 Shares in aggregate (representing approximately 0.04% of the total number of issued Shares).

Overseas Shareholders on the Rights Issue Record Date may not be eligible to take part in the Rights Issue. Please refer to the paragraph headed "(g) Non-Qualifying Shareholders" in this section for further detail.

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## LETTER FROM THE BOARD

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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 PRC (in accordance with the CSRC Notice).

It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares.

**Overseas Shareholders should note that they may or may not be entitled to participate in 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) PRC Southbound Trading Investors**

The Directors have made relevant enquiries and have been advised that PRC Southbound Trading Investors can participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights Shares on the Stock Exchange; and/or (ii) subscribe (in full or in part) for their pro-rata entitlements in respect of shareholdings held on the Rights Issue Record Date at the Rights Subscription Price under the Rights Issue in accordance with relevant laws and regulations. However, ChinaClear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through China Connect. In addition, according to the PRC legal adviser of Cathay Pacific, PRC Southbound Trading Investors (or the relevant ChinaClear participants as the case may be) whose stock accounts in the ChinaClear are credited with nil-paid Rights Shares may only sell those nil-paid Rights Shares on the Stock Exchange under China Connect but may not purchase any nil-paid Rights Shares or transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors.

PRC Southbound Trading Investors should seek advice from their intermediaries (including brokers, custodians, nominees or ChinaClear participants) and/or other professional advisers for details of the logistical arrangements as required by ChinaClear, and provide instructions with such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the Latest Time for Acceptance or last day of dealing in nil-paid Rights Shares stated in the section headed “Expected Timetable of the Rights Issue” of this circular and otherwise in accordance with the requirements of the relevant intermediary of the PRC Southbound Trading Investors and/or ChinaClear in order to allow sufficient time to ensure that such instructions are given effect. According to the PRC legal adviser of Cathay Pacific, as the Rights Issue Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with CSRC Notice, the Rights Shares (in nil-paid and fully-paid forms) shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity is a PRC Southbound Trading Investor (subject to certain limitations in relation to its rights to participate in the Rights Issue as explained in this circular), or it has otherwise been exempted by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

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## LETTER FROM THE BOARD

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### **(g) Non-Qualifying Shareholders**

Non-Qualifying Shareholders are Overseas Shareholders whom the Directors, based on advice provided by legal advisers in the relevant jurisdictions, 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. The Rights Issue has not been, and will not be, extended to the Non-Qualifying Shareholders.

Based on the advice of Cathay Pacific's legal advisers in Canada, Japan, the PRC, the United Arab Emirates and the United States (being the Specified Territories) and having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exceptions as described below, it is necessary or expedient not to offer the nil-paid Rights Shares or the Rights Shares to Overseas Shareholders in the Specified Territories due to the time and costs involved in the registration or filing of the Rights Issue Documents and/or approval required by the relevant authorities in the Specified Territories and/or additional steps Cathay Pacific and/or Overseas Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in the Specified Territories.

Accordingly, for the purposes of the Rights Issue, the Non-Qualifying Shareholders are:

- (i) any Shareholder(s) whose name(s) appeared in the register of members of Cathay Pacific at the close of business on the Rights Issue Record Date and whose address(es) as shown on such register is/are in any of the Specified Territories, except for those Shareholders who fulfil, to the satisfaction of Cathay Pacific, the relevant requirements specified in the paragraph headed "(h) Limited categories of persons in the Specified Territories who may be able to take up their nil-paid Rights Shares and subscribe for the Rights Shares under the Rights Issue" in this section; and
- (ii) any Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise known by Cathay Pacific to be residents in any of the Specified Territories (and, as applicable and to the extent of any such Beneficial Owner's interests, the Shareholder(s) in whose name(s) such Beneficial Owner's Shares are registered), except for those Shareholders or Beneficial Owners who fulfil, to the satisfaction of Cathay Pacific, the relevant requirements specified in the paragraph headed "(h) Limited categories of persons in the Specified Territories who may be able to take up their nil-paid Rights Shares and subscribe for the Rights Shares under the Rights Issue" in this section.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, Cathay Pacific had 82 Non-Qualifying Shareholders, which collectively held 327,250 Shares in aggregate (representing approximately 0.0083% of the total number of issued Shares).

Notwithstanding the foregoing, the Rights Issue Prospectus is expected to include provisions permitting certain categories of sophisticated and/or qualified investors in certain jurisdictions to take up their rights under the Rights Issue, subject to complying with certain certification and other requirements specified in the paragraph headed "(h) Limited categories of persons in the Specified Territories who may be able to take up their nil-paid Rights Shares and subscribe for the Rights Shares under the Rights Issue" in this section, 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

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## LETTER FROM THE BOARD

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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.

Cathay Pacific also reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate applicable securities or other laws or regulations of any jurisdiction.

Receipt of any of the Rights Issue Documents or the crediting of nil-paid Rights Shares to a stock account in CCASS does not and will not constitute an offer in those jurisdictions where the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to extend the Rights Issue or in any territory in which it would be unlawful to extend the Rights Issue, and, in those circumstances, the Rights Issue Documents must be treated as sent for information only and should not be copied or redistributed. Any person (including, without limitation, any agent, custodian, nominee and trustee) who receives a copy of any of the Rights Issue Documents or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer nil-paid Rights Shares to any person in, any of the Specified Territories or any territory in which it would be unlawful to extend the Rights Issue. If any of the Rights Issue Documents is received by, or any nil-paid Rights Shares are credited to the stock account in CCASS of, any person in any such territory or his/her agent or nominee, he/she should not take up such nil-paid Rights Shares or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer such nil-paid Rights Shares in CCASS (if applicable) unless such person is able to demonstrate to the satisfaction of Cathay Pacific, or Cathay Pacific determines at its absolute discretion, that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, any custodian, nominee and trustee) who distributes or forwards Rights Issue Documents in, into or from any of the Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

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 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 such 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. Non-Qualifying Shareholders who are referred to in paragraph (ii) above (but not being persons referred to in paragraph (i) above) are not entitled to participate in the arrangements set out in this paragraph.

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

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## LETTER FROM THE BOARD

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### **(h) Limited categories of persons in the Specified Territories who may be able to take up their nil-paid Rights Shares and subscribe for the Rights Shares under the Rights Issue**

Cathay Pacific reserves the absolute discretion in determining whether to allow any participations in the Rights Issue as well as the identity of the persons who may be allowed to participate in any of the Specified Territories. Overseas Shareholders in any of the Specified Territories may still participate in the Rights Issue, subject to Cathay Pacific's absolute discretion, provided that such Overseas Shareholders are able to provide Cathay Pacific with evidence, to Cathay Pacific's satisfaction, that they fulfil the relevant requirements in the relevant jurisdiction(s). For Beneficial Owners in any of the Specified Territories who want to participate in the Rights Issue, please contact your intermediary to make the necessary arrangements.

### **(i) Fractional entitlements to the Rights Shares**

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 (other than the PRC Southbound Trading Investors) 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.

### **(j) Application for excess Rights Shares**

Qualifying Shareholders (other than the PRC Southbound Trading Investors) 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 (other than the PRC Southbound Trading Investors) 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

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## LETTER FROM THE BOARD

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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.

### **(k) Splitting and transfer of PAL**

The nil-paid Rights Shares can be traded on the Stock Exchange. A Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and sell the remaining part on the Stock Exchange.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its nil-paid Rights Shares or transfer his/her/its nil-paid Rights Shares to more than one person, the original PAL must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split PALs required and the number of nil-paid Rights Shares to be comprised in each split PAL (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL), by no later than 4:30 p.m. on Tuesday, 28 July 2020 to the Registrar, who will then cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL. This process is commonly known as “splitting” the nil-paid Rights Shares.

Having “split” the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL should do so in accordance with the instructions given above in relation to the subscription for all the Rights Shares provisionally allotted.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a PAL (or a split PAL, as the case may be) to another person, he/she/it should complete and sign the “Form of Transfer” (Form B) in the PAL and hand the PAL to the person to or through whom he/she/it is transferring his/her/its Nil Paid Rights. The transferee must then complete and sign the registration details in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar to effect the transfer by no later than 4:00 p.m. on the Final Acceptance Date.

Cathay Pacific reserves the right to refuse to register any transfer in favour of any person in respect of which Cathay Pacific believes such transfer may violate applicable legal or regulatory requirements.

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## LETTER FROM THE BOARD

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### (l) 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.

### (m) 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
	Each of the Underwriters is a corporation licensed or registered to conduct, among other things, type 1 (dealing in securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. None of the Underwriters is a connected person (as defined in the Listing Rules) of Cathay Pacific.
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 Latest Practicable Date 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.



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## LETTER FROM THE BOARD

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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 (including members of the Independent Board Committee whose opinion is set forth in this 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);

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## LETTER FROM THE BOARD

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- (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 in relation to the Bridge Loan, 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,

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## LETTER FROM THE BOARD

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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 the 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 Latest Practicable Date, save for condition (x) above, none of the conditions had 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 – (m) 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

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## LETTER FROM THE BOARD

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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 analogous thereto occurs in respect of any member of the Cathay Pacific Group; or
- (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,

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## LETTER FROM THE BOARD

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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 the 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 others 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.**

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## LETTER FROM THE BOARD

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**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.

### **(n) 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.

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

Cathay Pacific has applied 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.

### **(p) 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

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## LETTER FROM THE BOARD

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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.

### **(q) 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.

### **(r) 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” in this circular 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.

### **(s) 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.

### **(t) 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.

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## LETTER FROM THE BOARD

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### **(u) Odd lot arrangement**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker, Halcyon Securities Limited, has been appointed by Cathay Pacific to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Friday, 7 August 2020 to Friday, 28 August 2020 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their broker, contact Mr. Hin Ng at (852) 3970 0966 or Mr. Terence Chung at (852) 3970 9963 of Halcyon Securities Limited during such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

### **(v) 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)).

### **(w) 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 section headed "Letter from the Board – Rights Issue – (I) Conditions of the Rights Issue" in this circular) 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**



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## LETTER FROM THE BOARD

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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):	(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. (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. (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

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## LETTER FROM THE BOARD

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adjusted appraised value of the encumbered aircraft that is being disposed of shall be applied in prepayment of the Bridge Loan.

- (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.
- (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.

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:

- (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
- (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).

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 the Irrevocable Undertakings and the Latest Practicable Date, Swire Pacific directly held 1,770,238,000 Shares, Air China indirectly (through certain subsidiaries) held 1,179,759,987 Shares and Qatar Airways directly held 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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.

An explanatory statement which outlines the reasons for the proposed amendments to the Articles is set out in Appendix III to this circular, and a draught of the proposed new Articles marked to show changes to the existing Articles is set out in Appendix IV to this circular.

### 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 Latest Practicable Date; (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

## LETTER FROM THE BOARD

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 Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up but before any exercise of the Warrants)		Immediately after 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 Latest Practicable Date, 1,179,759,987 Shares were 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 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 did not undertake any equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

### 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.

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Aviation 2020 Limited was 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 inter-conditional 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 related 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.

#### *Articles*

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

#### *Other*

Under the Existing General Mandate (if approved), the aggregate number of Shares which may be allotted (or agreed to be allotted) by the Directors cannot exceed 20% of the number of Shares in issue as at 23 June 2020 (being the date of the annual general meeting of Cathay Pacific at which the Existing General Mandate is to be sought from Shareholders), or 5% in the case of an allotment wholly for cash.

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## LETTER FROM THE BOARD

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In order to facilitate potential future access to the equity capital markets, the New 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). Subject to the approval of the New General Mandate by the Shareholders at the EGM, the Existing General Mandate (if approved) will be cancelled and cease to have effect.

### **EGM AND CLOSURE OF REGISTER OF MEMBERS**

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (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 New General Mandate.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, save for Swire Pacific and its associates who are required to abstain from voting in favour of the resolution relating to the Rights Issue under Rule 7.27A of the Listing Rules, no Shareholder was required to abstain from voting on the resolutions relating to the above at the EGM.

The notice convening the EGM to be held at the Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at 2:00 p.m. on Monday, 13 July 2020 is set out on pages EGM-1 to EGM-5 of this circular.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by Cathay Pacific after the EGM.

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 Shops 1712-1716, 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.

### **RECOMMENDATION**

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 as to whether the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of Cathay Pacific and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser. Bernard Chan (being the remaining 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. Anglo Chinese Corporate Finance, Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letter from the Independent Board Committee set out on page 44 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 45 to 74 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including members of the Independent Board Committee whose opinions is set forth in this circular after having been advised by the Independent Financial Adviser) consider that the PS Subscription Agreement, the Preference Shares and Warrants Issue, the Rights Issue and the New General Mandate are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

### **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.**

Yours faithfully,  
For and on behalf of the Board  
**CATHAY PACIFIC AIRWAYS LIMITED**  
Patrick Healy  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**CATHAY PACIFIC**  
**CATHAY PACIFIC AIRWAYS LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 293)**

19 June 2020

*To the Independent Shareholders:*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES ON THE BASIS OF SEVEN RIGHTS  
SHARE FOR EVERY 11 EXISTING SHARE**

We refer to the circular dated 19 June 2020 issued by Cathay Pacific to its Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and the Rights Issue is in the interests of Cathay Pacific and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser. None of the members of the Independent Board Committee has any direct or indirect interest in the Rights Issue and the transactions contemplated thereunder.

In addition, Anglo Chinese Corporate Finance, Limited has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are contained in its letter set out on pages 45 to 74 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 9 to 43 of the Circular and the general information set out in the circular.

Having considered the terms of the Rights Issue and the transactions contemplated thereunder, and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and the Rights Issue is in the interests of Cathay Pacific and the Shareholders as a whole, but is not in the ordinary or usual course of business of Cathay Pacific due to the nature of such transaction. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the terms of the Rights Issue and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
John Harrison                      Robert Milton

Andrew Tung  
*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from the Independent Financial Adviser, Anglo Chinese Corporate Finance, Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

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### ANGLO CHINESE

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CORPORATE FINANCE, LIMITED  
40<sup>th</sup> Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong  
www.anglochinesegroup.com

財務顧問有限公司  
英高

19 June, 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

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

#### **INTRODUCTION**

We refer to our appointment by Cathay Pacific to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue (which forms part of the Recapitalisation Proposal) are on normal commercial terms, fair and reasonable and in the interests of Cathay Pacific and the Shareholders as a whole.

The terms defined in the circular of Cathay Pacific dated 19 June, 2020 (the “**Circular**”), of which this letter forms part, shall have the same meanings in this letter, unless the context otherwise requires.

The Independent Board Committee comprises John Harrison, Robert Milton and Andrew Tung, each being an independent non-executive Director. Mr. Bernard Chan, an independent non-executive Director, is not a member of the Independent Board Committee due to the potential conflict of interest in his role as Non-Official Convenor of the Executive Council of Hong Kong.

In formulating our opinion and recommendations, we have reviewed (a) the terms of the Recapitalisation Proposal and bailout programmes of major global listed airline operators in 2020; (b) published information on the Cathay Pacific Group including its annual report for the year ended 31 December, 2019 and the traffic figures for the five months ended 31 May, 2020; and (c) the past

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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performance of the Shares on the Stock Exchange. We have also considered comparable rights issues of listed companies in Hong Kong since 1 January, 2015 as well as the recent rights issue of Singapore Airlines Limited (SGX: SIA) (“**Singapore Airlines**”). We consider the information we have reviewed is sufficient to reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by Cathay Pacific, and have been advised by the Directors that no material information has been omitted or withheld from the information supplied to us or the information relating to Cathay Pacific referred to in the Announcement and Circular. We have relied on the information so provided to us and, or referred to in the Announcement and Circular, and we have not verified it or conducted an independent investigation into the business and affairs of the Cathay Pacific Group.

Apart from normal professional fees for our services to Cathay Pacific in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Cathay Pacific Group or any of its associates.

### **The Rights Issue as part of the Recapitalisation Proposal**

On 9 June, 2020, the Board announced that it proposed to implement the Recapitalisation Proposal which will raise up to an aggregate of approximately HK\$39.0 billion. The Recapitalisation Proposal comprises:

- a. the Preference Shares and Warrants Issue, being a proposed issue by Cathay Pacific to Aviation 2020 Limited of: (a) the Preference Shares for an aggregate subscription price of approximately 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);
- b. 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
- c. 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.

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 Latest Practicable Date, 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.

As the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue will pursuant to Rule 7.19A(1) of the Listing Rules be subject to approval by the Independent Shareholders at the EGM. In accordance with Rule 7.27A of the Listing Rules, Swire Pacific (stock code: 19), 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. As at the Latest Practicable Date, Swire Pacific was interested in 1,770,238,000 Shares, representing 45.00% of the issued share capital of Cathay Pacific.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INFORMATION ON THE CATHAY PACIFIC GROUP

Founded in Hong Kong in 1946, the Cathay Pacific Group is mainly engaged in the provision of international passenger and cargo air transportation. The Cathay Pacific Group operates its business through four business segments as described below:

- a. Cathay Pacific and its wholly owned subsidiary, Hong Kong Dragon Airlines Limited (“**Cathay Dragon**”), provide full service international passenger and cargo air transportation under the *Cathay Pacific* and *Cathay Dragon* brands. Cathay Pacific and Cathay Dragon operated 155 and 48 aircraft, respectively, as at 31 December, 2019, and carried 35.2 million passengers in 2019.
- b. AHK Air Hong Kong Limited (“**Air Hong Kong**”), a wholly owned subsidiary of Cathay Pacific, provides express cargo air transportation with scheduled services within Asia. Air Hong Kong operated nine aircraft as at 31 December, 2019.
- c. Hong Kong Express Airways Limited (“**HK Express**”), a wholly owned subsidiary of Cathay Pacific, provides low-cost passenger air transportation with scheduled services within Asia. The Cathay Pacific Group acquired the entire share capital of HK Express in July, 2019. HK Express operated 24 aircraft to fly to 24 destinations as at 31 December, 2019.
- d. The airline services segment where the Cathay Pacific Group offers supporting airline operations services such as catering, cargo terminal operations, ground handling and commercial laundry services.

### BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION

We have considered the following factors in arriving at our recommendations regarding the terms of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Principal terms of the Rights Issue

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 Latest Practicable Date	:	3,933,844,572 Shares
Number of Rights Shares	:	2,503,355,631 Rights Shares (based on the number of issued Shares as at the Latest Practicable Date and assuming no change in the number of issued Shares from the Latest Practicable Date up to the Rights Issue Record Date)
Amounts to be raised	:	Approximately HK\$11.7 billion, before expenses (based on the number of Shares in issue as at the Latest Practicable Date and assuming no change in the number of issued Shares from the Latest Practicable Date up to the Rights Issue Record Date)
Application for excess Rights Shares	:	Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply by way of excess application for (a) any unsold Rights Shares which would have been allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders; (b) any unsold Rights Shares created by adding together fractions of the Rights Shares; and (c) 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.
Underwriters	:	Morgan Stanley Asia Limited BOCI Asia Limited The Hongkong and Shanghai Banking Corporation Limited BNP Paribas Securities (Asia) Limited
Underwriting commission	:	2.0%
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 Latest Practicable Date and assuming no change in the number of issued Shares, other than as a result of the allotment and issue of 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 Latest Practicable Date and on or before the Rights Issue Record Date on 21 July, 2020.

As at the Latest Practicable Date, Cathay Pacific had no outstanding convertible securities or options in issue or other similar rights which confer any right to convert into or subscribe for Shares.

Assuming there is no change in the number of issued Shares on or before the Rights Issue Record Date, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted under the Rights Issue, being 2,503,355,631 Rights Shares, represent approximately:

- a. 63.6% of Cathay Pacific's issued share capital as at the Latest Practicable Date;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- b. 38.9% of the total number of issued Shares as enlarged by the Rights Issue (assuming that all Rights Shares are taken up); and
- c. 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).

### ***Conditions of the Rights Issue***

The Rights Issue is conditional upon (a) obtaining approval by the Independent Shareholders at the EGM pursuant to Rule 7.19A(1) of the Listing Rules and the Articles; and (b) 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.

### **Reasons for and benefits of the Recapitalisation Proposal (including the Rights Issue)**

The Recapitalisation Proposal is proposed in response to a series of recent 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***

Cathay Pacific has seen significant challenges in the industry environment since 2019. Positive momentum carried through from 2018 was dampened by the US-China trade tension which constrained cargo volumes, and the slowing global growth negatively impacted passenger travel sentiment. Starting in the second half of 2019, social unrest in Hong Kong led to a sharp decline in passenger traffic in Hong Kong.

In 2020, the challenging industry environment was exacerbated by the outbreak of the COVID-19 pandemic. As the pandemic intensified in China in January, 2020 and thereafter globally, travel demand has declined to an unprecedented level with most countries issuing strict travel restrictions and passengers halting business and international travel. Without a domestic network and wholly reliant on cross-border passenger traffic, Cathay Pacific is more vulnerable when governments restrict the movement of people across national borders, or ban air travel altogether. As an example, on 16 March, 2020, the European Commission called for a temporary restriction on non-essential travel to the European Union in view of COVID-19. On 8 May, 2020, the European Commission announced to invite the Schengen Member States and Schengen Associated States to extend the temporary restriction on non-essential travel to the European Union for another 30 days until 15 June, 2020. On 11 June, 2020, the European Commission recommended to Schengen Member States and Schengen Associated States to lift internal border controls by 15 June, 2020 but to prolong the temporary restriction on non-essential travel into the European Union until 30 June, 2020. Further, since 25 March, 2020, the Hong Kong government has restricted non-Hong Kong residents coming from overseas (other than Mainland China, Macau and Taiwan) by plane to Hong Kong.

### ***Impact on business operations and liquidity management measures***

The COVID-19 outbreak has adversely affected passenger demand and cargo business of the Cathay Pacific Group since January, 2020 as described more fully below. In response to the extremely

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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difficult environment, the management of Cathay Pacific has remained focused on cash conservation. The Cathay Pacific Group has taken various steps to conserve cash and reduce costs, including the cutting passenger capacity by 97%, implementation of a voluntary special leave scheme for employees, executive pay cuts, deferring new aircraft orders and deciding on the early retirement of older aircraft. As part of its measures to increase liquidity, Cathay Pacific completed a SGD175 million public bond issue in January, 2020 and issued a HK\$400 million unsecured note in a private placement later in February, 2020. In March, 2020, Cathay Pacific entered into an arrangement for selling and leasing back six aircraft at a total consideration of US\$704 million to improve its liquidity. Notwithstanding these measures, the drop in passenger revenue to only around 1% of prior year levels has meant that at the airline level the cash burn rate of the Cathay Pacific Group has been some HK\$2.5 billion to HK\$3.0 billion per month.

### *Structure of the Recapitalisation Proposal and other financing alternatives*

The Cathay Pacific Group has explored different fundraising alternatives available to it. The Directors consider that, after taking into account the costs and benefits of available fundraising options and the amount of funds required, the Recapitalisation Proposal (which involves both debt and equity financing) is the preferred means of implementing a fundraising of the size envisaged (that is, in the region of HK\$39.0 billion) as it ensures that the Cathay Pacific Group has sufficient liquidity to weather this current crisis. In addition, the Recapitalisation Proposal is expected to position the Cathay Pacific Group for growth and to compete vigorously when the current crisis resolves.

Although it is not within our scope of work to opine on the terms of the Preference Shares and Warrants Issue, they would clearly affect the attractiveness of the Rights Issue.

The dividend rate of the Preference Shares is structured in a step-up manner, with smaller cash outflows for Cathay Pacific in earlier years and which will be stepped up in later years. Given the difficult trading condition faced by the Cathay Pacific Group now and likely in the immediate future, and until the Preference Shares are redeemed, it is unlikely that Shareholders will receive anything more than the minimal dividend. The exercise price of the Warrants is the same as the Rights Subscription Price and the exercise of Warrants will give a comparatively small dilution effect of some 6% (assuming the Rights Issue is completed.) As the Preference Shares and Warrants Issue is modestly dilutive, the Rights Issue appears to be more attractive.

Having taken into account the following factors:

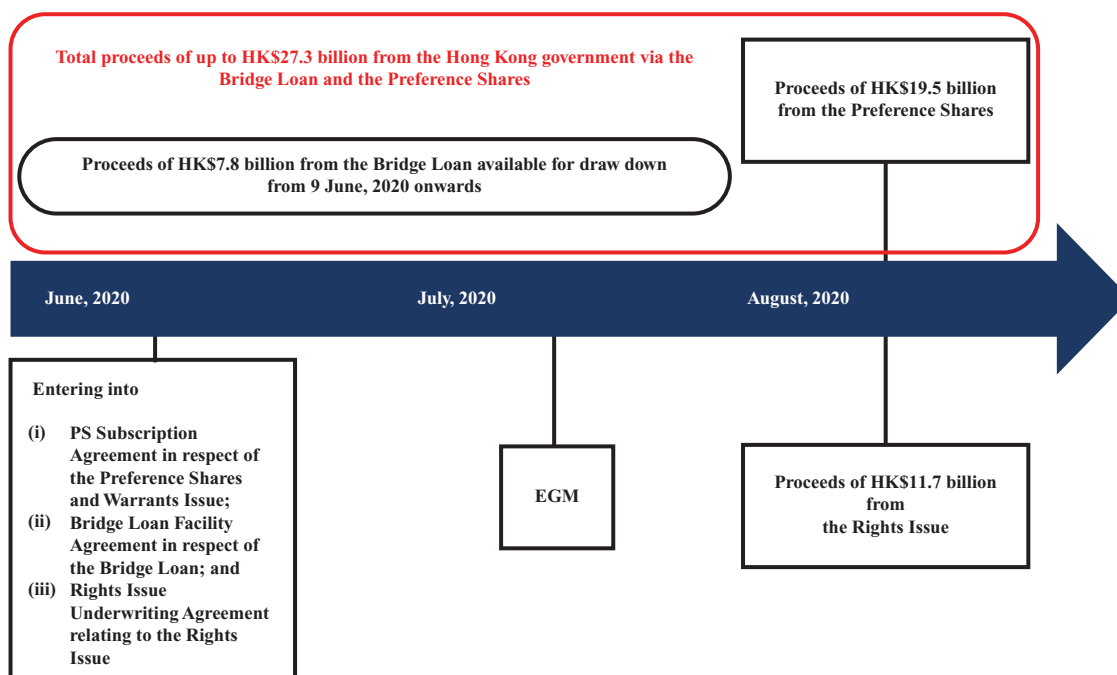
- a. the Recapitalisation Proposal and the total amount of proceeds to be raised from it are designed to provide sufficient cash cushion for the Cathay Pacific Group, on the assumption that the Cathay Pacific Group will be able to maintain a minimum cash balance of HK\$18 billion from the Recapitalisation Proposal through 2021 and onwards. The Cathay Pacific Group expects that it will be able to restore access to the banking and capital markets after implementation of the Recapitalisation Proposal;
- b. the amounts to be raised by the Recapitalisation Proposal is of sufficient size such that it should not necessitate any further call on the Shareholders in the foreseeable future;
- c. the amounts to be raised by the Recapitalisation Proposal will enable the Cathay Pacific Group to have sufficient funds to survive a prolonged period with minimal passenger services revenue;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- d. the Recapitalisation Proposal will provide the Cathay Pacific Group with sufficient cash flow assuming a slow recovery in its operation from the COVID-19 crisis;
- e. the unprecedented reduction in international travel demand in 2020 due to the outbreak of the global COVID-19 pandemic, and the significant impact on the liquidity and business operations of the Cathay Pacific Group;
- f. the net proceeds raised from the Rights Issue (together with the Bridge Loan, the Preference Shares and Warrant Issue under the Recapitalisation Proposal), if implemented, will significantly increase total shareholders' funds and financial liquidity of the Cathay Pacific Group by August, 2020;
- g. the Rights Issue enables all Qualifying Shareholders to have an equal opportunity to participate in the enlargement of Cathay Pacific's capital base and future growth; and
- h. the Rights Issue (as part of the Recapitalisation Proposal) is a viable financing option available to the Cathay Pacific Group, and which provides funds for the Cathay Pacific Group at a reasonable cost compared to bank borrowings,

we concur with the management of Cathay Pacific that the Rights Issue along with the Recapitalisation Proposal as a whole is a preferred means of raising funds to the magnitude of some HK\$39.0 billion required by the Cathay Pacific Group in the current environment.

Shown below is an approximate timeline of the Recapitalisation Proposal under which Cathay Pacific expects to receive proceeds from the Hong Kong government through the Bridge Loan in the event of a drawdown, and the Preference Shares and Warrants Issue and the Rights Issue in August, 2020, subject to receiving approvals from the Shareholders and the Stock Exchange (as applicable).





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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Recapitalisation plans of major global airline companies*

We have compared the structure of the Recapitalisation Proposal (including the Rights Issue) with financing activities and, or bailout programmes of major global listed airline operators (“Comparable Airlines”) affected by COVID-19 since 1 January, 2020. See Table 1 below.

The Recapitalisation Proposal should be seen in the context of what has happened to the airline industry as a whole. It is noted that the structure of the Recapitalisation Proposal is not dissimilar to major financing activities conducted by the Comparable Airlines since 1 January, 2020, in terms of the proportion of government funding to the total recapitalisation amount or the market capitalisation of the target airline company. As can be seen from Table 1, most of the Comparable Airlines obtained financial support from relevant governments at comparatively advantageous terms. The most comparable recapitalisation package is that of Singapore Airlines which is described more fully in the section titled “Comparable analysis – ii. rights issue of Singapore Airlines Limited in March, 2020” below.

**Table 1 – Financing activities and, or bailout programmes of major global listed airline operators**

No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
1	Southwest Airlines Co.	United States	Southwest Airlines	16.0	<p><b>Government: Approximately US\$ 6.1 billion</b></p> <ol style="list-style-type: none"> <li>1. US\$ 2.3 billion in direct support;</li> <li>2. US\$ 948 million in low-interest loan;</li> <li>3. Approximately 2.6 million warrants to the U.S. Treasury at US\$ 36.47 per share; and</li> <li>4. Applied for a separate US\$ 2.8 billion secured loan</li> </ol> <p><b>Private: Approximately US\$ 9.9 billion</b></p> <ol style="list-style-type: none"> <li>1. US\$ 2.3 billion from common stock offering;</li> <li>2. US\$ 2.3 billion from issue of convertible senior notes; and</li> <li>3. US\$ 5.3 billion from drawdown of revolving credit facility, issue of senior unsecured notes and secured term loan</li> </ol>
2	Alaska Air Group Inc.	United States	Alaska Airlines, Horizon Air	3.0	<p><b>Government: Approximately US\$ 2.1 billion</b></p> <ol style="list-style-type: none"> <li>1. US\$ 725 million in direct support;</li> <li>2. US\$ 267 million in low-interest loan;</li> <li>3. 847,000 warrants to the U.S. Treasury at US\$ 31.61 per share; and</li> </ol>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
					<p>4. Applied for a separate US\$ 1.128 billion secured loan</p> <p><b>Private: Approximately US\$ 875 million</b></p> <p>1. US\$ 400 million from drawdown of existing credit facilities;</p> <p>2. US\$ 425 million from entering into a term loan facility; and</p> <p>3. US\$ 50 million of secured financing obtained</p>
3	Deutsche Lufthansa AG	Austria, Switzerland and Germany	Lufthansa, Austrian Airlines, Swiss International Air Lines, Edelweiss Air, Brussels Airlines, and Eurowings	11.3	<p><b>Government: Approximately EUR 9 billion + CHF 1.5 billion</b></p> <p>1. Silent participation of up to EUR 5.7 billion (EUR 4.7 billion classified as equity);</p> <p>2. EUR 0.3 billion for subscription of shares;</p> <p>3. A syndicated credit facility of up to EUR 3 billion with the participation of KfW and private banks for a term of three years; and</p> <p>4. CHF 1.5 billion in loan guarantees for Lufthansa-owned Swiss International Air Lines and Edelweiss Air</p>
4	EasyJet PLC	United Kingdom	EasyJet	2.5	<p><b>Government: GBP 600 million</b></p> <p>A GBP 600 million loan from the Covid Corporate Financing Facility (“CCFF”), issued by HM Treasury and the Bank of England</p> <p><b>Private:</b></p> <p><b>(i) Approximately GBP 400 million + US\$ 500 million</b></p> <p>1. Signed two term loans of GBP 400 million in total secured against aircraft assets; and</p> <p>2. US\$ 500 million from drawdown of existing revolving credit facility</p> <p><b>(ii) GBP 500-650 million from proposed financing activities</b></p> <p>Financing through sale and leaseback of aircraft</p>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
5.	Air France – KLM S.A.	France, Netherlands	Air France, KLM	13.5	<p><b>Government: Approximately EUR 10 billion</b></p> <p>1. EUR 7 billion from France (including EUR 4 billion in state-backed bank loan and EUR 3 billion in direct loans); and</p> <p>2. EUR 2-4 billion from the Netherlands, likely in state guarantee and bank loans</p> <p><b>Private: Approximately EUR 2.5 billion</b></p> <p>1. EUR 1,765 million from drawdown of existing revolving credit facilities;</p> <p>2. EUR 356 million from sale of equity assets; and</p> <p>3. EUR 365 million from debt financing</p>
6.	International Consolidated Airlines Group S.A.	UK, Spain	British Airways, Iberia and Vueling	1.5	<p><b>Government: EUR 1.01 billion + GBP 300 million</b></p> <p>1. EUR 1.01 billion of term loan with 70% guaranteed by the Instituto de Crédito Oficial in Spain; and</p> <p>2. GBP 300 million from CCFE</p> <p><b>Private: Various smaller credit lines</b></p>
7.	Wizz Air Holdings PLC	Hungary	Wizz Air	0.4	<p><b>Government: GBP 300 million</b></p> <p>GBP 300 million from CCFE</p>
8.	Norwegian Air Shuttle ASA	Norway	Norwegian	0.3	<p><b>Government: NOK 3 billion</b></p> <p>State aid package upon certain conditions (NOK 0.3 billion received)</p> <p><b>Private: NOK 400 million</b></p> <p>1. Approximately NOK 8.9 billion debt to equity conversion; and</p> <p>2. NOK 400 million from public equity offering</p>
9.	American Airlines Group Inc.	United States	American Airlines	12.2	<p><b>Government: Approximately US\$ 10.7 billion</b></p> <p>1. US\$ 4.1 billion in direct support;</p> <p>2. US\$ 1.7 billion in low-interest loan;</p> <p>3. Approximately 13.7 million warrants to the U.S. Treasury at US\$ 12.51 per share; and</p> <p>4. Applied for a separate US\$ 4.75 billion secured loan</p>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
					<p><b>Private: Approximately US\$ 1.5 billion</b></p> <p>1. US\$ 1.0 billion from a senior secured delayed draw term loan credit facility;</p> <p>2. US\$ 280 million from aircraft sale-leaseback transactions; and</p> <p>3. US\$ 197 million from aircraft financing, of which US\$ 17 million was used to repay existing debts</p>
10	United Airlines Holdings, Inc.	United States	United Airlines	16.0	<p><b>Government: Approximately US\$ 9.6 billion</b></p> <p>1. US\$ 3.5 billion in direct support;</p> <p>2. US\$ 1.5 billion in low-interest loan;</p> <p>3. Approximately 4.6 million warrants to the U.S. Treasury at US\$ 31.5 per share; and</p> <p>4. Applied for a separate US\$ 4.5 billion secured loan</p> <p><b>Private:</b></p> <p><b>(i) Approximately US\$ 4.1 billion</b></p> <p>1. Approximately US\$ 3.0 billion from secured term loan facilities and new aircraft financings; and</p> <p>2. Approximately US\$ 1.1 billion from a public offering of 43,175,000 shares</p> <p><b>(ii) US\$ 2.25 billion from proposed financing activities</b></p> <p>1. US\$ 2.25 billion from senior secured notes, US\$ 2 billion of which will be used to repay a term loan facility</p>
11	Delta Air Lines, Inc.	United States	Delta Air Lines	21.6	<p><b>Government: Approximately US\$ 10.2 billion</b></p> <p>1. US\$ 3.8 billion of direct support;</p> <p>2. US\$ 1.6 billion low-interest loan;</p> <p>3. Approximately 6.5 million warrants to the U.S. Treasury at US\$ 24.39 per share; and</p> <p>4. Applied for a separate US\$ 4.6 billion secured loan</p> <p><b>Private:</b></p> <p><b>(i) Approximately US\$ 8.5 billion</b></p> <p>1. Secured a US\$ 3.0 billion secured term loan;</p>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
					<p>2. US\$ 1.2 billion from aircraft sale leasebacks;</p> <p>3. US\$ 1.1 billion from Enhanced Equipment Trust Certificates;</p> <p>4. US\$ 150 million from private aircraft mortgages; and</p> <p>5. US\$ 3 billion from drawdown of existing revolving credit facilities</p> <p><b>(ii) Approximately US\$ 3 billion from proposed financing activities</b></p> <p>1. US\$ 1.5 billion from issue of senior secured notes; and</p> <p>2. US\$ 1.5 billion from a term loan facility</p>
12	Singapore Airlines Ltd.	Singapore	Singapore Airlines	11.5	<p><b>Government: Approximately SGD 8.3 billion</b></p> <p>1. Government subscription of a rights issue of SGD 2.94 billion; and</p> <p>2. Government subscription of a rights mandatory convertible (“MCB”) of SGD 5.38 billion</p> <p>The government portion is represented by Temasek Holdings (Private) Ltd., who will subscribe pro rata portion and all unsubscribed portion of both the rights issue and MCB (Temasek Holdings (Private) Ltd. holds 55.46% of Singapore Airlines Ltd. as at 9 April, 2020)</p> <p><b>Private: Approximately SGD 8.1 billion</b></p> <p>1. Private subscription of a rights issue of SGD 2.36 billion;</p> <p>2. Private subscription of a MCB of SGD 4.32 billion;</p> <p>3. SGD 900 million from long term loans secured on aircraft; and</p> <p>4. SGD 500 million from new committed lines of credit and a short term unsecured loan with several banks</p>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
13	Korean Air Lines Co., Ltd.	Korea	Korean Air	1.8	<p><b>Government: KRW 1.2 trillion from Korea Development Bank and Export-Import Bank of Korea</b></p> <p>1. KRW 700 billion in asset-backed securities;</p> <p>2. KRW 300 billion in perpetual bonds; and</p> <p>3. KRW 200 billion in loan</p> <p><b>Private: KRW 1 trillion</b></p> <p>Rights issue with the final subscription price to be determined on 6 July, 2020</p>
14	SAS AB	Sweden, Denmark and Norway	Scandinavian Airlines	1.1	<p><b>Government: SEK 3.3 billion + NOK 1.5 billion</b></p> <p>1. Three-year revolving credit facility agreement of SEK 3.3 billion with 90% guaranteed by the Swedish and Danish states;</p> <p>2. A government loan guarantee by Norway of NOK 1.5 billion; and</p> <p>3. The company aims to announce a detailed recapitalisation plan which requires both government and market participation in June, 2020</p> <p><b>Private: Approximately SEK 6.2 billion</b></p> <p>1. SEK 1.6 billion from sale of aircraft and affiliated;</p> <p>2. SEK 1.5 billion from hybrid bond issue;</p> <p>3. SEK 3.1 billion from other external financing; and</p> <p>4. The company aims to announce a detailed recapitalisation plan which requires both government and market participation in June, 2020</p>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Airline company	Base country	Airlines under operation	Total size of recapitalisation plan (US\$ billion)	Details
	<b>Cathay Pacific</b>	Hong Kong	Cathay Pacific, Cathay Dragon, HK Express, Air Hong Kong	5.3 (If the Warrants are exercised)	<p><b>Government: Approximately HK\$ 29.3 billion</b></p> <p>1. Preference Shares of HK\$ 19.5 billion and Warrants Issue of HK\$ 1.95 billion (If the Warrants are exercised); and</p> <p>2. Bridge Loan of HK\$ 7.8 billion</p> <p><b>Private: Approximately HK\$ 11.7 billion</b></p> <p>Rights Issue of HK\$ 11.7 billion</p>

*Sources: Announcements and news releases of relevant airline companies, Bloomberg and Reuters*

*Note:*

*The 14 major listed global airline companies above are selected based on the following criteria:*

- a. *The airline company had a market capitalisation of at least HK\$20 billion as at 9 June, 2020, being the date of the Announcement, or it operated one or more of the top 25 airlines in terms of scheduled international passengers carried in 2018 according to the “World Air Transport Statistics 2019” published by the International Air Transport Association (IATA).*
- b. *Details of the recapitalisation plan and amounts of government funding granted to the airline companies are available from public sources.*
- c. *The airline company did not file for bankruptcy protection.*

### **Outlook of the Cathay Pacific Group**

The global aviation industry is likely to face significant headwind during the rest of 2020. In the press release dated 5 March, 2020<sup>1</sup>, IATA expected that the 2020 global revenue losses for the passenger business would be between US\$63 billion (in a scenario of limited spread of COVID-19) and US\$113 billion (in a scenario with a broader spreading of COVID-19).

In April, 2020, IATA expected that global airline passenger revenues would decrease by US\$314 billion, or a 55% yearly decline, in 2020, and airlines in Asia Pacific would see the largest revenue drop of some US\$113 billion and a 50% year-on-year reduction in passenger demand in 2020. IATA<sup>2</sup> expected that global air travel might recover more slowly than most of the global economy, and global RPKs and global gross domestic production would recover to their 2019 levels in 2023 and 2021, respectively. In addition, IATA expected that international travel would pick up more slowly than domestic travel.

<sup>1</sup> *Press release titled “IATA Updates COVID-19 Financial Impacts – Relief Measures Needed –”, <https://www.iata.org/en/pressroom/pr/2020-03-05-01/>*

<sup>2</sup> *Presentation titled “COVID-19: Outlook for air travel in the next 5 years”, <https://www.iata.org/en/iata-repository/publications/economic-reports/covid-19-outlook-for-air-travel-in-the-next-5-years/>*

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table 2 – Estimated yearly movements in RPKs and passenger revenue in 2020**

<b>Region</b>	<b>Estimated year-on-year movements in RPKs (%)</b>	<b>Estimated year-on-year movements in passenger revenue (US\$ billion)</b>
Asia-Pacific .....	-50%	-113
North America .....	-36%	-64
Europe .....	-55%	-89
Middle East .....	-51%	-24
Africa .....	-51%	-6
Latin America .....	-49%	-18
<b>Overall aviation industry .....</b>	<b>-48%</b>	<b>-314</b>

*Source: IATA*

As stated in Cathay Pacific’s “May 2020 Traffic Figures” announcement of 12 June, 2020, Cathay Pacific is facing an incredibly dynamic situation, and one that looks certain to significantly change the landscape of global aviation. Over the coming months, Cathay Pacific will be re-evaluating all aspects of its business model in light of these changes with a recommendation on the optimum size and shape of the Cathay Pacific Group moving forward. This will ensure Cathay Pacific adapts accordingly to the new reality of global aviation and is in a position of long-term strength and competitiveness when international air travel recovers.

***Future plans of the Cathay Pacific Group***

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, the management team of the Cathay Pacific Group 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.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Business operations and past financial performance of the Cathay Pacific Group**

The table below shows the breakdown of the Cathay Pacific Group's revenue and profits for the year ended 31 December, 2019 split into six months ended 30 June, 2019 and 31 December, 2019.

**Table 3 – Financial performance of the Cathay Pacific Group for the year ended 31 December, 2019**

	<u>Jan-Jun 2019</u>	<u>Jul-Dec 2019</u>	<u>Year ended 31 December, 2019</u>
	<i>HK\$ million (Unaudited)</i>	<i>HK\$ million (Unaudited)</i>	<i>HK\$ million (Audited)</i>
<b>Revenue of the Cathay Pacific Group</b>			
– Passenger services . . . . .	37,449	36,536	73,985
– Cargo services . . . . .	11,498	12,312	23,810
– Other services and recoveries . . . . .	4,600	4,578	9,178
<b>Total revenue . . . . .</b>	<b>53,547</b>	<b>53,426</b>	<b>106,973</b>
<b>Profit/(loss) for the year . . . . .</b>	<b>1,347</b>	<b>344</b>	<b>1,691</b>
<b>Earnings before interest and taxes (“EBIT”) . . . . .</b>	<b>3,122</b>	<b>1,962</b>	<b>5,084</b>
<b>Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) . . . . .</b>	<b>9,940</b>	<b>9,366</b>	<b>19,306</b>

*Notes:*

1. *EBIT is calculated as profit before taxation less net finance charges.*
2. *EBITDA is calculated as EBIT less depreciation and amortisation expenses.*

The Cathay Pacific Group recorded a profit of HK\$344 million in the second half of 2019, representing a decrease of some 74.5% compared to a profit of HK\$1,347 million for the first half of 2019. Such substantial decrease in the Cathay Pacific Group's net profit during the second half of 2019 was mainly due to a loss of HK\$434 million incurred by Cathay Pacific and Cathay Dragon during the period (first half of 2019: net profit of HK\$675 million). During the second half of 2019, the Cathay Pacific Group's passenger services were adversely affected by the social unrest in Hong Kong that led to a significant decrease in inbound and outbound flights to Mainland China.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The two tables below contain the Cathay Pacific Group's operating data for the year ended 31 December, 2019 and the five months period ended 31 May, 2019 and 2020.

**Table 4 – Operating data of the Cathay Pacific Group for the year ended 31 December, 2019 and the five months period ended 31 May, 2019 and 2020**

	Jan-Jun 2019	Jul-Dec 2019	Year ended 31 December, 2019	Jan-May 2019	Jan-May 2020
<i>Passenger services</i>					
Passenger available seat kilometres (000)					
("ASK")	80,814,421	82,429,491	163,243,912	67,082,828	27,198,814
Passenger load factor	84.2%	80.5%	82.3%	83.7%	68.1%
Passenger revenue passenger kilometres					
(000) ("RPK")	68,078,447	66,318,386	134,396,833	56,177,451	18,522,345
Numbers of passengers carried	18,261,050	16,972,081	35,233,131	15,160,918	4,361,986
<i>Cargo services</i>					
Number of tonnes of cargo and mail					
carried	979,152	1,042,395	2,021,547	815,175	573,297
Cargo and mail revenue tonne kilometres					
(000) ("RFTK")	5,477,669	5,833,421	11,311,090	4,549,613	3,533,077
Cargo and mail load factor	63.4%	65.4%	64.4%	63.6%	68.5%
Available cargo/mail tonne kilometres					
(000) ("AFTK")	8,634,523	8,923,232	17,557,755	7,156,976	5,158,158

**Table 5 – Monthly passengers carried, RPKs and passenger load factor from January to May, 2020 compared with the same period in 2019**

	Passengers carried	RPK (000)	Passenger load factor (%)
January, 2019	3,127,437	12,053,452	86.1%
January, 2020	3,010,012	11,830,575	84.7%
+/-	-3.8%	-1.8%	-1.4 pts
February, 2019	2,833,534	10,314,055	81.7%
February, 2020	1,008,644	4,735,301	53.1%
+/-	-64.4%	-54.1%	-28.6 pts
March, 2019	3,111,270	11,295,302	83.9%
March, 2020	311,128	1,776,537	49.3%
+/-	-90.0%	-84.3%	-34.6 pts
April, 2019	3,127,186	11,324,591	83.9%
April, 2020	13,729	79,799	21.7%
+/-	-99.6%	-99.3%	-62.2 pts
May, 2019	2,961,491	11,190,050	82.9%
May, 2020	18,473	100,133	29.6%
+/-	-99.4%	-99.1%	-53.3 pts

Source: Cathay Pacific's announcements of monthly traffic figures

Notes:

1. ASK is a measurement of passenger seat capacity, calculated as the seats available for the carriage of passengers on each sector multiplied by the sector distance.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2. *AFTK is a measurement of cargo capacity, calculated as the in tonnes available for the carriage of cargo and mail on each sector multiplied by the sector distance.*
3. *RPK is calculated as the number of passengers carried on each sector multiplied by the sector distance.*
4. *RFTK is measured in load tonnes from the carriage of cargo and mail on each sector multiplied by the sector distance.*
5. *Cargo and mail load factor are calculated as RFTK divided by AFTK.*
6. *Passenger load factor is calculated as RPK divided by ASK.*

### ***Comparison of the Cathay Pacific Group's operating data for the second half of 2019 with the first half of 2019***

#### *Passenger services*

During the second half of 2019, the numbers of passengers carried decreased 7.1% compared to the first half of 2019. Similarly, passenger load factor decreased 3.7 percentage points (“pts”). Such reduction was primarily due to the social unrest since June, 2019 and which had led to a sharp decline in passenger traffic. In particular, the RPK of the inbound and outbound passenger traffic to Mainland China decreased 19.5% in the second half of 2019. Passenger demand during the second half of the year is normally higher than the first half and, accordingly, the impact seen in the second half of 2019 was greater than portrayed.

#### *Cargo services*

The total number of tonnes of cargo and mail carried, and the related load factor remained relatively stable in the first and second half of 2019.

### ***Comparison of the Cathay Pacific Group's operational data for the five months ended 31 May, 2020 with the same period in 2019***

#### *Passenger services*

During the period from January to May, 2020, passenger demand continued to fall. On each of the last two days of March, 2020, Cathay Pacific carried fewer than 1,000 passengers. The Cathay Pacific Group carried a total of 18,473 passengers in May, 2020 (that is, on average fewer than 600 passengers per day) representing a decrease of 99.4% compared to May, 2019. RPK decreased some 99.1% in May, 2020 compared to May, 2019. Passenger load factor plummeted 53.3 pts to 29.6% in May, 2020 while capacity measured in ASKs decreased 97.5% in May, 2020 compared to May, 2019. Travel restrictions on transit traffic through Hong Kong and, or travel ban imposed by various destination countries of the Cathay Pacific Group's passenger service had significantly reduce both inbound and outbound traffic for the Cathay Pacific Group.

Since April, 2020 and up to the date of the Latest Practicable Date, the Cathay Pacific Group has been operating a bare skeleton passenger flight schedule of 97% below normal capacity and serving just 14 destinations in May, 2020. Overall, the Cathay Pacific Group plans to operate approximately 3.5% capacity in June and 9.4% in July, 2020; however, these plans remain contingent on the further relaxation of travel restrictions around the world and are subject to change. Cathay Pacific will continue to monitor demand and adapt their passenger schedule accordingly, though Cathay Pacific expects it will be operating a substantially reduced schedule over the coming months.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Cargo services*

Cathay Pacific and Cathay Dragon carried 573,297 tonnes of cargo and mail from January to May, 2020, presenting a decrease of 29.7% compared to the same period in 2019. During this period, RFTKs decreased 22.3% and capacity measured in AFTKs also decreased 27.9%.

The decrease in the amount of cargo carried from January to May, 2020 was less than the reduction in passengers carried as the decrease in conventional shipment, such as perishables, seafood, live animals, and industrial parts and equipment were partially compensated by the significant quantities of medical supplies carried from Mainland China and Hong Kong.

### *Unaudited loss of Cathay Pacific and Cathay Dragon*

According to announcement of Cathay Pacific dated 15 May, 2020, Cathay Pacific and Cathay Dragon recorded a combined unaudited loss of HK\$4.5 billion for the first four months ended 30 April, 2020 largely due to the impact of COVID-19 pandemic.

### *Financial and liquidity position*

**Table 6 – Selected balance sheet items of the Cathay Pacific Group as at 30 June, 2019 and 31 December, 2019**

	As at 30 June, 2019	As at 31 December, 2019
	<i>HK\$ million</i> <i>(Unaudited)</i>	<i>HK\$ million</i> <i>(Audited)</i>
Total borrowings .....	90,741	97,260
<b>Liquid funds</b> .....	<b>12,528</b>	<b>14,864</b>
Less amounts pledged as part of long-term financing		
– Debt securities listed outside Hong Kong .....		(5)
– Bank deposits .....		(137)
Committed undrawn facilities .....		5,289
<b>Available unrestricted liquidity to the Cathay Pacific Group</b> .....		<b>20,011</b>
Net borrowings .....	78,213	82,396
Funds attributable to the Shareholders of Cathay Pacific .....	62,566	62,773
Net debt-to-equity ratio <sup>(note)</sup> (times) .....	1.25	1.31

*Sources: Respective annual and interim reports of Cathay Pacific*

*Note: Net debt-to-equity ratio is calculated as the net borrowings divided by funds attributable to the Shareholders of Cathay Pacific*

As at 31 December, 2019, the Cathay Pacific Group had liquid funds of approximately HK\$14,864 million, of which approximately HK\$8,881 million were short-term deposits and bank balances. The Cathay Pacific Group's total borrowings amounted to approximately HK\$97,260 million as at 31 December, 2019, comprising approximately HK\$56,768 million of long-term loans and HK\$40,492 million of lease liabilities. After deducting the liquid funds, the net borrowing of the Cathay Pacific Group was approximately HK\$82,396 million as at 31 December, 2019.

The Cathay Pacific Group's net debt-to-equity ratio, being the net borrowings over the funds attributable to the Shareholders of Cathay Pacific, was approximately 1.31 times as at 31 December, 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated above, the Cathay Pacific Group has implemented various cash preservation measures in 2020, including cutting passenger capacity by 97%, voluntary special leave schemes for employees, executive pay cuts, deferring new aircraft orders and deciding on the early retirement of older aircraft. The Cathay Pacific Group estimates its cash burn rate to be about HK\$2.5 billion to HK\$3.0 billion per month under the current environment.

### **The Rights Subscription Price**

The Rights Subscription Price of HK\$4.68 per Rights Share represents:

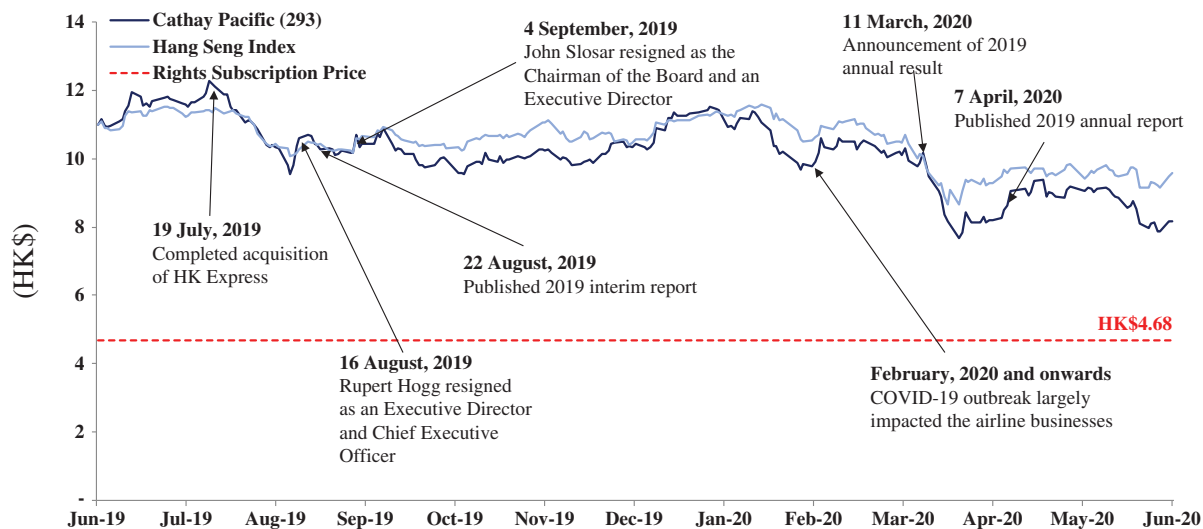
- a. a discount of approximately 46.9% to the closing price of HK\$8.81 per Share as quoted on the Stock Exchange on the Last Trading Day (being the last full trading day of the Shares before the Latest Practicable Date, on which the trading of the Shares was suspended);
- b. a discount of approximately 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;
- c. 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;
- d. 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;
- e. a discount of approximately 70.7% to the consolidated net asset value attributable to the Shareholders as at 31 December, 2019 of approximately HK\$15.96 per Share; and
- f. 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 the Announcement. Cathay Pacific expects the challenges in the current market environment in which it operates will remain for at least a significant portion of 2020, with considerable uncertainty on the recovery of customer travel demand as the economic impact of COVID-19 pandemic continues to intensify.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have compared the daily closing prices of the Shares for the period from 8 June, 2019 to the Last Trading Day on 8 June, 2020 (the “**Review Period**”, being the 12 months period prior to and including the Last Trading Day) with the Rights Subscription Price and the Hang Seng Index (“**HSI**”) during the Review Period. See chart 1 below.

**Chart 1 – Comparison of the closing prices of the Shares with the HSI from 8 June, 2019 to the Last Trading Day**



Source: Bloomberg

Note: The closing prices of the HSI have been rebased for ease of comparison.

As can be seen from Chart 1 above, the Shares traded broadly in line with the HSI in June and July, 2019, and underperformed the HSI from around September, 2019 onwards. The Shares traded at a high of HK\$12.26 on 17 July, 2019 and a low of HK\$7.66 on 23 March, 2020. Since February, 2020 and up to the Latest Practicable Date, the Share price displayed a sharp downward trend and underperformed the HSI, and which could have been caused by the unprecedented downturn in economic activity due to the COVID-19 outbreak and nationwide border control measures or ban during this period.

### Comparable analysis – i. recent rights issues of Hong Kong listed companies

We have identified the following exhaustive list of completed rights issues (“**Comparable Transactions**”) of listed companies in Hong Kong which raised more than HK\$5 billion for the period from 1 January, 2015 to the Last Trading Day, and analysed the rights subscription price.

Table 7 – Completed Rights Issues of listed companies in Hong Kong since 1 January, 2015 up to the Last Trading Day

Announcement date	Company name (Stock code)	Industry	Basis of entitlement	Gross amount raised HK\$ million	Premium / (Discount) of rights subscription price to					Underwriting commission (%)	Fully underwritten (Yes/No)	Excess application (Yes/No)
					the share price on the last trading day	the theoretical ex-right share price on the last trading day	the average share price for the five previous consecutive trading days up to and including the last trading day	the average share price for the ten previous consecutive trading days up to and including the last trading day	Maximum dilution on shareholding (note 1) (%)			
14 August, 2018	China Everbright International Limited (257)	Power generation	10 for 27	9,962	-31.4%	-25.1%	-32.7%	-34.5%	27.0%	0.6%	Yes	Yes
22 August, 2017	China State Construction International Holdings Limited (3311)	Non-residential building construction	1 for 8	6,356	-9.4%	-8.4%	-9.3%	-9.4%	11.1%	2.0%	Yes	Yes
28 April, 2017	China Oceanwide International Financial Limited (Formerly: Quam Limited) (952)	Institutional brokerage	3 for 1	5,133	-7.6%	-1.8%	-5.2%	-5.2%	75.0%	N/A (note 2)	Yes	Yes
28 March, 2017	Hong Kong International Construction Investment Management Group (687)	Building sub contractors	2 for 1	9,255	1.0%	0.3%	-0.7%	-3.1%	66.7%	2.5%	Yes	Yes
16 January, 2017	Landing International Development Limited (582)	Casinos and gaming	5 for 1	5,141	-41.9%	-10.7%	-43.2%	-46.1%	83.3%	2.5%	Yes	Yes
6 July, 2016	China Resources Beer (Holdings) Co. Ltd. (291)	Beverages	1 for 3	9,514	-30.8%	-25.0%	-30.0%	-30.2%	25.0%	N/A	Yes	Yes
3 November, 2015	Standard Chartered PLC (2888)	Diversified banks	2 for 7	40,501	-34.7%	-29.3%	-35.7%	-36.2%	22.2%	1.8%	Yes	No
10 September, 2015	Fosun International Ltd. (656)	Lodging	56 for 500	11,638	0.0%	0.0%	4.2%	3.6%	10.1%	N/A	Yes	Yes
22 April, 2015	Landing International Development Ltd (582)	Casinos and gaming	10 for 1	6,544	-75.9%	-22.2%	-73.8%	-74.7%	90.9%	2.5%	Yes	Yes
18 March, 2015	Haitong International Securities Group Ltd. (665)	Institutional brokerage	1 for 1	8,867	-33.7%	-20.3%	-29.6%	-28.1%	50.0%	1.0%	Yes	Yes

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Announcement date	Company name (Stock code)	Industry	Basis of entitlement	Gross amount raised HK\$ million	Premium / (Discount) of rights subscription price to					Underwriting commission (%)	Fully underwritten (Yes/No)	Excess application (Yes/No)
					the share price on the last trading day	theoretical ex-rights on the last trading day	the average share price for the five previous consecutive trading days up to and including the last trading day	the average share price for the ten previous consecutive trading days up to and including the last trading day	Maximum dilution on shareholding (note 1) (%)			
27 February, 2015	Joy City Property Ltd. (Formerly: COFCO Land Holdings Ltd.) (207)	Real estate owners and developers	1 for 2	6,404	-5.6%	-3.6%	-6.3%	-6.9%	33.3%	N/A	No	Yes
			<b>Maximum</b>	<b>40,501</b>	<b>1.0%</b>	<b>0.3%</b>	<b>4.2%</b>	<b>3.6%</b>	<b>90.9%</b>	<b>2.5%</b>		
			<b>Minimum</b>	<b>5,133</b>	<b>-75.9%</b>	<b>-29.3%</b>	<b>-73.8%</b>	<b>-74.7%</b>	<b>10.1%</b>	<b>0.6%</b>		
			<b>Average</b>	<b>10,847</b>	<b>-24.5%</b>	<b>-13.3%</b>	<b>-23.8%</b>	<b>-24.6%</b>	<b>45.0%</b>	<b>1.8%</b>		
			<b>Median</b>	<b>8,867</b>	<b>-30.8%</b>	<b>-10.7%</b>	<b>-29.6%</b>	<b>-28.1%</b>	<b>33.3%</b>	<b>2.0%</b>		
9 June, 2020	Cathay Pacific	Airline	7 for 11	11,716	-46.9%	-35.0%	-45.0%	-43.4%	38.9%	2.0%	Yes	Yes

Sources: Bloomberg, announcements and, or circulars and, or listing documents of relevant companies issued on the website of the Stock Exchange

Notes:

- Maximum dilution effect is calculated using the formula: Total number of rights shares / (Number of existing shares on the relevant record date + total number of rights shares) x 100%.
- The underwriting fee payable to the underwriter was a fixed amount of HK\$4,000,000.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in Table 7 above, the Rights Subscription Price represents a discount of 35.0% to the theoretical ex-rights price on the Last Trading Day, and which was larger than the Comparable Transactions average discount of 13.3%. The Rights Subscription Price implies a discount of 45.0% and 43.4% to the average share price five or ten trading days prior to the Last Trading Day, respectively. Such discounts are larger than those of the Comparable Transactions, being an average discount of 23.8% and 24.6% to the average share price five or ten trading days prior to the last trading day, respectively.

The comparison of the terms of the Rights Issue with the Comparable Transactions should be considered in the light of the current unprecedented environment that has grounded the international airline industry and the scale of the refinancing when compared to the market capitalisation of Cathay Pacific. Notwithstanding the higher discounts implied by the Rights Subscription Price relative to the Comparable Transactions, we are of the opinion that the Rights Subscription Price is fair and reasonable having taking into consideration the significant impact of COVID-19 on the global aviation industry as described above, the absence of other viable fund-raising alternative currently available to the Cathay Pacific Group, and the magnitude of the funds to be raised from the Rights Issue which could allow the Cathay Pacific Group to improve its liquidity and financial position.

As shown in the comparable analysis of the Rights Issue and that of Singapore Airlines set out below, the terms of the Rights Issue are more attractive than that of Singapore Airlines in terms of discount to the last closing price.

### Comparable analysis – ii. rights issue of Singapore Airlines Limited in March, 2020

Based on publicly available information, we have identified one comparable rights issue of Singapore Airlines during the outbreak of COVID-19 since January, 2020 and up to the Latest Practicable Date. On 26 March, 2020, Singapore Airlines announced a SGD15 billion rights issue and mandatory convertible bond offer fully underwritten by Temasek Holdings (Private) Limited which is owned by the Government of Singapore. Set out below is a comparative analysis of the terms of Rights Issue and the terms of the rights issue of Singapore Airlines in March, 2020:

	<u>Rights Issue</u>	<u>Rights issue of Singapore Airlines</u>
Market capitalisation as at the last trading day prior to announcement of the rights issue . . . . .	HK\$34,657 million	SGD7,703 million (or HK\$41,939 million) <i>(note)</i>
Gross proceeds from the rights issue . . . . .	HK\$11,716 million	SGD5,333 million (or HK\$29,035 million) <i>(note)</i>
Basis of the rights issue . . . . .	Seven Rights Shares for every 11 existing Shares	Three rights shares for every two existing shares
Offer ratio . . . . .	0.64	1.50
Maximum dilution on shareholding interests . . . . .	38.9%	60.0%
Discount of rights subscription price to last closing price . . . . .	46.9%	53.8%
Discount of rights subscription price to theoretical ex-rights price . . . . .	35.0%	31.8%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	Rights Issue	Rights issue of Singapore Airlines
Total number of rights shares being underwritten . . . . .	All of the Rights Shares other than 2,127,356,609 Committed Rights Shares subject to the Irrevocable Undertakings	A wholly-owned subsidiary of Temasek Holdings Private Limited undertook to subscribe for, or procure the subscription of, any unsubscribed rights shares

*Source: Circular dated 15 April, 2020 issued by Singapore Airlines*

*Note: For illustrative purpose, an exchange rate of HK\$5.4443: SGD1 as at 15 April, 2020 is adopted.*

The rights issue of Singapore Airlines in March, 2020 was of a substantial scale and raised approximately HK\$29,035 million, representing 2.5 times the amount to be raised from the Rights Issue. As stated above, the Rights Issue is more attractive than that of Singapore Airlines in terms of discount to the last closing price (as such discount implied by the Rights Subscription Price is lower than that of the Singapore Airlines' rights issue). The Rights Subscription Price represents a discount of 35.0% to the theoretical ex-rights price, and which is broadly in line with that of Singapore Airlines. The offer ratio of the Rights Issue is lower, and hence the Rights Issue is less dilutive on the shareholding than for the rights issue of Singapore Airlines.

### **Intended use of proceeds**

Cathay Pacific intends to use the gross proceeds from the Rights Issue of approximately HK\$11.7 billion for general corporate purposes.

### **Potential dilution effect on the interests of the Independent Shareholders**

The Rights Issue is offered to all Qualifying Shareholders on the same basis, that is, the Qualifying Shareholders will be able to maintain their proportional interests in Cathay Pacific if they take up their assured entitlements in full under the Rights Issue. Qualifying Shareholders who do not elect to subscribe for their assured entitlements to the Rights Shares in full will have their shareholding interests in Cathay Pacific diluted for a maximum of 38.9%, which is lower than the average maximum dilution of 45.0% of the Comparable Transactions.

The effects on the shareholding structure of Cathay Pacific arising from the Rights Issue and the Recapitalisation Proposal are set out in Table 8 below.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Table 8 – The effects of the Rights Issue on the shareholding structure of Cathay Pacific**

	As at the Latest Practicable Date		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> .....	<u>3,933,844,572</u>	<u>100.00</u>	<u>6,437,200,203</u>	<u>100.00</u>	<u>6,853,866,869</u>	<u>100.00</u>

*Notes:*

1. *As at the Latest Practicable Date, 1,179,759,987 Shares were 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 these 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 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.*

Having considered:

- a) the tight liquidity, the impact on the cash flow and the financial condition of the Cathay Pacific Group as affected by the COVID-19 pandemic since January, 2020 as described above, and the significant amounts of capital commitment required for its day-to-day operations;
- b) as stated on page I-2 of the Circular, the Directors advised that on the basis the Recapitalisation Proposal (including the Rights Issue) is implemented in full, the Cathay Pacific Group's presently available financial resources, including internally generated funds from the operations and available financial facilities of the Cathay Pacific Group, the Cathay Pacific Group will have sufficient working capital for its present requirements for at least the next-twelve months from 19 June, 2020, being the date of the Circular;
- c) the Recapitalisation Proposal (which includes the Rights Issue) is the preferred financing method available to the Cathay Pacific Group that meets its liquidity needs and after taking into account the costs and benefits of other fund raising options;
- d) the net proceeds from the Recapitalisation Proposal, including the Rights Issue, would provide the Cathay Pacific Group with significantly increased total shareholders' funds and financial liquidity. As stated above, the Directors believe that the Recapitalisation Proposal is required to ensure Cathay Pacific has sufficient liquidity to weather the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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current crisis, and 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;

- e) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue; and
- f) the inherent dilutive nature of rights issue in general if the existing Shareholders do not subscribe for in full their assured entitlements,

we are of the view that the potential dilution effect on the interests of the Independent Shareholders (which may only happen to the Qualifying Shareholders who decide not to subscribe in full for their assured entitlement under the Rights Issue) is justifiable.

### **Irrevocable Undertakings from Swire Pacific, Air China and Qatar Airways**

As shown in Table 8 above, Swire Pacific, Air China (through certain subsidiaries), and Qatar Airways held approximately 45.00%, 29.99% and 9.99% of the issued Shares as at the Latest Practicable Date, respectively. Pursuant to the Irrevocable Undertakings:

Swire Pacific has irrevocably undertaken to Cathay Pacific, the Underwriters and Aviation 2020 Limited that it will,

- 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 as the sole legal owner and the registered holder of the Shares it holds as at 9 June, 2020, being 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;

Air China has irrevocably undertaken to Cathay Pacific 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 9 June, 2020, being the date of the Irrevocable Undertakings, and will procure that each

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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; and

- 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

Qatar Airways has irrevocably undertaken to Cathay Pacific that it will,

- a. remain the beneficial owner of the Shares it beneficially owns as at 9 June, 2020, being 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.

In addition, Swire Pacific has also undertaken to Cathay Pacific, the Underwriters and Aviation 2020 Limited that from 9 June, 2020, being 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 Shares 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.

### **The Rights Issue Underwriting Agreement and underwriting commission**

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- 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 Latest Practicable Date and assuming no change in the number of issued Shares on or before the Rights Issue Record Date) in the following proportions:
- 1) 50.0% of the Underwritten Rights Shares underwritten by Morgan Stanley Asia Limited;
  - 2) 20.0% of the Underwritten Rights Shares underwritten by BOCI Asia Limited;
  - 3) 20.0% of the Underwritten Rights Shares underwritten by The Hongkong and Shanghai Banking Corporation Limited; and
  - 4) 10.0% of the Underwritten Rights Shares underwritten by BNP Paribas Securities (Asia) Limited.
- Underwriting commission 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.

As shown in Table 7 above, the underwriting commission payable in respect of the Comparable Transactions ranged from 0.6% to 2.5%. Accordingly, the underwriting commission of 2.0% under the Rights Issue Underwriting Agreement falls within the range of commission rates of the Comparable Transactions. We have also reviewed the other major terms of the Rights Issue Underwriting Agreement and do not note any unusual terms. We are of the opinion that the underwriting commission rate and the underwriting arrangement to be on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

### **Financial effects of the Rights Issue**

#### *Net tangible assets*

According to the section titled “*Unaudited pro forma financial information of the Cathay Pacific Group*” in Appendix II to the Circular, the consolidated net tangible assets attributable to the Shareholders of Cathay Pacific as at 31 December, 2019 was approximately HK\$47,622 million. The Rights Issue, which will raise estimated net proceeds of HK\$11,628 million, is expected to increase the net tangible asset value of the Cathay Pacific Group.

The consolidated net tangible assets attributable to the Shareholders of Cathay Pacific per Share as at 31 December, 2019 was approximately HK\$12.11.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders of Cathay Pacific per Share as at 31 December, 2019 was approximately HK\$9.20 per Share, after taking into account the Rights Shares to be issued.

#### *Liquidity*

As at 31 December, 2019, the Cathay Pacific Group had liquid funds totalling approximately HK\$14,864 million, including short-term deposits and bank balances of approximately HK\$8,881 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Immediately upon completion of the Rights Issue, the Cathay Pacific Group's liquidity will be enhanced significantly as its liquid funds are expected to increase 78.2%, that is, by an amount equivalent to the estimated net proceeds of the Rights Issue of approximately HK\$11,628 million.

### *Gearing ratio*

As at 31 December, 2019, the Cathay Pacific Group's gearing ratio (being the ratio of total net borrowings to funds attributable to the Shareholders of Cathay Pacific) was about 1.31 times. Upon completion of the Rights Issue, the capital base of the Cathay Pacific Group will be enlarged and the cash and cash equivalents of the Cathay Pacific Group will also increase. As a result, the gearing ratio of the Cathay Pacific Group is expected to improve immediately after the Rights Issue.

Shareholders should note that the above stated financial effects of the Rights Issue are for illustrative purposes only and do not purport to represent the financial position of the Cathay Pacific Group upon completion of the Rights Issue.

### CONCLUSIONS AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the and benefits of the Rights Issue, we are of the view that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of Cathay Pacific and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Anglo Chinese Corporate Finance, Limited**

**Stephen Clark**

Managing Director

**Stephanie Wong**

Director

1. *Mr. Stephen Clark is a licenced person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out 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. He has over 35 years of experience in corporate finance.*
2. *Ms. Stephanie Wong is a licenced person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out 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. She has over 25 years of experience in corporate finance.*

**FINANCIAL INFORMATION OF THE CATHAY PACIFIC GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019**

The audited consolidated financial statements of the Cathay Pacific Group for the three years ended 31 December 2019 together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Cathay Pacific ([www.cathaypacific.com](http://www.cathaypacific.com)):

- pages 62 – 109 in the annual report of Cathay Pacific for the year ended 31 December 2017 published on 3 April 2018;
- pages 58 – 117 in the annual report of Cathay Pacific for the year ended 31 December 2018 published on 9 April 2019; and
- pages 69 – 137 in the annual report of Cathay Pacific for the year ended 31 December 2019 published on 7 April 2020.

Each set of the said consolidated financial statements of the Cathay Pacific Group is incorporated by reference in this circular and forms part of this circular. The management discussion and analysis of Cathay Pacific for the years ended 31 December 2017, 2018 and 2019 are disclosed in the published annual reports of Cathay Pacific for the relevant period. Please also see below the links to the relevant annual reports of Cathay Pacific:

- Annual report of Cathay Pacific for the year ended 31 December 2017:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0403/ltn201804031384.pdf>
- Annual report of Cathay Pacific for the year ended 31 December 2018:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409363.pdf>
- Annual report of Cathay Pacific for the year ended 31 December 2019:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0407/2020040700498.pdf>

**BUSINESS TREND AND TRADING AND FINANCIAL PROSPECT*****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 five months of 2020, the number of passengers carried by the Cathay Pacific Group dropped by 71.2% against a 59.5% decrease in capacity and a 67% decrease in revenue passenger kilometres, as compared to the same period in 2019. Overall, the Cathay Pacific Group plans to operate approximately 3.5% capacity in June and 9.4% in July; however, these plans remain contingent on the further relaxation of travel restrictions around the world and are subject to change. Furthermore, in the



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## **APPENDIX I FINANCIAL INFORMATION OF THE CATHAY PACIFIC GROUP**

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first five months of 2020, the tonnage carried by the Cathay Pacific Group fell by 29.7% against a 27.9% drop in capacity and a 22.3% 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.

### ***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.

## **MATERIAL ADVERSE CHANGE**

The Directors confirm that, other than in the section headed "Business trend and trading and financial prospect" above and in the Chairman's statement dated 11 March 2020 as set out in the Annual Report 2019 of Cathay Pacific, the Directors are not aware of any material adverse change in the financial or trading position of the Cathay Pacific Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Cathay Pacific Group were made up, up to and including the Latest Practicable Date.

## **WORKING CAPITAL STATEMENT**

Taking into account the net proceeds from the Recapitalisation Proposal and the Cathay Pacific Group's presently available financial resources, including internally generated funds from operations

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## APPENDIX I FINANCIAL INFORMATION OF THE CATHAY PACIFIC GROUP

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and available financial facilities of the Cathay Pacific Group, the Directors after due and careful enquiry are of the opinion that the Cathay Pacific Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

### INDEBTEDNESS STATEMENT

The following table sets forth the Cathay Pacific Group's total outstanding indebtedness as at 30 April 2020:

	<u>HK\$ million</u>
Unguaranteed borrowings	
- Secured bank loans <sup>(1)</sup> . . . . .	32,685
- Unsecured bank loans . . . . .	17,914
- Unsecured medium-term notes . . . . .	3,460
- Secured other borrowings <sup>(1)</sup> . . . . .	5,419
Lease liabilities . . . . .	<u>39,057</u>
<b>Total</b> . . . . .	<u><b>98,535</b></u>

*Note:*

(1) As at 30 April 2020, aircraft and related equipment in an aggregate amount of HK\$57,819 million were pledged as security for the secured bank loans and secured other borrowings.

### Contingent liabilities

- (a) As at 30 April 2020, the Cathay Pacific Group had issued guarantees in respect of various obligations totalling HK\$1.4 billion.
- (b) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of those disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.
- (c) Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters. The proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on facts and circumstances in line with its accounting policy.

In November 2010, the European Commission issued a decision in its airfreight investigation finding, among other things, that Cathay Pacific and a number of other international cargo carriers agreed cargo surcharge levels and that such agreements infringed European competition law. The European Commission imposed a fine of Euros 57.12 million on Cathay Pacific. However, the European Commission's finding against Cathay Pacific and the imposition of this fine was annulled by the General Court in December 2015 and the fine of Euros 57.12 million was refunded to Cathay Pacific in February 2016. The European Commission issued a new decision against Cathay Pacific and the other airlines involved in the case in March 2017. A fine of Euros

57.12 million was imposed on Cathay Pacific, which was paid by Cathay Pacific in June 2017. Cathay Pacific filed an appeal against this latest decision, to which the European Commission filed a defence. In December 2017, Cathay Pacific filed a reply to that defence, and on 9 March 2018, the European Commission filed a rejoinder to Cathay Pacific's reply. The appeal hearing in the general court took place on 5 July 2019. There is no fixed date for the general court to issue its decision.

Cathay Pacific is a defendant in a number of civil claims, including class litigation and third party contribution claims, in a number of countries including Germany, the Netherlands and Norway alleging violations of applicable competition laws arising from Cathay Pacific's alleged conduct relating to its air cargo operations. Cathay Pacific is represented by legal counsel and is defending these actions.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities and trade and other payables in the ordinary course of business, the Cathay Pacific Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 April 2020, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular.

## **CAPITALISATION**

The following table sets forth the consolidated capitalisation of Cathay Pacific as at 31 December 2019:

- (i) on an actual basis as extracted from its audited consolidated financial statements for the year ended 31 December 2019;
- (ii) on an adjusted basis to give effect to the Rights Issue, with estimated net proceeds to Cathay Pacific of approximately HK\$11,628 million after deduction of the estimated fees, commissions and expenses;
- (iii) on an adjusted basis to give effect to the Recapitalisation Proposal (assuming that the Warrants are not exercised and the Bridge Loan is not drawn), which includes the Rights Issue and the Preference Shares and Warrants Issue, with total estimated net proceeds to Cathay Pacific of approximately HK\$31,128 million after deduction of the estimated fees, commissions and expenses;
- (iv) on an adjusted basis to give effect to the Recapitalisation Proposal (assuming that the Warrants are fully exercised and the Bridge Loan is not drawn), which includes the Rights Issue, the Preference Shares and Warrants Issue, and the full exercise by holders of all Warrants at the Warrant Exercise Price and resulting in the allotment and issuance of 416,666,666 Shares of Cathay Pacific, with total estimated net proceeds to Cathay Pacific of approximately HK\$33,078 million after deduction of the estimated fees, commissions and expenses; and
- (v) on an adjusted basis to give effect to the Recapitalisation Proposal (assuming that the Warrants are fully exercised and the Bridge Loan is fully drawn), which includes the Rights Issue, the Preference Shares and Warrants Issue, and the full exercise by holders

## APPENDIX I FINANCIAL INFORMATION OF THE CATHAY PACIFIC GROUP

of all Warrants at the Warrant Exercise Price and resulting in the allotment and issuance of 416,666,666 Shares, with total estimated net proceeds to Cathay Pacific of approximately HK\$40,866 million after deduction of the estimated fees, commissions and expenses; together with the full draw down by Cathay Pacific of the Bridge Loan in the principal amount of HK\$7.8 billion.

	Actual (HK\$ million)	As adjusted to give effect to the Rights Issue (HK\$ million)	As adjusted to give effect to the Recapitalisation Proposal (assuming that the Warrants are not exercised and the Bridge Loan is not drawn) (HK\$ million)	As adjusted to give effect to the Recapitalisation Proposal (assuming that the Warrants are fully exercised but the Bridge Loan is not drawn) (HK\$ million)	As adjusted to give effect to the Recapitalisation Proposal (assuming that the Warrants are fully exercised and the Bridge Loan is fully drawn) (HK\$ million)
Short-term debt (including current portion of long-term debt) <sup>1</sup> . . . . .	20,752	20,752	20,752	20,752	20,752
Long-term debt (net of current portion) <sup>1</sup> . . . . .	76,508	76,508	76,508	76,508	84,308
Non-controlling interests . . . . .	3	3	3	3	3
Equity attributable to the Shareholders					
Share capital . . . . .	17,106 <sup>2</sup>	28,734	48,234	50,184	50,184
Other reserves . . . . .	45,667	45,667	45,667	45,667	45,667
Total equity attributable to the Shareholders . . . . .	62,773	74,401	93,901	95,851	95,851
Total capitalisation <sup>3</sup> . . . . .	139,284	150,912	170,412	172,362	180,162
Total short-term debt and capitalisation <sup>3</sup> . . . . .	160,036	171,664	191,164	193,114	200,914

*Notes:*

- (1) *Short-term debt includes the current portion of long-term loans and the current portion of lease liabilities. Long-term debt includes long-term loans and lease liabilities except (in each case) the current portion.*
- (2) *As at 31 December 2019, 3,933,844,572 Shares were in issue.*
- (3) *Total capitalisation equals long-term debt (net of current portion) plus equity attributable to the Shareholders and non-controlling interests.*
- (4) *Except as otherwise disclosed in this circular, there had been no material change to the consolidated capitalisation and indebtedness of Cathay Pacific since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Cathay Pacific Group were made up, up to and including the Latest Practicable Date.*

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE CATHAY PACIFIC GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Cathay Pacific Group which has been prepared to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders as if the Rights Issue had been completed on 31 December 2019. As it is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Cathay Pacific Group upon completion of the Rights Issue or any future date after completion of the Rights Issue. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Cathay Pacific Group is prepared based on the consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders as at 31 December 2019 as derived from the Cathay Pacific Group's published audited consolidated financial statements for the year ended 31 December 2019 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2019.

	Consolidated net tangible assets attributable to the Shareholders as at 31 December 2019 <sup>(1)</sup>	Estimated net proceeds from the Rights Issue <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders as at 31 December 2019	Consolidated net tangible assets attributable to the Shareholders per Share as at 31 December 2019 <sup>(3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders per Share as at 31 December 2019 <sup>(4)</sup>
	HK\$ million	HK\$ million	HK\$ million	HK\$	HK\$
Based on 2,503,355,631					
Rights Shares to be issued at the Rights Subscription					
Price of HK\$4.68 per Rights Share . . . . .	47,622	11,628	59,250	12.11	9.20

*Notes:*

- The amount of consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders as at 31 December 2019 is based on the consolidated net assets of the Cathay Pacific Group of HK\$62,776 million after deducting non-controlling interests of HK\$3 million and intangible assets of HK\$15,151 million as extracted from the published audited consolidated financial statements of the Cathay Pacific Group for the year ended 31 December 2019.*
- The estimated net proceeds from the Rights Issue are based on the issuance of 2,503,355,631 Rights Shares at HK\$4.68 each, after deducting the estimated related expenses of HK\$88 million (inclusive of interdependent fees of HK\$17 million in relation to the Preference Shares and Warrants Issue) to be incurred by Cathay Pacific. The resolution on the Rights Issue is conditional on the passing of the resolutions in relation to (among other things) the Preference Shares and Warrants Issue at the EGM. However, proceeds from the Preference Shares and Warrants Issue do not have an impact on consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders.*
- The consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders per Share as at 31 December 2019 is calculated based on the consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders as at 31 December 2019 of HK\$47,622 million divided by 3,933,844,572 Shares which represents Shares in issue as at 31 December 2019.*

4. *The unaudited pro forma adjusted consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders per Share as at 31 December 2019 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Cathay Pacific Group attributable to the Shareholders as at 31 December 2019 and 6,437,200,203 Shares in issue upon completion of the Rights Issue as at 31 December 2019, which comprises 3,933,844,572 Shares in issue as at 31 December 2019 before the Rights Issue and 2,503,355,631 Rights Shares to be issued under the Rights Issue.*
5. *No adjustments have been made to reflect any trading results or other transactions of the Cathay Pacific Group entered into subsequent to 31 December 2019.*

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Cathay Pacific Group's pro forma financial information for the purpose of incorporation in this circular.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CATHAY PACIFIC AIRWAYS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cathay Pacific Airways Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2019 and related notes as set out in Part A of Appendix II to the circular dated 19 June 2020 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 2,503,355,631 rights shares at HK\$4.68 each on the basis of seven rights shares for every eleven existing shares held on the record date (the "Rights Issue") on the Group's financial position as at 31 December 2019 as if the Rights Issue had taken place at 31 December 2019. As part of this process, information about the Group's financial position as at 31 December 2019 has been extracted by the Directors from the consolidated financial statements of the Group for the year then ended, on which an audit report has been published.

*Directors' Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services

Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Reporting Accountants’ Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.



We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds of the Recapitalisation Proposal" in the Circular.

*Opinion*

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

19 June 2020

## 1. INTRODUCTION

It is proposed that certain amendments will be made to the existing Articles to reflect the terms of the Preference Shares. In addition, to bring the Articles in line with the Companies Ordinance which became effective on 3 March 2014, it is proposed that a number of amendments be made to the Memorandum and the existing Articles.

Set out in the remainder of this explanatory statement are an outline of and the reasons for the amendments proposed to be made to the Memorandum and the existing Articles.

## 2. REMOVAL OF THE MEMORANDUM

The “objects” clause of a company incorporated under the Previous Companies Ordinance was contained in its memorandum of association and set out the scope of activities the company has the power to undertake. Since the introduction of section 5(1A)(b) of the Previous Companies Ordinance in 1997, the “objects” clause in the memorandum of association of companies has been optional for many companies incorporated in Hong Kong, including Cathay Pacific. The “objects” clause of a company incorporated in Hong Kong has also become less significant given the effective abolition of the doctrine of *ultra vires* in relation to corporate capacity in the same year and that all such companies now have the capacity and rights of a natural person. Further, under the Companies Ordinance, a company’s “objects” are unrestricted unless its articles of association provide otherwise.

Separately, the requirement for a company to have a memorandum of association was abolished under the Companies Ordinance and only articles of association are required. All conditions contained in the memorandum of association which were in force immediately before the commencement of the Companies Ordinance are regarded as provisions of the company’s articles under section 98(1) of the Companies Ordinance, except that the condition relating to the amount of registered share capital of the company and its division into shares of a fixed amount is deemed deleted under section 98(4) of the Companies Ordinance.

Given the above, and for clarity, the Directors propose a special resolution to adopt the new Articles which, among other things, do not include an “objects” clause and bring various provisions contained in the existing Articles into line with the requirements under the Companies Ordinance, in substitution for the Memorandum and existing Articles in their entirety. Relevant conditions or information in the Memorandum to be retained as part of the new Articles will be included expressly in the new Articles rather than solely relying on the deeming provisions under the Companies Ordinance. The proposed new Articles also contain provisions to reflect the terms of the Preference Shares.

## 3. ADOPTION OF THE NEW ARTICLES

The existing Articles will be replaced in their entirety by the new Articles. Set out below are the principal differences between the new Articles and the existing Articles.

### **Amendments made to reflect the terms of the Preference Shares**

#### **(a) Rights and restrictions attaching to the Preference Shares**

New Article 10A specifies the rights and restrictions attaching to the Preference Shares which reflect the terms of the Preference Shares to be issued pursuant to the PS

Subscription Agreement. Existing Articles 138 and 141 are consequentially amended to contain certain clarificatory language.

#### **Amendments made to bring the Articles in line with the Companies Ordinance**

**(a) Introductory paragraph and the table setting out information of the initial subscribers**

New Article 1A includes certain conditions currently contained in the Memorandum, which are mandatory provisions under sections 81, 83 and 84 of the Companies Ordinance.

The table setting out the information of the initial subscribers of Cathay Pacific at the end of the new Articles removes the references in relation to the signing, dating and witnessing of the document contained in the equivalent table in the existing Articles (which are unnecessary for the purpose of the new Articles), and includes information regarding the initial shareholding and initial issued share capital of Cathay Pacific as required under section 85 of the Companies Ordinance.

**(b) Abolition of concepts of “nominal value” and “authorised share capital”**

**(i) Nominal value and authorised share capital**

The previous concepts of nominal value and authorised share capital are abolished under the Companies Ordinance. Therefore, provisions which relate to or make references to these concepts and related concepts, including “authorised share capital”, “unissued shares”, “par”, “nominal value”, “nominal amount”, “premium”, “share premium account”, “capital redemption reserve fund” are re-drafted or removed as appropriate. Among other things, (1) existing Articles 18, 22, 31 and 65(b) are amended to remove references to the concept of “nominal value of the shares” of the Company as the concept of “nominal value” is abolished under the Companies Ordinance; and (2) Articles 159 to 162 are removed as the concept of “par value” is abolished under the Companies Ordinance.

**(ii) Variation of class rights**

Existing Article 59(b) refers to a concept of “nominal value of the issued shares” for the purposes of the consent and quorum requirements regarding variation of class rights. Existing Article 59(b) is amended to align the provision with the wording in the Companies Ordinance and refers to the concept of “total voting rights of holders of shares” in that class for the purposes of consent and quorum.

**(c) Share warrants to bearer**

Existing Article 5 is amended to reflect the changes introduced by section 139 of the Companies Ordinance which repeals the power of companies to issue share warrants to bearer.

**(d) Stock**

Existing Articles 49, 50, 51 and 52, which give Cathay Pacific the power to convert its shares into stock, are removed to reflect the changes introduced by section 138 of the Companies Ordinance which repeals the power of a company to convert its shares into stock.

**(e) Meeting procedures**

Existing Article 62 is amended to reflect the time period requirement under section 610 of the Companies Ordinance for a public company to hold its annual general meeting .

Existing Article 64 is amended to reflect the changes introduced by section 576 of the Companies Ordinance which sets out the content requirements in a notice of general meeting.

**(f) Special business**

Existing Article 67, which differentiates between a specific list of business that is transacted at an annual general meeting and other “special business”, is removed as the concept of “special business” has not been retained under the Companies Ordinance. Existing Article 83 is also amended to reflect this change.

**(g) Poll**

Existing Article 72(c) is amended to reflect the changes introduced by section 591(2)(b) of the Companies Ordinance which reduces the threshold requirement for members to demand a poll from 10% to 5% of the total voting rights of all the members having the right to vote at that meeting.

Existing Article 72(d), which allows members holding not less than 10% of the total paid up share capital to demand a poll, is removed as no such right to demand a poll is included in the Companies Ordinance (as compared to the Previous Companies Ordinance, which included such a right in section 114D).

**(h) Proxy arrangements**

Existing Article 85 is amended to reflect the changes introduced by section 598 of the Companies Ordinance which: (i) requires that the calculation of notice periods in respect of appointing a proxy excludes public holidays in Hong Kong; and (ii) changes the notice periods for appointing a proxy.

**(i) Reporting documents**

Existing Article 165 is amended to reflect the terminology of “reporting documents” used in the Companies Ordinance in place of “relevant financial documents” used in the Previous Companies Ordinance for the financial documents that the Directors are required to prepare and put forward in the annual general meeting of Cathay Pacific.

**(j) Notice**

Existing Articles 167 and 169 are amended to reflect the abolition of the concept of “entitled person” in the Companies Ordinance.

**PRELIMINARY**

1. No regulations set out in any schedule to any Ordinance concerning companies shall apply to the Company as regulations or articles of association, and the following shall be the Articles of Association of the Company.

1A.

- (a) The name of the Company is “CATHAY PACIFIC AIRWAYS LIMITED 國泰航空有限公司”.
- (b) The liability of the members is limited, and limited to the extent of any amount unpaid on the shares held by the members.

**INTERPRETATION**

2. (a) In these Articles, unless the context otherwise requires:-

“**these Articles**” means these Articles of Association in their present form or as from time to time altered;

“**associates**” has the meaning given in the Listing Rules;

“**the Auditors**” means the auditors for the time being of the Company;

“**the Board**” and “**the Directors**” means the board of directors for the time being of the Company or the directors present at a duly convened meeting of directors at which a quorum is present;

“**call**” includes any instalment of a call;

“**the Company**” means CATHAY PACIFIC AIRWAYS LIMITED 國泰航空有限公司;

“**dividend**” includes scrip dividends, distributions in specie or in kind, capital distributions and capitalisation issues, if not inconsistent with the subject or context;

“**dollars**” and “**\$**” means dollars in the lawful currency of Hong Kong;

“**electronic communication**” shall mean a communication sent by electronic transmission in any form through any medium;

~~“**entitled person**” shall mean an “**entitled person**” as defined in section 2(1) of the Ordinance;~~

“**the Listing Rules**” means the Rules governing the listing of securities on the Stock Exchange contained in the book entitled “Rules Governing the Listing of Securities” published by the Stock Exchange as amended from time to time;

“**month**” means calendar month;

“**the Office**” means the registered office of the Company for the time being;

“**the Ordinance**” means the Companies Ordinance (Chapter 32-622 of the Laws of Hong Kong), and any amendments thereto or re-enactment thereof for the time being in force and includes every other ordinance incorporated therewith or substituted therefor and in the case of any such substitution the references in these Articles to the provisions of the Ordinance shall be read as references to the provisions substituted therefor in the new Ordinance;

“**paid up**” means paid up or credited as paid up;

**“Preference Shares”** means preference shares of the Company;

**“the Register”** means the register of members of the Company (including holders of any class of shares) and includes any branch register kept pursuant to the Ordinance;

**“~~relevant financial reporting documents~~”** shall mean “~~relevant financial reporting documents~~” as defined in section 2(~~4357~~(2)) of the Ordinance;

**“the Seal”** means the common seal of the Company and includes, unless the context otherwise requires, any official seal that the Company may have as permitted by these Articles and the Ordinance;

**“the Secretary”** means the secretary for the time being of the Company or any other person appointed to perform any of the duties of the secretary of the Company including a joint, temporary, assistant or deputy secretary;

**“share”** means share in the capital of the Company ~~and includes stock except where a distinction between stock is expressed or implied~~ (which shall include ordinary shares or any other class of shares);

**“the Stock Exchange”** means The Stock Exchange of Hong Kong Limited;

**“summary financial report”** shall mean **“summary financial report”** as defined in section 2(~~4357~~(1)) of the Ordinance; and

**“in writing”** and **“written”** includes any method of representing or reproducing words in a legible and non-transitory form including by way of electronic communication.

- (b) In these Articles, if not inconsistent with the subject or context, words importing the singular number only shall include the plural number and vice versa, words importing any gender shall include all other genders, and any references to persons include partnerships, firms and corporations (acting, where applicable, by their duly authorised representatives).
- (c) Subject as aforesaid, any words or expressions defined in the Ordinance (excluding any statutory modification thereof not in force when these Articles become binding on the Company) shall, if not inconsistent with the subject or context, bear the same meaning in these Articles save that “company” shall where the context permits include any company incorporated in Hong Kong or elsewhere.
- (d) References to an Article by number are to the particular Article of these Articles.
- (e) Where for any purpose an ordinary resolution of the Company is required, a special resolution shall also be effective.
- (f) The headings and any marginal notes are inserted for convenience only and shall not affect the construction of these Articles.
- (g) References to a document being executed include references to its being executed (i) under hand or under seal or (ii) to the extent permitted by and in accordance with any applicable law, by electronic signature or any other method. References to a document include, to the extent permitted by and in accordance with applicable law, references to any information recorded in visible form whether having physical substance or not. References to an address include, in relation to electronic communications, any number or address used for the purposes of such communications.

- (h) References to a “day” mean a period of 24 hours running from midnight to midnight. References to times (including in the previous sentence) are to Hong Kong time.

### THE OFFICE

3. The Office shall be at such place in the territory of Hong Kong as the Directors shall from time to time appoint.

### SHARES

4. Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, repayment or redemption of share capital or otherwise, as the Company may from time to time by ordinary resolution determine or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine.
5. Subject to the provisions of the Ordinance, the Directors may issue warrants (other than share warrants to bearer) to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine. ~~Where warrants are issued to bearer, no new warrant shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original has been destroyed and the Company has received such indemnity as the Directors shall think fit.~~
6. Save as provided by contract or the Ordinance or these Articles to the contrary, ~~all unissued shares shall be at the disposal of the Directors, who may offer, allot, grant options over, rights to subscribe for or to convert any security into any class of shares of the Company or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally upon such terms and conditions, as they shall in their absolute discretion think fit. No shares shall be issued at a discount except in accordance with the provisions of the Ordinance.~~
- 7.
- (a) The Company may exercise any powers conferred or permitted by the Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares and warrants (including any redeemable shares) or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company and should the Company purchase or otherwise acquire its own shares or warrants neither the Company nor the Board shall be required to select the shares or warrants to be purchased or otherwise acquired ratably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the Securities and Futures Commission from time to time in force;
- (b) Subject to the Ordinance, any share may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the Company or the holder thereof is liable, to be redeemed.

8. Except as otherwise expressly provided by these Articles or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share on any trust, and, except as aforesaid, the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or in any fractional part of a share, or any other right or claim to or in respect of any share except an absolute right to the entirety thereof of the registered holder.
9. The Company may in connection with the issue of any shares exercise all powers of paying interest out of capital and of paying commission and brokerage conferred or permitted by the Ordinance and subject to the provisions of the Ordinance any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.
10. No person shall become a member until his name shall have been entered in the Register.

### **PREFERENCE SHARES**

10A. The rights and restrictions attaching to the Preference Shares are as follows and shall prevail over any inconsistency with any other provisions of these Articles:

(a) **Definitions and Interpretation**

“Additional Dividend Amount” has the meaning given to it in Article 10A(c)(v);

“Arrears of Dividends” has the meaning given to it in Article 10A(c)(v);

“designated account” means the Hong Kong dollar account maintained by or on behalf of a Preference Shareholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment;

“Distributable Items” means the amounts available to the Company for distribution as a distribution or dividend to its shareholders as at the date to which the Company’s 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);

“Dividend” means the cumulative preferential dividend payable pursuant to Article 10A(c);

“Dividend Payment Date” has the meaning given to it in Article 10A(c)(iii);

“Dividend Period” means the period beginning on and including the Issue Date and ending on but excluding the next succeeding Dividend Payment Date and each successive period beginning on and including a Dividend Payment Date and ending on but excluding the next succeeding Dividend Payment Date;

“Dividend Rate” has the meaning given to it in Article 10A(c)(ii);

“First Step-up Date” has the meaning given to it in Article 10A(c)(ii);

“Issue Date” means the date of first issue of the Preference Shares;

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

“Liquidation Amount” in respect of each Preference Share means HK\$100;

“ordinary shares” means fully paid ordinary shares of the Company of the class listed on the Stock Exchange as at the date of adoption of this Article 10A, which as between themselves



have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation of the Company;

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

“Payment Business Day” means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and Hong Kong;

“preference share certificates” means registered certificates representing the Preference Shares, each of which shall represent the entire holding of Preference Shares by the same Preference Shareholder;

“Preference Shareholder(s)” means the holder(s) of Preference Shares whose name(s) are entered in the Register as the holder of such preference shares;

“Preference Shareholding Record Date” means, in relation to payment of any amounts by way of Dividend or Liquidation Amount in respect of the Preference Shares, the third business day (being a day on which banks are open for business in Hong Kong) before the due date for such payment;

“Second Step-up Date” has the meaning given to it in Article 10A(c)(ii);

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

“Third Step-up Date” has the meaning given to it in Article 10A(c)(ii); and

“Winding Up” means proceedings in respect of the Company for liquidation, dissolution, insolvency or other similar proceedings in respect of the Company.

**(b) Ranking**

In the event of the Winding Up of the Company, the rights and claims of the holders in respect of the Preference Shares 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.

On such Winding Up of the Company, the surplus assets of the Company remaining after payment to all creditors and holders of Senior Preferred Obligations shall be applied to the claims of the Preference Shareholders and the claims of the Preference Shareholders shall rank *pari passu* with the claims of holders of any Parity Obligations in all respects and in priority to the claims of holders of Junior Obligations. On such Winding Up of the Company, the Preference Shareholders shall be entitled to an amount in respect of each Preference Share which will be equal to the Liquidation Amount, together with any unpaid Dividends (including any Arrears of Dividend or any Additional Dividend Amount).

If there are insufficient surplus assets upon such Winding Up of the Company to cover the amounts payable in full on the Preference Shares and all Parity Obligations, the Preference Shareholders and the holders of such Parity Obligations will share rateably in the distribution of such surplus assets (if any) of the Company in proportion to the full amounts to which they are respectively entitled.

After receipt of the full amounts to which the Preference Shareholders are entitled on a Winding Up of the Company, such Preference Shareholders will have no right or claim to any of the Company's surplus assets.

(c) **Dividends**

(i) Dividends

Subject as provided in this Article 10A(c), each Preference Share shall entitle the holder thereof to receive out of the Distributable Items of the Company, in priority to the payment of any dividend to holders of Junior Obligations, Dividends at the Dividend Rate in accordance with this Article 10A(c), payable semi-annually in arrear.

(ii) Dividend Rate

The Preference Shares will accrue Dividends at the rate (the “**Dividend Rate**”) of:

(A) 3.00 per cent. per annum from and including the Issue Date to but excluding the date falling three years from the Issue Date (the “**First Step-up Date**”);

(B) 5.00 per cent. per annum from and including the First Step-up Date to but excluding the date falling four years from the Issue Date (the “**Second Step-up Date**”);

(C) 7.00 per cent. per annum from and including the Second Step-up Date to but excluding the date falling five years from the Issue Date (the “**Third Step-up Date**”); and

(D) 9.00 per cent. per annum from and including the Third Step-up Date.

(iii) Dividend Payment Dates

Each Dividend will be payable, subject as provided in this Article 10A(c), semi-annually in arrear on (i) each date falling six months from the Issue Date or each anniversary of the Issue Date, as the case may be (which date shall, for the avoidance of doubt, fall on the same day of the month as the Issue Date) and (ii) each anniversary of the Issue Date (each, a “**Dividend Payment Date**”). If any Dividend Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. In this Article 10A(c)(iii), the expression “**business day**” means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Hong Kong dollar payments in Hong Kong.

(iv) Calculation of Dividend Amount

Dividends in respect of each Preference Share for a Dividend Period shall be calculated by multiplying the applicable Dividend Rate by the Liquidation Amount of such Preference Share and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

When Dividends are required to be calculated in respect of a period of less than a full Dividend Period, the Dividends payable for such period for each Preference Share shall be equal to the product of the applicable Dividend Rate, the Liquidation Amount of such Preference Share and the actual number of days in the Dividend Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(v) Conditions to Distribution of Dividends

Dividends shall be paid if and so far as, in the opinion of the Directors, the Distributable Items of the Company justify such payment, and subject to: (i) the amount of the Company'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 the Company's net assets to an amount less than that aggregate.

No payment of Dividend on the Preference Shares can be made unless the Company has sufficient Distributable Items to cover the Dividend and the Directors resolve to distribute such profits.

Any Dividends not paid on the Preference Shares shall accumulate and constitute "Arrears of Dividend". 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 this Article 10A(c)(v) and Article 10A(c)(vi) for any reason. There is no limit as to the number of times Dividends and Arrears of Dividend can or shall be deferred pursuant to this Article 10A(c)(v), except that Article 10A(c)(vi) shall be complied with until all outstanding Arrears of Dividends have been paid in full.

Notice shall be given of any non-payment or deferral (in whole or in part) of any Dividend scheduled to be paid to the Preference Shareholders in accordance with these Articles as soon as practicable after the earlier of (i) the date of non-payment or (ii) the date on which the Directors resolve to defer (in whole or in part) such Dividend, as the case may be, and in any event at least three Payment Business Days prior to the relevant Dividend Payment Date, provided that any failure to give such notice shall not affect the accumulation and deferral (in whole or in part) of such Dividend by the Company. The non-payment or deferral (in whole or in part) of any amount of Dividend in accordance with this Article 10A shall not constitute a default for any purpose by the Company.

Each amount of Arrears of Dividend shall be entitled to Dividends at the prevailing Dividend Rate and the amount of such Dividend (the "Additional Dividend Amount") with respect to Arrears of Dividend shall be due and payable pursuant to this Article 10A(c) and shall be calculated by applying the applicable Dividend Rate to the amount of the Arrears of Dividend and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Article 10A(c). The Additional Dividend Amount accrued up to any Dividend Payment Date shall be added (for the purpose of calculating the Additional Dividend Amount accruing thereafter) to the amount of Arrears of Dividend remaining unpaid on such Dividend Payment Date so that it will itself become Arrears of Dividend.

Any partial payment of a Dividend (including any Arrears of Dividend or any Additional Dividend Amount (each as defined below)) by the Company shall be shared by the Preference Shareholders on a *pro rata* basis.

Following receipt of the relevant Dividends (including any Arrears of Dividend or any Additional Dividend Amount) at the prescribed Dividend Rate as set forth in this Article 10A(c), the Preference Shareholders shall not be entitled to receive any distribution of surplus profits of the Company together with the holders of ordinary shares.

(vi) Restrictions Following Non-Payment or Deferral of Dividends

From the day immediately following the non-payment of any Dividend which is otherwise payable under Article 10A(c)(iii), the Company 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 the Company, 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 the Company, 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) the Company being permitted to do so by a special resolution passed at a class meeting of the Preference Shareholders; or
- (iii) the redemption and cancellation of all outstanding Preference Shares.

Provided that no non-payment of Dividend has occurred on any Dividend Payment Date, nothing in this Article 10A shall restrict the Company from making any distribution or dividend in cash or otherwise on any ordinary shares, in each case as permitted by and in accordance with applicable law.

(vii) Satisfaction of Arrears of Dividend by Payment

Subject to compliance with the conditions to the distribution of Dividends set out in Article 10A(c)(v), the Company:

- (A) may satisfy any Arrears of Dividend (in whole or in part) at any time by giving notice of such election to the Preference Shareholders in accordance with these Articles at least three Payment Business Days prior to the relevant dividend payment date specified in such notice (which notice is irrevocable and shall oblige the Company to pay the relevant Arrears of Dividend and all Additional Dividend Amounts on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Dividend and any Additional Dividend Amount (in whole but not in part) on the earlier of:
  - (i) the date of redemption of the Preference Shares in accordance with Article 10A(d); and
  - (ii) the date on which an order is made or an effective resolution is passed for the Winding Up of the Company.

(viii) Dividend Accrual

Each Preference Share will cease to accrue Dividends from the due date for redemption unless, upon surrender of the preference share certificate representing such Preference Share, payment of the redemption price in respect of such Preference Share is improperly withheld or refused. In such event, the Dividend on such Preference Share shall, subject as provided in this Article 10A(c), continue to accrue, at the Dividend Rate, from (and including) the due date for redemption to (but excluding) the date of payment of such redemption price. The Preference Shares shall be treated as having been redeemed only after all amounts payable on redemption of the Preference Shares have been paid in full.

(d) **Redemption**

(i) No Other Redemption

The Company will only have the right to redeem the Preference Shares as described in this Article 10A(d).

(ii) Redemption at the Option of the Company

In each case as permitted by and in accordance with applicable law, the Directors may resolve, at any time, on giving not more than 30 nor less than 15 days' notice to the Preference Shareholders (in accordance with these Articles), which notice shall be irrevocable, to redeem all or some only of the Preference Shares. Upon the expiry of such notice, the Company shall be bound to redeem the Preference Shares. The redemption price for each Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Amount plus any unpaid Dividends (including any Arrears of Dividend or any Additional Dividend Amount). If some only of the Preference Shares are redeemed, each Preference Share subject to redemption shall be redeemed in full (including any Arrears of Dividend and any Additional Distribution Amount) and Preference Shares subject to redemption will be allocated *pro rata* to the registered holdings of each Holder.

(iii) Cancellation

All Preference Shares which are redeemed will forthwith be cancelled. Any preference share certificates representing Preference Shares so surrendered for cancellation may not be reissued or resold.

(e) **Voting**

(i) Class Meetings of Preference Shareholders

Preference Shareholders shall be entitled to attend class meetings of Preference Shareholders. The provisions of Article 59 and Articles 62 to 87 shall apply to the conduct of such class meetings.

The Company shall, in accordance with these Articles, notify the Preference Shareholders of any class meeting 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 these Articles is required.

(ii) General Meetings

Subject to the provisions of this Article 10A(e), the provisions of Articles 72 to 81A shall apply in relation to the Preference Shares.

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:

- (A) amendments to these Articles that directly and adversely modify or abrogate any of the special rights and privileges attached to the Preference Shares; or
- (B) the Winding Up of the Company, the amalgamation, reorganisation or restructuring of the Company and its subsidiaries such that the Company 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.

Without prejudice and subject to any other provisions of these Articles relating to class meetings, where Preference Shareholders are 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. The Preference Shares held by, or on behalf of, the Company shall have no voting rights.

The Company shall, in accordance with these Articles, notify the Preference Shareholders of any general meeting convened to pass a resolution in respect of any of the circumstances set out in Articles 10A(e)(ii)(A) to 10A(e)(ii)(B).

No further issue of Preference Shares pursuant to Article 10A(k) or of any other Junior Obligations by the Company shall be deemed to constitute a modification or abrogation of any of the special rights and privileges attached to the Preference Shares.

(f) Payment

Payments in respect of any amount payable by way of Dividend or Liquidation Amount in respect of the Preference Shares will be made by transfer to the designated account of the Preference Shareholder, provided that payment on redemption shall only be made against surrender by such Preference Shareholder of the relevant preference share certificate.

Payments of any amount by way of Dividend or Liquidation Amount in respect of the Preference Shares will be paid to the designated account of the person shown as the Preference Shareholder on the Register at the close of business on the Preference Shareholding Record Date.

Where payment is to be made by transfer to any such bank account, payment instructions (for value on the due date, or if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the later of the due date for payment

and the day on which the relevant preference share certificate is surrendered. Notice of any such change or any change of any specified office shall promptly be given to the Preference Shareholders in accordance with these Articles.

The Preference Shareholders shall not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day. If an amount which is due on the Preference Shares is not paid in full, the Register will be annotated with a record of the amount (if any) in fact paid.

**(g) Pre-emption**

The Preference Shares shall not confer on the holders thereof any pre-emptive subscription rights in relation to issues of further shares in the Company.

**(h) Transfer**

Subject to the provisions of this Article 10A(h), the provisions of these Articles relating to the transfer of shares and share certificates shall apply in relation to the Preference Shares. Registration of transfer of Preference Shares will be effected by or on behalf of the Company but upon payment (or on such indemnity (if any) as the Directors may require) in respect of any taxes levied or other governmental, regulatory or administrative charges which may be charged in relation to such transfer.

No Preference Shareholder may require the transfer of a Preference Share to be registered (a) during the period of 30 days prior to a class meeting of Preference Shareholders or a general meeting in which the Preference Shareholders would be entitled to vote; (b) during the period of five days ending on a Preference Shareholding Record Date; or (c) during the period of 15 days ending on the due date for any payment of Liquidation Amount or Dividend in respect of the Preference Shares.

**(i) Prescription**

The provisions of Article 149 shall apply to the prescription of claims in respect of the Preference Shares.

**(j) Replacement of Preference Share Certificates**

The provisions of Article 14 shall apply to the replacement of preference share certificates.

**(k) Further Issues**

The Company may from time to time create and issue further Preference Shares ranking as regards participation in the profits and assets of the Company equally in all respects with the Preference Shares and so that any such further Preference Shares may be denominated in any currency and may carry as regards participation in the profits and assets of the Company rights identical in all respects to those attaching to the Preference Shares.

**(l) Notices**

The provisions of Articles 167 to 176 shall apply to the giving of notices to Preference Shareholders.

**JOINT HOLDERS OF SHARES**

11. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following provisions:-
- (a) the Company shall not be bound to register more than four persons as the holders of any shares except in the case of the legal personal representatives of a deceased member;
  - (b) the joint holders of any shares shall be liable severally as well as jointly in respect of all calls or other payments which ought to be made in respect of such shares;
  - (c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Directors may require such evidence of death as they may deem fit;
  - (d) any one of such joint holders may give effectual receipts for any dividend, bonus or return of capital or other moneys payable to such joint holders in respect of such shares; and
  - (e) the Company shall be at liberty to treat the person whose name stands first in the Register as one of the joint holders of any shares as solely entitled to delivery of the certificate relating to such shares, or to receive notices from the Company, or to attend or vote at general meetings of the Company, and any notice given to such person shall be deemed sufficient notice to all the joint holders; but any one of such joint holders may be appointed the proxy of the persons entitled to vote on behalf of such joint holders, and as such proxy to attend and vote at general meetings of the Company, but if more than one of such joint holders be present at any meeting personally or by proxy that one so present whose name stands first in the Register in respect of such shares shall alone be entitled to vote in respect thereof.

**SHARE CERTIFICATES**

12. Every person whose name is entered as a holder of any shares in the Register shall be entitled to receive within such time as may from time to time be prescribed by the Stock Exchange (or within such other period as the terms of issue shall provide) upon payment, in the case of a transfer, of such sum as may be permitted under the rules prescribed by the Stock Exchange, certificates each for one Stock Exchange board lot or multiple thereof and one for the balance (if any) of the shares in question or, if he shall so request, one certificate for all those shares of any one class held by him, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.
13. Every share certificate shall be issued under the Seal and shall specify the number and class of shares, and, if required, the distinctive numbers thereof, to which the certificate relates, and the amount paid up thereon. If at any time the share capital of the Company is divided into different classes of shares, every share certificate shall comply with Section ~~57A~~179 of the Ordinance. A share certificate shall relate to only one class of shares.
14. Subject to the provisions of the Ordinance, if any share certificate shall be worn out, defaced, destroyed or lost, it may be replaced upon payment of such fee as may from time to time be permitted under the rules prescribed by the Stock Exchange and on such evidence being



produced and on such indemnity (if any) being given as the Directors shall require, and, in case of wearing out or defacement, after delivery up of the old certificate. In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company any exceptional costs and the reasonable out-of-pocket expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of such indemnity.

#### **LIEN**

15. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a date fixed by or in accordance with the terms of issue of such share, in respect of such share, and the Company shall also have a first and paramount lien on every share (not being a fully paid share) standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice having been given to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have already arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and other person, whether a member or not. The Company's lien on a share shall extend to all dividends and distributions payable thereon. The Directors may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be wholly or in part exempt from the provisions of this Article.
16. The Company may sell, in such manner as the Directors think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death, bankruptcy or winding-up or otherwise by operation of law or court order.
17. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or discharge of the debt or liability in respect whereof the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale and upon surrender, if required by the Company, of the certificate for the shares sold) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Directors may authorise some person to transfer the shares so sold to the purchaser thereof and may enter the purchaser's name in the Register as the holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by an irregularity or invalidity in the proceedings relating to the sale.

#### **CALLS ON SHARES**

18. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares, ~~whether on account of the nominal value of the shares or by way of premium,~~ but subject always to the terms of issue of such shares, and any such call may be by instalments.

19. Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place for payment, pay to the Company the amount called on his shares and at the time or times and place so specified. The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, any of the members shall not invalidate the call. Notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the members by notice to be inserted once in the Hong Kong Government Gazette and by advertisement in at least one leading English language daily newspaper and at least one leading Chinese language daily newspaper circulating in Hong Kong. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made.
20. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked, varied or postponed as to all or any of the members liable therefor as the Directors may determine.
21. If any sum called in respect of any shares or any instalment of a call be not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for the payment of such call or instalment to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors may, if they shall think fit, waive the payment of such interest wholly or in part.
22. Any sum which, by the terms of issue of a share, becomes payable upon allotment or in accordance with such terms of issue at any fixed time, ~~whether on account of the nominal amount of the shares or by way of premium~~, shall for all purposes of these Articles be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Articles as to payment of interest, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified. The Directors may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.
23. The Directors may, if they shall think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so paid in advance the Directors may (until the same would, but for such payment in advance, become presently payable) pay interest at such rate, not exceeding (unless the Company by ordinary resolution shall otherwise direct) 15 per cent. per annum, as may be agreed upon between the Directors and the member paying the moneys in advance.
24. On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is recorded in the Register as the holder, or as one of the holders, of the shares in respect of which such money is due; that the resolution making the call is duly recorded in the minute books of the Company; and that notice of such call was duly given (or deemed to have been duly given) to the member sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence that the money is due.
25. No member shall, unless the Directors otherwise determine, be entitled to receive any dividend, or to receive notice of or to be present or vote at any general meeting, either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other privilege as a member unless and until he shall have paid all calls or other sums for the time

being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

### **FORFEITURE OF SHARES**

26. If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time thereafter, during such time as any part of the call or instalment remains unpaid, serve a notice on the holder of such share requiring payment of so much of the call or instalment as is unpaid together with interest accrued and any expenses incurred by reason of such non-payment.
27. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which such call or instalment or part thereof and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Office, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call or instalment is payable will be liable to forfeiture.
28. If the requirements with regard to payment of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all dividends declared in respect of the shares so forfeited, but not actually paid before such forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Articles to forfeiture shall include surrender.
29. Any shares so forfeited shall become the property of the Company, and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner and at such times as the Directors think fit. For the purpose of giving effect to any such sale or other disposition the Directors may authorise the transfer of the shares so sold or otherwise disposed of to the purchaser thereof or to any other person becoming entitled thereto. The Directors shall account to a person whose shares have been forfeited with any balance of moneys held by the Company and belonging to that person after deduction of expenses of forfeiture, sale or disposal of the shares and any other amount or amounts due to the Company in respect of the shares.
30. The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.
31. A person whose shares have been forfeited shall thereupon cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at the rate fixed by the terms of issue of the shares or, if no such rate is fixed, at the rate of 15 per cent. per annum (or such lower rate as the Directors may determine), and the Company may enforce the payment thereof without being under any obligation to make any reduction or allowance for the value of the shares at the date of forfeiture or for any consideration received on their disposal. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is

subsequent to the date of forfeiture, ~~whether on account of the nominal value of the share or by way of premium,~~ shall notwithstanding that that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

32. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share and an entry of such notice having been given and of the forfeiture with the date thereof shall be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.
33. Notwithstanding any such forfeiture as aforesaid the Directors may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be redeemed by the former shareholders upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the shares, and upon such further terms (if any) as they think fit.
34. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.
35. A statutory declaration that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall constitute a good title to the share. Subject to the execution of any necessary transfer the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money or other consideration (if any), nor shall his title to the share be affected by any act, omission, irregularity or invalidity relating to or in connection with the proceedings in reference to the forfeiture, surrender, sale, re-allotment or disposal of share.

#### **TRANSFER OF SHARES**

36. Subject to such of the restrictions contained in these Articles as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Directors may approve.
37. The instrument of transfer of a share shall be in writing and shall be executed by or on behalf of the transferor and the transferee. The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
38. Every instrument of transfer shall be lodged for registration accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require to show the right of the transferor to make the transfer. All instruments of transfer which shall be registered shall be retained by the Company but, save where fraud is suspected, any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.

39. There shall be paid to the Company in respect of the registration of a transfer and of any Grant of Probate or Letters of Administration, Certificate of Marriage or Death, Power of Attorney or other document relating to or affecting the title to any share or for making any entry in the Register affecting the title to any share such fee as may from time to time be permitted under the rules prescribed by the Stock Exchange.
40. The registration of transfers may be suspended, and the Register closed at such times and for such periods, as the Directors may, in accordance with Section ~~99~~632 of the Ordinance, from time to time determine either generally or in respect of any class of shares.
41. The Directors may at any time in their absolute discretion, and without assigning any reason therefor, decline to register any share (not being a fully paid share).
42. The Directors may also decline to register any instrument of transfer unless:-
- (a) the instrument of transfer is in respect of only one class of share;
  - (b) the instrument of transfer is properly stamped;
  - (c) in the case of a transfer to joint holders, the number of transferees does not exceed four;
  - (d) the shares concerned are free of any lien in favour of the Company; and
  - (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied.
43. No transfer shall be made to a minor or to a person of unsound mind or under other legal disability.
44. If the Directors decline to register any transfer they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to the transferee notice of the refusal as required by Section ~~69~~151(2)(b) of the Ordinance.

#### **TRANSMISSION OF SHARES**

45. In the case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder, whether sole or joint, from any liability in respect of any share solely or jointly held by him.
46. Any person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order may, upon producing such evidence of his title as the Directors may require, elect either to be registered himself as the holder of the shares concerned or to have some person nominated by him registered as the transferee thereof.
47. If the person becoming so entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered, he shall execute an instrument of transfer to that person. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as if the same were a transfer of shares by a member, and the death or bankruptcy of the member or other event giving rise to the transmission had not occurred.

48. A person becoming entitled to a share in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall (upon such evidence being produced as may from time to time be required by the Directors as to his entitlement) be entitled to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled to receive notice of or, subject to Article 79, to attend or vote at meetings of the Company, or, save as aforesaid, to any of the rights or privileges of a member in respect of the share, unless and until he shall be registered as the holder thereof. The Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within sixty days, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

### **STOCK**

49. ~~The Company may from time to time by ordinary resolution convert any fully paid-up shares into stock and may reconvert any stock into fully paid-up shares of any denomination. After the passing of any resolution converting all the fully paid-up shares of any class into stock, any shares of that class which subsequently become fully paid-up and rank pari passu in all other respects with such shares shall, by virtue of this Article and such resolution, be converted into stock transferable in the same units as the shares already converted.~~
50. ~~The holders of stock may transfer the same or any part thereof, in the same manner and subject to the same regulations, as and subject to which the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances admit. The Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of such minimum, but the minimum shall not, without the sanction of an ordinary resolution of the Company, exceed the nominal amount of each of the shares from which the stock arose.~~
51. ~~The holders of stock shall, according to the amount of the stock held by them, have the same rights and be subject to the same provisions of these Articles as if they held the shares from which the stock arose, but no such right (except as to participation in dividends and in assets on a reduction of capital or a winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such right.~~
52. ~~Such of these Articles as are applicable to fully paid-up shares shall apply mutatis mutandis to stock.~~
49. (deleted)
50. (deleted)
51. (deleted)
52. (deleted)

### **INCREASE OF CAPITAL**

53. The Company may, from time to time, by ordinary resolution increase its share capital by such sum divided into shares of such amounts as the resolution shall prescribe.
54. Subject to the Ordinance, the Company may, by the resolution increasing the capital, direct that the new shares or any of them shall be offered, in the first instance to all the holders for the

time being of any class of shares in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, and Article 6 shall apply thereto.

55. Subject to any direction or determination that may be given or made in accordance with the powers contained in these Articles, all new shares created pursuant to Article 53 shall be subject to the same provisions herein contained with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise.

#### **ALTERATIONS OF SHARE CAPITAL**

56. The Company may from time to time by ordinary resolution:-
- (a) ~~subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; or~~
  - (b) ~~consolidate and divide its capital or any part thereof into shares of larger amount than its existing shares; or~~
  - (c) ~~cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised capital by the amount of the shares so cancelled.~~
57. Subject to the provisions of the Ordinance, the Company may by special resolution reduce its share capital, ~~any capital redemption reserve fund or any share premium account~~ in any manner.
58. Where any difficulty arises in regard to any consolidation and division under paragraph (b) of Article 56, the Directors may settle the same as they think fit and in particular may issue fractional certificates or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale either in due proportion amongst the members who would have been entitled to the fractions or to the Company for the Company's benefit, and for this purpose the Directors may authorise some person to transfer the shares representing fractions to or in accordance with the directions of the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

#### **MODIFICATION OF RIGHTS**

59. Subject to the provisions of the Ordinance, all or any of the special rights or privileges for the time being attached to any class of shares in the capital of the Company may (whether or not the Company is being wound up) be altered or abrogated:-
- (a) in such manner (if any) as may be provided by such rights; or

- (b) in the absence of any such provision, with the consent in writing of the holders of not less than three-fourths ~~in nominal value of the issued total~~ voting rights of holders of shares of ~~in~~ the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class, and all the provisions contained in these Articles relating to general meetings shall mutatis mutandis apply to every such meeting, but so that the quorum thereof shall be not less than one or more persons holding or representing by proxy one-third ~~in nominal value of the issued total~~ voting rights of holders of shares of ~~in~~ the class, that each holder of shares of the class present in person or by proxy shall on a poll be entitled to one vote for every share of the class held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of such holders any holder of the shares of the class present in person or by proxy (whatever the number of shares held by him) shall be a quorum.
60. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.
61. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

#### GENERAL MEETINGS

62. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held at such time ~~(within a period of not more than fifteen months, or such longer period as the Registrar of Companies may authorise in writing, after the holding of the last preceding annual general meeting)~~ and place as may be determined by the Directors, and in accordance with the provisions of the Ordinance. All other general meetings shall be called extraordinary general meetings.
63. The Directors may whenever they think fit and shall, on requisition in accordance with the Ordinance, convene an extraordinary general meeting.
- 63A. If the Board considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The Board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in at least one English language newspaper and one Chinese language newspaper in Hong Kong. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, the appointment of a proxy will be valid if it is received as required by these Articles not less than 48 hours before the time appointed for holding the rearranged meeting. The Board may also postpone or move the rearranged meeting under this Article.

#### NOTICE OF GENERAL MEETINGS

64. An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than twenty-one days' notice in writing and any other general meeting by not



less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of the meeting; ~~and, in the case of special business, the general nature of that the business to be dealt with at the meeting.~~ The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are under these Articles entitled to receive such notices from the Company. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

65. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in these Articles or required by the Ordinance, it shall be deemed to have been duly called if it is so agreed:-
- (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
  - (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority ~~together holding not less than~~ representing at least 95 per cent. in nominal value of the total voting rights of holders of the shares giving that right.
66. The accidental omission to give notice of a meeting or (in case where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

#### PROCEEDINGS AT GENERAL MEETINGS

67. ~~All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of:-~~
67. ~~(deleted)~~
- (a) ~~the declaration and sanctioning of dividends;~~
  - (b) ~~the consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the accounts;~~
  - (c) ~~the election of Directors in place of those retiring (by rotation or otherwise);~~
  - (d) ~~the appointment or re-appointment of the Auditors where special notice of the resolution for such appointment is not required by the Ordinance; and~~
  - (e) ~~the fixing of, or the determination of the method of fixing, the remuneration of the Directors and the Auditors.~~
68. No business save the election of a chairman of the meeting shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Save as otherwise provided by these Articles three members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

69. If, within half an hour from the time appointed for the meeting, a quorum be not present, the meeting, if convened upon requisition in accordance with the Ordinance, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the chairman of the meeting may determine. If at such adjourned meeting a quorum be not present within half an hour from the time appointed for the meeting, the member or members present in person or by proxy shall be a quorum and may transact the business for which the meeting was called.
70. The Chairman (if any) of the Board or, in his absence, a Deputy Chairman (if any) shall preside as chairman at every general meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within fifteen minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to act as chairman, the persons present and entitled to vote shall elect one of their number to be chairman of the meeting.
71. The chairman of any general meeting at which a quorum is present may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place or sine die; but no business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place unless due notice thereof is given or such notice is waived in the manner prescribed by these Articles. When a meeting is adjourned for thirty days or more or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or the business to be transacted thereat. Where a meeting is adjourned sine die the time and place for the adjourned meeting shall be determined by the Directors.

### VOTING

72. ~~At~~ Subject to the rules prescribed by the Stock Exchange from time to time, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the provisions of the Ordinance, a poll may be demanded by:-
- (a) the chairman of the meeting; or
  - (b) at least three members present in person or by proxy and entitled to vote at the meeting; or
  - (c) any member or members present in person or by proxy and representing in the aggregate not less than ~~one-tenth~~ five per cent. of the total voting rights of all members having the right to attend and vote at the meeting; ~~or~~
  - (d) ~~any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.~~

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority

or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute books of the Company shall be conclusive evidence of the fact without proof of the number of the votes recorded for or against such resolution.

73. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded, and it may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is the earlier.
74. A poll demanded upon the election of a chairman or upon a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time (being not later than thirty days after the date of the demand) and place and in such manner as the chairman of the meeting shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was demanded.
75. In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote.
76. Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing sent by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.

#### **VOTES OF MEMBERS**

77. Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every fully paid up share of which he is the holder.
78. On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
79. Any person entitled under Article 46 to be registered as a shareholder may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided either that the Directors shall have previously admitted his right to vote at such meeting in respect thereof or that not less than 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote he shall have satisfied the Directors of his right to be registered as the holder of such shares.
80. A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so on his behalf and such person may, on a poll, vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be delivered at the Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than the last time at which a valid instrument of proxy could be so delivered.

81. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting or poll at which the vote objected to is given or tendered, and every vote not disallowed at such meeting or poll shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
- 81A. If any member is required under the Listing Rules to abstain from voting on any particular resolution or to vote only for or only against any particular resolution, any vote cast by or on behalf of such member in contravention of such requirement shall not be counted.

### PROXIES

82. Any member entitled to attend and vote at a general meeting shall be entitled to appoint another person (who need not be a member of the Company) as his proxy to attend and vote instead of him. A member may appoint separate proxies to represent respectively such number of the shares held by him as may be specified in the instruments appointing them.
83. The instrument appointing a proxy:-
- (a) shall be in any usual or common form or in any other form which the Directors may approve;
  - (b) shall be deemed to confer authority upon the proxy to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit provided that any form issued to a member for use by him for appointing a proxy to attend and vote at ~~an extraordinary a general meeting or at an annual general meeting at which special business (determined as provided in Article 67)~~ is to be transacted shall be such as to enable the member, according to his intention, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution ~~dealing with any such special business~~; and
  - (c) unless the contrary is stated therein, shall be valid as well for any adjournment of the meeting as for the meeting to which it relates.
84. The instrument appointing a proxy shall be in writing under the hand of the appointor, or his duly authorised attorney in writing, or if such appointor be a corporation, then either under its common seal, or signed by some officer, attorney or other person duly authorised in that behalf.
85. The instrument appointing a proxy and, if required by the Directors, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office or at such other place as is specified in the notice of meeting or in any instrument of proxy issued by the Company, in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or ~~taking~~, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll at which the person named in such instrument proposes to attend and vote; otherwise the person so named shall not be entitled to attend the meeting and to vote in respect thereof. In calculating the above-mentioned periods, no account is to be taken of any part of a day that is a public holiday. No instrument appointing a proxy shall be valid except for the meeting mentioned therein and any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.

86. A vote given or poll demanded in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or mental disorder of the principal, or the revocation of the instrument of proxy or power of attorney or of the authority of the person voting or demanding a poll, or the transfer of the shares in respect of which the vote is given, unless intimation in writing of the death, mental disorder, revocation or transfer shall have been received at the Office, or such other place as is referred to in Article 85, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting or the taking of the poll at which the vote is given.
87. Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company, or at any meeting of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company; references in these Articles to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised representative.

#### **DIRECTORS**

88. Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be subject to any maximum limit but shall not be less than three.
89. A Director shall not be required to hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings of the Company and of any class of members of the Company.

#### **APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS**

90. Subject to the provisions of these Articles and the Ordinance, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.
91. The Directors shall have power at any time and from time to time to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.
92. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or pursuant to the provisions of Article 123 as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number.
93. All Directors shall retire at the third annual general meeting following their election by ordinary resolution. A retiring Director shall be eligible for re-election.
94. Subject to the provisions of these Articles, the Company at the meeting at which a Director retires in manner aforesaid may fill the vacated office by electing a person thereto and in default the retiring Director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it shall be expressly resolved not to fill such vacated office or

unless a resolution for the re-election of such Director shall have been put to the meeting and lost.

95. No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless during a period of seven days commencing on and including the day after the despatch of the notice of the meeting there shall have been left at the Office notice in writing signed by some member (not being the person to be proposed) duly entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by that person of his willingness to be elected.
96. The Company may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between him and the Company (but without prejudice to any claim which such Director may have for damages for any breach of any contract of service between him and the Company) and may, if thought fit, by ordinary resolution, appoint another person in his stead.

#### **DISQUALIFICATION OF DIRECTORS**

97. Without prejudice to the provisions for retirement by rotation hereinafter contained, the office of a Director shall be vacated if:-
- (a) he becomes bankrupt or has a receiving order made against him or makes any arrangement or composition with his creditors generally;
  - (b) he becomes of unsound mind or a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated;
  - (c) he absents himself from the meetings of the Board during a continuous period of six months without special leave of absence from the Board, and his Alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;
  - (d) he becomes prohibited by law from being a Director;
  - (e) he ceases to be a Director by virtue of the Ordinance or is removed from office pursuant to these Articles;
  - (f) he is requested by notice in writing by all his co-Directors to resign;
  - (g) having been appointed to an office under Article 120, he is dismissed or removed therefrom pursuant to that Article; or
  - (h) by notice in writing delivered to the Office he resigns his office.
98. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person shall be ineligible for appointment as a Director, by reason only of his having attained any particular age.

#### **ALTERNATE DIRECTORS**

99. Each Director may at any time appoint any person to act as his Alternate Director in his place during his absence and may at his discretion remove from office any such Alternate Director. If such person is not another Director, such appointment, unless previously approved by the

Directors, shall have effect only upon and subject to being so approved. Any appointment or removal of an Alternate Director shall be effected by an instrument in writing delivered at the Office and signed by the Director appointing or removing the Alternate Director. An Alternate Director shall (if his appointor so requests and except when absent from Hong Kong, for which purpose he shall be deemed absent from Hong Kong on any day if he has given to the Secretary notice of his intention to be absent from Hong Kong for any period including such day and has not revoked such notice) be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a Director.

100. Every person acting as an Alternate Director shall have one vote for each Director he represents, in addition to his own vote if he is a Director, but he shall not be counted more than once in the quorum. If his appointor is for the time being absent from Hong Kong or otherwise not available, his signature to any resolution in writing of the Directors shall be effective as the signature of his appointor. To such extent as the Directors may from time to time determine with regard to any committees of the Directors, the foregoing provisions of this Article shall also apply mutatis mutandis to any meeting of any such committee of which his appointor is a member. An Alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles.
101. An Alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director, but he shall not be entitled to receive from the Company in respect of his appointment as Alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.
102. An Alternate Director shall ipso facto cease to be an Alternate Director if his appointor ceases for any reason to be a Director provided that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment made by him pursuant to Article 99 which was in force immediately before his retirement shall remain in force as though he had not retired.

#### **DIRECTORS' REMUNERATION AND EXPENSES**

103. The Directors shall be entitled to receive remuneration by way of fees for their services such sum as the Board shall from time to time determine (not exceeding such aggregate sum as the Company in general meeting shall from time to time authorise) such sum, unless otherwise directed by the resolution by which it is voted, to be divided amongst the Directors in such proportions and in such manner as the Board may agree and, failing agreement, equally except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees.
104. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as

Directors, including their expenses of travelling to and from Board meetings, committee meetings, general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

105. If by arrangement with the Board any Director goes or resides outside the jurisdiction in which he normally resides for any purposes of the Company or performs any services which in the opinion of the Board go beyond his ordinary duties as a Director, the Board may pay him special remuneration as the Board may determine in addition to any fees or ordinary remuneration as a Director, and such special remuneration may be made payable by lump sum or by way of salary, commission, participation in profits or otherwise as may be arranged.
106. Notwithstanding the foregoing Articles 103, 104 and 105, the remuneration of a Managing Director, Joint Managing Director, Deputy Managing Director or other Executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be made payable by way of salary, commission, participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to his fees or ordinary remuneration as a Director.

#### **POWERS OF DIRECTORS**

107. The business of the Company shall be managed by Directors who, in addition to the powers and authorities by these Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not by the Ordinance or by these Articles expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Ordinance and of these Articles and to any regulations from time to time made by the Company in general meeting, being not inconsistent with such provisions or these Articles, provided that no regulations so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general power given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.
108. The Directors may from time to time appoint a general manager, a manager or managers of the Company and may fix his, its or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and may pay expenses reasonably incurred in respect of any of the staff of the general manager, manager or managers who may be employed by him or them upon the business of the Company. The appointment of such general manager, manager or managers may be for such period as the Directors may decide and the Directors may confer upon him or them all or any of the powers of the Directors as they may think fit. The Directors may enter into such agreement or agreements with any such general manager, manager or managers upon such terms and conditions in all respects as the Directors may in their absolute discretion think fit, including a power for such general manager, manager or managers to appoint an assistant manager or managers or other employees whatsoever under them for the purpose of carrying on the business of the Company.



109. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents for the Company, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Directors (other than their powers to make calls and to forfeit shares), with power to sub-delegate, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
110. The Directors may from time to time and at any time by power of attorney or otherwise appoint any company, firm, partnership or person to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.
111. Subject to and to the extent permitted by the Ordinance, the Company, or the Directors on behalf of the Company, may cause to be kept in any territory a branch register of members for such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such branch register.
112. All cheques, promissory notes, draughts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time determine.
113. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Debentures, debenture stocks, bonds and other securities of the Company may be made assignable free from any equities between the Company and the person to whom the same may be issued, and may be issued ~~at a discount, premium or otherwise~~ and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
114. The Directors shall cause a proper register to be kept, in accordance with the provisions of the Ordinance, of all mortgages and charges affecting the property of the Company and shall duly comply with the requirements of the Ordinance in regard to the registration of mortgages and charges therein specified and otherwise. If the Company issues a series of debentures or debenture stock not transferable by delivery, the Directors shall cause a proper register to be kept of the holders of such debentures in accordance with the provisions of the Ordinance. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members or otherwise, to obtain priority over such prior charge.

**DIRECTORS' INTERESTS**

115. Subject to the provisions of the Ordinance, no Director, Alternate Director or intended Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director is a member or otherwise in any way directly or indirectly interested be liable on that account to be avoided, nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, but a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall, if his interest in the contract or arrangement or proposed contract or arrangement is material, declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general notice to the Board by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm or (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.
116. A Director shall not vote or be counted in the quorum in respect of any board resolution approving any contract or arrangement or proposed contract or arrangement in which he or any of his associates is materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to:-
- (a) any contract or arrangement or proposed contract or arrangement for giving any Director or any of his associates any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries; and/or
  - (b) any contract or arrangement or proposed contract or arrangement for the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself or any of his associates has assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security; and/or
  - (c) any contract or arrangement or proposed contract or arrangement in relation to an offer or invitation of shares or debentures or other securities of or by the Company for subscription or purchase where the Director or any of his associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer or invitation; and/or
  - (d) any contract or arrangement or proposed contract or arrangement with any other company in which he or any of his associates is interested only as an officer of that other company; and/or

- (e) any contract or arrangement or proposed contract or arrangement in relation to or concerning any other company in which the Director or any of his associates is interested, directly or indirectly, as a holder of shares or other securities of that company provided that the aggregate interest of such Director and his associates in such shares or securities is less than five per cent. of such issued shares or securities or the voting rights attaching to such issued shares or securities; and/or
  - (f) any contract or arrangement or proposed contract or arrangement in relation to or concerning the adoption, modification or operation of any employees' share scheme under which the Director or any of his associates may benefit.
117. Any Director may continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company in which the Company may be interested and (unless otherwise agreed) no such Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or about to be appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.
118. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which it may be interested as a vendor, shareholder or otherwise and no such Director shall be accountable for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company.
119. Any Director may act by himself or by his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as the Auditors.

#### **MANAGING DIRECTORS AND OTHER APPOINTMENTS**

120. The Directors may from time to time appoint one or more of their number to be Managing Director, Joint Managing Director or Deputy Managing Director, or to hold such other employment or executive office in the management, administration or conduct of the business of the Company or place of profit under the Company, except that of the Auditors, as they may decide, and for such period (subject to the Ordinance) and upon such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Directors shall think fit, and the Directors may also from time to time revoke or terminate any of such appointments, but without prejudice to any claim for damages for breach of any contract of service between the Company and the Director.

121. A Managing Director or a Joint Managing Director (subject to the provisions of any agreement between him and the Company) shall be subject to the same provisions as to rotation, resignation and removal as the other Directors of the Company, and shall ipso facto and immediately cease to be Managing Director or Joint Managing Director if he shall cease to hold the office of Director.
122. The Directors may, from time to time, entrust to and confer upon any Managing Director, Joint Managing Director, Deputy Managing Director or Director holding any such other employment or executive office in the management, administration or conduct of the business of the Company or other place of profit under the Company, such of the powers exercisable under these Articles by the Directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they may consider fit, and may confer such powers collaterally with, or in addition to, or to the exclusion of, or in substitution for, all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers, but no person dealing in good faith and without notice of such revocation, withdrawal, alteration or variation shall be affected thereby.

#### **PROCEEDINGS OF DIRECTORS**

123. Subject to the provisions of these Articles, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business; a single director shall not constitute a quorum. Until otherwise determined by the Board, three Directors shall constitute a quorum. A Director shall be deemed to be present in person at a meeting and will be entitled to vote and be counted in the quorum if he participates by telephone or any communication equipment or electronic means which allows all persons participating in the meeting to speak to and hear each other. Such meeting will be treated as taking place where most of the participants are or where the chairman of the meeting is if no more than one participant is in each place or if there are two or more places where most of the participants are. Matters to be decided upon at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote. An Alternate Director shall be counted in a quorum but notwithstanding that an Alternate Director is also a Director or is an Alternate Director for more than one Director he shall for quorum purposes count as one Director. A Director may, and the Secretary, on the requisition of a Director, shall, at any time summon a meeting of the Directors.
124. Notice of a meeting of Directors shall be deemed to be duly given to a Director if it is given to him personally in writing or by word of mouth or sent to him at his last known address or any other address given by him to the Secretary for this purpose. A Director who is absent or intending to be absent from Hong Kong may request the Board that notices of Board meetings shall during his absence be sent to an address (inside or outside Hong Kong) given by him to the Company for this purpose but in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from Hong Kong. A Director may consent to short notice of and may waive notice of any meeting and any such waiver may be prospective or retrospective.
125. The Directors may elect a Chairman and one or more Deputy Chairmen of the Board and determine the period (subject to the provisions of these Articles as to rotation of Directors) for

- which he is to hold office. If no such Chairman or Deputy Chairman is elected, or if at any meeting neither the Chairman nor any Deputy Chairman is present within ten minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be chairman of such meeting.
126. A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Directors generally.
127. The Directors may, from time to time, appoint committees consisting of Directors or Alternate Directors or of such other persons as they think fit, and may delegate any of their powers, authorities and discretions to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. Any committee so appointed shall consist of not fewer than two members and, in the exercise of the powers, authorities and discretions so delegated, shall conform to any regulations that may, from time to time, be imposed upon it by the Directors.
128. The meetings and proceedings of any committee appointed under Article 127 shall be governed mutatis mutandis by the provisions of these Articles regulating the meetings and proceedings of the Directors, insofar as the same are not superseded by any regulations made by the Directors under the last preceding Article.
129. All acts done by such committee or by any person acting as a member of that committee in conformity with such regulations, and in fulfilment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect, as if done by the Directors, and the Directors shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company.
130. A resolution in writing signed by each Director presently in Hong Kong (or, subject to Article 99, their respective Alternate Directors), and being not fewer than three in number, or by all the members of a committee signifying each of their unqualified approval to such resolution shall be as effective for all purposes as a resolution of the Directors or, as the case may be, of such committee passed at a meeting duly convened, held and constituted. A written notification of confirmation of such resolution in writing sent by a Director or, as the case may be, committee member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several copies, each signed by one or more Directors, or, as the case may be, committee members.
131. All acts done bona fide by any meeting of the Directors or of a committee of Directors, or by any persons acting as Directors or as members of a committee, shall, notwithstanding that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been duly appointed and was qualified and continued to be a Director or member of such committee.

#### **MINUTES**

132. The Directors shall cause minutes to be duly entered in books provided for the purpose:-
- (a) of all appointments of officers;

- (b) of all the names of the Directors and any Alternate Director present at each meeting of the Directors and of any committee of Directors; and
- (c) of all resolutions and proceedings of general meetings and meetings of the Directors and committees.

Any such minutes of any meeting of the Directors, or of any committee, or of the Company, if purporting to be signed by the chairman of such meeting, or by the chairman of the next succeeding meeting, shall be evidence of the proceedings of such meetings.

### **THE SEAL**

133. The Directors shall provide for the safe custody of the Seal which shall only be used by the authority of the Board or of a committee of the Directors authorised by the Directors in that behalf, and any instrument to which the Seal shall be affixed shall be signed by two Directors or by one Director and the Secretary or by one Director and some other person appointed by the Directors for the purpose: provided that the Directors may either generally or in any particular case or cases resolve (subject to such restrictions as to the manner in which the Seal may be affixed as the Board may determine) that such signatures or any of them may be affixed to certificates for shares or debentures or representing any other form of security by some mechanical means other than autographic to be specified in such resolution or that such certificates need not be signed by any person. Every instrument executed in the manner provided by this Article shall be deemed to be sealed and executed with the authority of the Directors previously given.
134. The Company may have:-
- (a) for use for sealing certificates for shares or other securities issued by the Company and other documents creating or evidencing any such shares or other securities, an official seal which is a facsimile of the common seal with the addition on its face of the word “securities”, and no signature of any director, officer or any other person and no mechanical reproduction thereof shall be required on any such certificate or other document and so that every such certificate or other document to which such official seal is affixed shall be valid and shall be deemed to have been sealed and executed with the authority of the Directors notwithstanding the absence of any such signature or mechanical reproduction as aforesaid; and
  - (b) an official seal for use abroad under the provisions of the Ordinance, where and as the Directors shall determine, and the Company may by writing under the Seal appoint any agent or agents or committee or committees abroad to be the duly authorised agents of the Company for the purpose of affixing and using such official seal and may impose such restrictions on the use thereof as may be thought fit.

### **SECRETARY**

135. The Directors shall appoint a Secretary for such remuneration and upon such conditions as it may think fit, and any Secretary so appointed may be removed by the Board. Anything by the Ordinance or these Articles required or authorised to be done by the Secretary, if the office is vacant or there is for any other reason no Secretary capable of acting, may be done by any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by any officer of the Company authorised generally or specially in that behalf by the Board. In the event that the Secretary appointed is a corporation or other body, it may act and sign by the hand of any one or more of its Directors or officers duly authorised.

136. Any provision of the Ordinance or of these Articles requiring or authorising a thing to be done by a Director and the Secretary shall be not satisfied by its being done by the same person acting both as Director and as, or in place of, the Secretary.

#### **RECORD DATES**

137. Notwithstanding any other provision of these Articles, the Company or the Directors may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made.

#### **DIVIDENDS AND RESERVES**

138. Subject to the provisions of the Ordinance and any special rights, privileges or restrictions for the time being attached to any class or classes or shares, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no such dividend shall exceed the amount recommended by the Directors.
139. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, and all dividends (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purpose of this Article no amount paid up on a share in advance of calls shall be treated as paid up on the share.
140. The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists. The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.
141. No dividend shall be payable except out of profits or reserves available for distribution, and without prejudice to any special rights, privileges or restrictions for the time being attached to any shares or any class of shares, no dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.
142. Any dividend (including an interim dividend) may be declared and/or paid in such currency or currencies as the meeting at which the dividend is declared shall determine. The Directors shall do all acts and things necessary or expedient to give effect to any such declaration including the conversion or reconversion of one or more currencies to another or others and, subject to these Articles, the procedure and provisions for payment as they think fit.
143. The Directors may, if they think fit, from time to time, declare and pay such interim dividends as appear to the Directors to be justified by the position of the Company. If at any time the share capital of the Company is divided into different classes the Directors may declare and pay such ~~interim~~ dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an

interim dividend on any shares having deferred or non-preferred rights. The Directors may also declare and pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the position of the Company justifies the payment.

144. In respect of any dividend proposed to be paid or declared by the Directors or by the Company in general meeting, the Directors may further resolve either:-

- (a) THAT such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid provided that shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the holders of shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
  - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
  - (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in lieu and in satisfaction thereof shares shall be allotted and credited as fully paid to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise and apply out of any part of any of the Company's reserves (including any ~~share premium and undivided profit~~) a sum ~~equal to the aggregate nominal amount~~ as may be required to pay up in full the appropriate number of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the non-elected shares on such basis;

or

- (b) THAT shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the holders of shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
  - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
  - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been



duly exercised (“the elected shares”) and in lieu and in satisfaction thereof shares shall be allotted credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise and apply out of any part of any of the Company’s reserves (including any ~~share premium and undivided profit~~) a sum equal to the aggregate nominal amount as may be required to pay up in full the appropriate number of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of ~~unissued~~ shares for allotment and distribution to and amongst the holders of the elected shares on such basis

and in either such case where the Directors shall resolve that part only of such dividend shall be subject to an election by the shareholders entitled thereto, the Directors may further resolve that the remaining part of such dividend not being subject to election as aforesaid shall be a separate dividend and in that event it shall be deemed to be a separate dividend for all purposes notwithstanding that it shall have originally been regarded as part of such dividend.

145. The shares allotted pursuant to the provisions of Article 144 shall rank respectively pari passu in all respects with shares then in issue save only as regards participation in:-
- (a) the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
  - (b) any other distributions or rights paid, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend

unless, contemporaneously with the announcement by the Directors of their proposal to apply the provisions of sub-clause (a) or (b) of Article 144 in relation to the relevant dividend or contemporaneously with their announcement of the distribution or rights in question, the Directors shall specify that the shares to be allotted pursuant to the provisions of Article 144 shall rank for participation in such distribution or rights.

146. The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation issue pursuant to the provisions of Article 144 with full power to the Directors to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter into, on behalf of all members interested, an agreement with the Company providing for such capitalisation issue and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
147. The Company may upon the recommendation of the Directors by special resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of Article 144 a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
148. The Directors may on any occasion determine that rights of election and the allotment of shares under Article 144 shall not be made available or made to any shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election or the allotment of shares would

- or might be unlawful, and in such event the provisions aforesaid shall be read and construed subject to such determination.
149. All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the Directors and shall revert to the Company. The payment into a separate account of any moneys payable in respect of a dividend shall not constitute the Company a trustee in respect thereof for any person.
150. Notice of any dividend declared shall be given to each member in manner in which notices of general meetings are given to the members.
151. Unless otherwise directed any dividend or other moneys payable in cash or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, in the case of joint holders, to the registered address of that one whose name stands first on the Register in respect of the joint holding, or addressed to such person at such address as the holder or joint holders shall direct. Every cheque or warrant so sent shall be made payable to the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission nor for any dividend or other moneys lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant. Payment of the cheque or warrant by the banker on whom it is drawn shall be a good discharge to the Company.
152. Before recommending or determining a dividend the Directors may set aside any part of the net profits of the Company to one or more reserves, and may apply the same either by employing it in the business of the Company or by investing it in such manner as they shall think fit and the income arising from such reserves shall be treated as part of the profits of the Company. Such reserves may be applied for the purpose of maintaining the property of the Company, replacing wasting assets, meeting contingencies, forming an insurance fund, equalising dividends, paying special dividends, or for any other purpose for which the undivided profits of the Company may lawfully be used, and until the same shall be so applied it shall be deemed to remain undivided profit. The Directors may also resolve to carry forward as undivided profit any profit or balance of profit which they shall not think fit to divide or to place to reserve.
153. The Directors may at any time and from time to time resolve that any reserves or undivided profit representing capital profits arising from the realisation of any capital assets or any investments of the Company be distributed amongst the members on the footing that they receive the same as capital distributions in the proportions in which they would have been entitled to receive the same if it had been distributed in whole or in part by way of dividend.
154. Whenever the Directors or the Company in general meeting have resolved that a dividend or capital distribution be paid, made or declared, the Directors may further resolve that such dividend or capital distribution be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular any shares or securities of any other company, provided always that no distribution shall be made which would amount to a reduction of capital except in the manner provided by law. For the purpose of giving effect to any such distribution as aforesaid the Directors may settle any difficulty which may arise in regard to the distribution as they think fit, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any such specific assets and may determine that cash payments shall be made to any member in

whole or in part upon the footing of the value so fixed and the Directors may vest any such specific assets or cash in trustees as may seem expedient to the Directors.

155. A transfer of shares shall not pass the right to any dividend, capitalisation issue or capital distribution declared, made or paid thereon prior to the date of the registration of the transfer.

#### CAPITALISATION OF RESERVES

156. The Company in general meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company's reserves or of its profit and loss account or otherwise available for distribution (and not required for the payment or provision of the dividend on any shares with a preferential right to dividend) and accordingly that such amount be set free for distribution amongst the members or class of members, who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full ~~unissued~~ shares or debentures or other obligations of the Company to be allotted and distributed credited as fully paid to and amongst such members in the proportion aforesaid, or partly in one way and partly in the other; ~~provided that for the purpose of this Article, any amount standing to the credit of share premium account or capital redemption reserve fund may only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid up shares.~~
157. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the reserves or profits or other amounts resolved to be capitalised thereby, and all allotments and issues of fully paid shares, debentures, or other obligations and generally shall do all acts and things required to give effect thereto.
158. Where any difficulty arises in regard to giving effect to any such resolution as aforesaid, the Directors may settle the same as they think fit, and in particular may issue fractional certificates, and may determine that cash payments shall be made to any members in lieu of fractional certificates or that fractions of such value as the Directors may determine may be disregarded in order to adjust the rights of all parties. The Directors may appoint any person to sign on behalf of the persons entitled to participate in such distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other obligations to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.
159. ~~If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:-~~
- (a) ~~as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the "Subscription Right Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the difference between the subscription price and the~~

~~nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Right Reserve in paying up in full such difference in respect of such additional shares as and when the same are allotted;~~

- ~~(b) the Subscription Right Reserve will not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account and capital redemption reserve fund) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;~~
- ~~(e) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:
  - ~~(i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and~~
  - ~~(ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par;~~~~

~~and immediately upon such exercise so much of the sum standing to the credit of the Subscription Right Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrant holder; and~~

- ~~(a) if upon the exercise of the subscription rights represented by any warrant the amount standing to the credit of the Subscription Right Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrant holder is entitled, the Directors shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account and capital redemption reserve fund) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment up and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Directors may think fit and~~

~~adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.~~

- ~~160. Shares allotted pursuant to the provisions of Article 159 shall rank pari passu in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in Article 159 no fraction of any share shall be allotted on exercise of the subscription rights.~~
- ~~161. The provisions of Article 159 as to the establishment and maintenance of the Subscription Right Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating, the provisions for the benefit of any warrant holder or class of warrant holders under this Article without the sanction of a special resolution of such warrant holders or class of warrant holders.~~
- ~~162. A certificate or report by the Auditors of the Company as to whether or not the Subscription Right Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Right Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Right Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.~~

159. (deleted)

160. (deleted)

161. (deleted)

162. (deleted)

#### ACCOUNTS AND AUDITORS

163. The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and all other matters required by the Ordinance or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions, in accordance with the Ordinance.
164. The books of account and records shall be kept at the Office or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. The Directors shall from time to time determine whether and to what extent, at what times and places and under what conditions or regulations, the books of account and records of the Company, or any of them, shall be open to the inspection of the members not being Directors, and no member (not being a Director) shall have any right of inspecting any book of account or record of the Company, except as conferred by the Ordinance or authorised by the Directors or by the Company in general meeting.
- 165.
- (a) The Board shall from time to time in accordance with the provisions of the Ordinance cause to be prepared and laid before the Company at its annual general meeting the relevant financial reporting documents.

- (b) The Company shall, subject to paragraph (c) below and exceptions under the Ordinance, send to every ~~entitled person member~~ a copy of the ~~relevant financial reporting~~ documents or (subject to compliance with applicable law) of the summary financial report, in each case not less than twenty-one days before the date of the general meeting before which the ~~relevant financial reporting~~ documents shall be laid.
- (c) Where, in accordance with applicable law, any ~~entitled person member~~ (in this paragraph a “Consenting Person”) has agreed or is deemed to have agreed to treat the publication of any ~~relevant financial reporting~~ documents and/or any summary financial report (as the case may be) on a computer network (including the Company’s website) or the publication or distribution of any ~~relevant financial reporting~~ documents and/or any summary financial report (as the case may be) in any other manner, including by way of any other form of electronic communication, as discharging the Company’s obligation under paragraph (b) to send a copy of the ~~relevant financial reporting~~ documents and/or the summary financial report (as the case may be) to such person, then the publication by the Company on a computer network (including the Company’s website) of the ~~relevant financial reporting~~ documents and/or the summary financial report (as the case may be) not less than twenty-one days before the date of the relevant general meeting or the publication or distribution by the Company of the ~~relevant financial reporting~~ documents and/or the summary financial report (as the case may be) in such other manner for such period or on or before such date as is permitted under applicable law shall, in relation to that Consenting Person, be deemed to discharge the Company’s obligations under paragraph (b).
166. Auditors shall be appointed and their duties regulated in the manner provided by the Ordinance. Subject as otherwise provided by the Ordinance the remuneration of the Auditors shall be fixed by the Company in general meeting or in such manner as the Company in general meeting may determine.

## NOTICES

167. Any notice or document to be given or issued by or on behalf of the Company to any person ~~entitled person to receive such notice or document~~ under these Articles or any laws, rules or regulations (including any “corporate communication” within the meaning ascribed thereto in the Listing Rules) shall be in writing and may, subject to and to the extent permitted by and in accordance with applicable law, be served on or sent or delivered to any member or any other person ~~entitled person to receive such notice or document~~ by the Company:
- (a) personally;
  - (b) by sending it through the post in a properly prepaid letter, envelope or wrapper addressed to a member at his registered address as appearing in the register (or in the case of any other person ~~entitled person to receive such notice or document~~, to such address as he may provide to the Company for that purpose);
  - (c) by delivering it to or leaving it at such address as aforesaid;
  - (d) by publishing it by way of advertisement in one or more newspapers;
  - (e) by sending it as an electronic communication to the person ~~entitled person to receive such notice or document~~ concerned at such address as he may provide to the Company in writing for that purpose;

- (f) by publishing it on a computer network (including the Company's website); or
  - (g) by any other means authorised in writing by the person entitled ~~person~~ to receive such notice or document concerned.
168. A member shall be entitled to have notices served on him at any address within Hong Kong or elsewhere. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A member who has no registered address shall be deemed to have received any notice which shall have been displayed at the Office and shall have remained there for the period of twenty-four hours and such notice shall be deemed to have been received by such member on the day following that on which it shall have been first so displayed.
169. Any notice or document (including any "corporate communication" within the meaning ascribed thereto in the Listing Rules) given or issued by or on behalf of the Company:
- (a) if sent by post, shall be deemed to have been served or delivered on the day following that on which the envelope or wrapper containing the same was put in the post, and in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post with the postage prepaid (airmail if posted from Hong Kong to an address outside Hong Kong);
  - (b) if not sent by post but left by the Company at the registered address of a member or at the address (other than an address for the purposes of electronic communications) notified to the Company in accordance with these Articles by ~~an~~ a person entitled ~~person~~ to receive such notice or document not being a member, shall be deemed to have been served or delivered on the day it was so left;
  - (c) if sent as an electronic communication, shall be deemed to have been served on the day following that on which it was sent and proof that the address provided by the person entitled ~~person~~ to receive such notice or document concerned to the Company in writing for the purposes of electronic communications was used for sending the electronic communication containing the notice or document shall be conclusive evidence that the notice or document was served or delivered;
  - (d) if published on a computer network (including the Company's website), shall be deemed to have been served on the day on which the notice of such publication is served on or delivered to the person entitled ~~person~~ to receive such notice or document concerned or where no notice of such publication is required by law to be served on or delivered to ~~the entitled such person concerned~~, the day on which the notice or document first appears on the computer network concerned; and
  - (e) if served, sent or delivered by any other means authorised in writing by the person entitled ~~person~~ to receive such notice or document concerned, shall be deemed to have been served, received, or delivered when the Company has carried out the action it has been authorised to take for that purpose.
170. Any person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which, previously to his name and address being entered in the Register, shall have been duly given to the person from whom he derives his title to such share.

171. A notice or document may be given by or on behalf of the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a member in such manner as provided in Article 167 in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.
172. Any notice or document delivered or sent to any member in such manner as provided in Article 167 shall, notwithstanding such member be then deceased or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any shares held by such member, whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his executors, administrators or assigns and all persons (if any) jointly interested with him in any such share.
173. Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper, addressed to the Company or to such officer at the Office.
174. (a) The signature to any notice or document by the Company may be written, printed or, to the extent permitted by and in accordance with applicable law, made electronically.
- (b) To the extent permitted by and in accordance with applicable law, any notice or document, including but not limited to the documents referred to in Article 165 and any “corporate communication” within the meaning ascribed thereto in the Listing Rules, may be given by the Company in the English language only, in the Chinese language only or in both the English language and the Chinese language.
175. (deleted)
176. In reckoning the period for any notice given under these Articles, the day on which notice is served or deemed to be served and the day for which such notice is given shall be excluded.

### **INFORMATION**

177. No member (not being a Director) shall have any right to require information in respect of the Company’s trading and other activities or any matter which is or may be in the nature of a trade secret or secret process relating to the conduct of the business of the Company, except as conferred by law or authorised by the Directors or by the Company in general meeting.

### **WINDING UP**

178. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the ~~capital paid up on the number of~~ shares held by them respectively, ~~and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, but all~~ but this Article is subject to the rights of any shares which may be issued on special terms or conditions.



179. If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.
180. In the event of a winding up of the Company every member of the Company who is not for the time being in Hong Kong shall be bound, within fourteen days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong upon whom all summonses, notices, processes, orders and judgements in relation to or under the winding up of the Company may be served and, in default of such nomination, the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertising in the Hong Kong Government Gazette or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day on which the advertisement appears or the letter is posted.

#### **INDEMNITY**

181. Subject to the provisions of and so far as may be consistent with the Ordinance but without prejudice to any indemnity to which he may be otherwise entitled, every Director, Secretary or other officer and the Auditors of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution and/or discharge of his duties and/or the exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgement is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court.

The following table sets out the details of the initial subscribers of the Company, the initial number of shares taken by each of them and the initial share capital of the Company on 18 October 1948.

<u>Names, Address and Description of Initial Subscribers</u>	<u>Number of Shares taken by each Initial Subscriber</u>
<u>E. McLAREN</u> , ..... 23, Repulse Bay Road, Hong Kong, Merchant.	<u>One</u>
<u>S.H. de KANTZOW</u> , ..... 16, Shouson Hill, Hong Kong, Merchant.	<u>One</u>
<b>Total</b> .....	<b><u>Two</u></b>
<u>Initial paid up share capital of the Company</u> .....	<u>HK\$200</u>

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Cathay Pacific. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**SHARE CAPITAL**

Cathay Pacific does not have an authorised share capital nor any nominal value of Shares in its capital.

- (i) As at the Latest Practicable Date, the total number of issued Shares was as follows:

<u>Type</u>	<u>Number</u>
Ordinary shares	3,933,844,572

- (ii) The total number of issued Shares immediately following completion of the Rights Issue will be as follows (assuming no change in the number of issued Shares on or before the Rights Issue Record Date):

<u>Type</u>	<u>Number</u>
Ordinary shares	6,437,200,203

- (iii) The total number of issued Shares immediately following completion of the Rights Issue and the Preference Shares and Warrants Issue will be as follows (assuming no change in the number of issued Shares between the Rights Issue Record Date and the PS and Warrants Issue Date):

<u>Type</u>	<u>Number</u>
Ordinary shares	6,437,200,203
Preference shares	195,000,000

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects, including the rights to dividends, voting and return of capital, with the 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 of the Rights Shares in their fully-paid form.

No Shares were issued from 31 December 2019, being the date on which the latest audited financial statements of the Cathay Pacific Group were made up, up to the Latest Practicable Date.

Immediately upon completion of the Preference Shares and Warrants Issue, 416,666,666 Warrants will be in issue which entitle the Warrantholders to subscribe for up to 416,666,666 Shares.

Cathay Pacific had no other outstanding options, warrants, derivatives or other convertible securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

**DISCLOSURE OF INTERESTS****(a) Interests of Directors**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of Cathay Pacific had any interests or short positions in the shares, underlying Shares or

debentures of Cathay Pacific or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to Cathay Pacific and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by Cathay Pacific, to be notified to Cathay Pacific and the Stock Exchange.

*Long positions in the Shares and underlying shares of Cathay Pacific as at the Latest Practicable Date*

<u>Name of Director</u>	<u>Capacity</u>	<u>Long/ short positions</u>	<u>Class of Share</u>	<u>Number of Shares held</u>	<u>Approximate percentage of Cathay Pacific's total issued share capital</u>
Michelle Low	Beneficial owner	Long	Ordinary	1,000	0.00003%

*Interest in associated corporations of Cathay Pacific as at the Latest Practicable Date*

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of associated corporation</u>	<u>Class of share</u>	<u>Number of shares held</u>	<u>Approximate percentage of the associated corporation's total issued share capital</u>
Michelle Low	Beneficial owner	Air China	H shares	40,000	0.00028%

**(b) Substantial Shareholders**

Save as disclosed below, as at the Latest Practicable Date, so far as known to the Directors or the chief executive of Cathay Pacific, Cathay Pacific had not been notified by any persons (other than the Directors or chief executive of Cathay Pacific) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to Cathay Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by Cathay Pacific under Section 336 of the SFO.

*Long position in the Shares as at the Latest Practicable Date*

<u>Name of shareholders</u>	<u>Type of Interest</u>	<u>Long/short positions</u>	<u>Number of Shares</u>	<u>Approximate Percentage of Shareholding</u>
Air China	Interest in controlled corporation <sup>(1)</sup>	Long	1,179,759,987	29.99%
	A concert party to an agreement to buy shares described in section 317(1)(a) of the SFO <sup>(1)</sup>	Long	1,770,238,000	45.00%
China National Aviation Holding Corporation Limited	Interest in controlled corporation <sup>(2)</sup>	Long	2,949,997,987	74.99%

Name of shareholders	Type of Interest	Long/short positions	Number of Shares	Approximate Percentage of Shareholding
Swire Pacific	Beneficial interest	Long	1,770,238,000	45.00%
	A concert party to an agreement to buy shares described in section 317(1)(a) of the SFO <sup>(1)</sup>	Long	1,179,759,987	29.99%
John Swire & Sons Limited	Interest in controlled corporation <sup>(3)</sup>	Long	2,949,997,987	74.99%
Qatar Airways	Beneficial interest	Long	392,991,000	9.99%
The Financial Secretary Incorporated	Interest in controlled corporation <sup>(4)</sup>	Long	416,666,666	10.59%

## Notes:

- (1) Under section 317 of the SFO, each of, Air China, China National Aviation Company Limited and Swire Pacific, being a party to the Shareholders' Agreement in relation to Cathay Pacific dated 8 June 2006, was deemed to be interested in a total of 2,949,997,987 Shares, comprising:
- (i) 1,770,238,000 Shares directly held by Swire Pacific; (ii) 1,179,759,987 Shares indirectly held by Air China and its subsidiaries China National Aviation Company Limited, Super Supreme Company Limited and Total Transform Group Limited, comprising the following Shares held by their wholly owned subsidiaries: 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) China National Aviation Holding Corporation Limited is deemed to be interested in a total of 2,949,997,987 Shares, in which its subsidiary Air China is deemed interested.
- (3) John Swire & Sons Limited (together with its subsidiaries, the "Swire Group") and its wholly owned subsidiary John Swire & Sons (H.K.) Limited are deemed to be interested in a total of 2,949,997,987 Shares by virtue of the Swire Group being interested in 55.20% of the equity of Swire Pacific and controlling 64.28% of the voting rights attached to shares in Swire Pacific.
- (4) (i) As at the Latest Practicable Date, Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, has no interest in the Shares; (ii) Pursuant to the PS Subscription Agreement, Cathay Pacific conditionally agreed to issue 416,666,666 Warrants to Aviation 2020 Limited on the PS and Warrants Issue Date, which entitle Aviation 2020 Limited to subscribe for up to 416,666,666 Shares; (iii) If Aviation 2020 Limited chooses to exercise all warrants (which shall be after the completion of the Rights Issue as it is a condition to the issue of the Warrants), it will hold 6.08% of the enlarged number of issued Shares; (iv) Noting the above, there is no likelihood for Aviation 2020 Limited to hold 10.59% of the share capital of Cathay Pacific by way of exercising the Warrants.

**OTHER DIRECTORS' INTERESTS****(a) Interests in competing business**

Patrick Healy, Cai Jianjiang and Song Zhiyong are directors of Air China. Air China competes or is likely to compete, either directly or indirectly, with the business of the Cathay Pacific Group as it operates airline services to certain destinations which are also served by the Cathay Pacific Group. The Directors consider that the Cathay Pacific Group is capable of carrying on and does carry on its business independently of, and on an arm's length basis from, the competing business of Air China.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their respective associates had any material interest in any business which competed or is likely to compete, either directly or indirectly, with the businesses of the Cathay Pacific Group.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any material direct or indirect interest in any assets which had been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Cathay Pacific Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Cathay Pacific Group were made up).

**(c) Interests in contracts or arrangements**

Patrick Healy, Gregory Hughes, Ronald Lam, Michelle Low, Martin Murray, Merlin Swire, Samuel Swire, Augustus Tang and Zhang Zhuo Ping, being directors and/or employees (and also shareholders in the case of Merlin Swire and Samuel Swire) of the Swire Group, are interested in a services agreement entered into between Cathay Pacific and John Swire & Sons (H.K.) Limited, a wholly owned subsidiary of John Swire & Sons Limited, a controlling shareholder of Swire Pacific, which is a controlling shareholder of Cathay Pacific. For further details, please refer to the section headed "Continuing Connected Transactions" of the Annual Report 2019 of Cathay Pacific.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Cathay Pacific Group.

**DIRECTORS AND OFFICERS*****Executive Directors***

**HEALY, Patrick**, aged 54, has been Chairman and a Director of Cathay Pacific since November 2019. He is also Chairman of Swire Coca-Cola Limited and a director of John Swire & Sons (H.K.) Limited, Swire Properties Limited and Air China Limited. He joined the Swire Group in 1988 and has worked with the group in Hong Kong, Germany and Mainland China.

**HUGHES, Gregory Thomas Forrest**, aged 58, has been Chief Operations and Service Delivery Officer and a Director of Cathay Pacific since June 2017. He is also a director of Hong Kong Dragon Airlines Limited and Hong Kong Express Airways Limited and Chairman of AHK Air Hong Kong Limited. He was previously a director and Group Director Components & Engine Services of Hong Kong Aircraft Engineering Company Limited. He joined the Swire Group in 1987 and has worked with the group in Hong Kong, Korea, Indonesia, Japan and Australia.

**LAM, Siu Por Ronald**, aged 47, has been Chief Customer and Commercial Officer and a Director of Cathay Pacific since August 2019. He was director and General Manager, Hong Kong Operations of Hong Kong Aircraft Engineering Company Limited from July 2013 to May 2017 and Director Commercial and Cargo of Cathay Pacific from June 2017 to July 2019. He is also Chairman of Hong Kong Express Airways Limited and a director of AHK Air Hong Kong Limited. He joined the Swire Group in 1996 and has worked with Cathay Pacific in Hong Kong, Japan and Sri Lanka.

**MURRAY, Martin James**, aged 53, has been Chief Financial Officer (formerly Finance Director) and a Director of Cathay Pacific since November 2011. He is also a director of Hong Kong Dragon Airlines Limited and AHK Air Hong Kong Limited. He was previously Deputy Finance Director of Swire Pacific Limited. He joined the Swire Group in 1995 and has worked with the group in Hong Kong, the United States, Singapore and Australia.

**TANG, Kin Wing Augustus**, aged 61, has been Chief Executive Officer and a Director of Cathay Pacific since August 2019. He was appointed Director Corporate Development of Cathay Pacific in January 2005 and was an executive Director of Cathay Pacific from January 2007 to October 2008. He was a director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited from October 2008 and November 2008 respectively until August 2019. He is also a director of John Swire & Sons (H.K.) Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire Group in 1982 and has worked with the group in Hong Kong, Malaysia and Japan.

#### *Non-Executive Directors*

**CAI, Jianjiang**, aged 56, has been a Director of Cathay Pacific since November 2009 and Deputy Chairman since March 2014. He is Chairman of China National Aviation Holding Corporation Limited and Air China Limited.

**LOW, Mei Shuen Michelle**, aged 59, has been a Director of Cathay Pacific since October 2017. She is also Finance Director of Swire Pacific Limited and a director of John Swire & Sons (H.K.) Limited and Swire Properties Limited. She joined the Swire Group in 1987.

**SONG, Zhiyong**, aged 54, has been a Director of Cathay Pacific since March 2014. He is Vice Chairman and President of Air China Limited and a director and General Manager of China National Aviation Holding Corporation Limited.

**SWIRE, Merlin Bingham**, aged 46, has been a Director of Cathay Pacific since June 2010. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He is also Deputy Chairman and a shareholder of John Swire & Sons Limited. He joined the Swire Group in 1997 and has worked with the group in Hong Kong, Australia, Mainland China and London. He is brother to Samuel Swire, a non-executive Director of Cathay Pacific.

**SWIRE, Samuel Compton**, aged 40, has been a Director of Cathay Pacific since January 2015. He is also Chairman of The China Navigation Company Pte. Ltd. He is also a director and shareholder of John Swire & Sons Limited and a director of Swire Pacific Limited. He joined the Swire Group in 2003 and has worked with the group in Hong Kong, Singapore, Mainland China, Sri Lanka and London. He is brother to Merlin Swire, a non-executive Director of Cathay Pacific.

**XIAO, Feng**, aged 51, has been a Director of Cathay Pacific since January 2017. He is Chief Financial Officer of Air China Limited.

**ZHANG, Zhuo Ping**, aged 49, has been a Director of Cathay Pacific since April 2020. He is also a director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire Group from 2002 to 2011, spending much of his time in Mainland China, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire Group in 2011, when he left to found a bioengineering company in Beijing.

**ZHAO, Xiaohang**, aged 58, has been a Director of Cathay Pacific since June 2011. He is Vice President of China National Aviation Holding Corporation Limited and Air China Limited.

#### *Independent Non-Executive Directors*

**CHAN, Bernard Charnwut** (formerly known as CHAN, Chi Sze Bernard), aged 55, has been a Director of Cathay Pacific since December 2018. He is President and an executive director of Asia Financial Holdings Limited and Chairman of its wholly owned subsidiary, Asia Insurance Company, Limited and an advisor to Bangkok Bank (China) Company Limited. He is also an independent non-executive director of Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited and Yau Lee Holdings Limited and a director of Bumrungrad Hospital Public Company Limited. He is the Convenor of the Non-Official Members of the Executive Council and a former member of the Legislative Council of the Hong Kong Special Administrative Region.

**HARRISON, John Barrie**, aged 63, has been a Director of Cathay Pacific since May 2015. He is an independent non-executive director of AIA Group Limited and Grosvenor Asia Pacific Limited. He was Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific from 2003 to 2009 and was Deputy Chairman of KPMG International from 2008 until his retirement from KPMG in September 2010.

**MILTON, Robert Aaron**, aged 59, has been a Director of Cathay Pacific since May 2019. He is Lead Independent Director of Air Lease Corporation. He held the position of President and Chief Executive Officer of Air Canada from August 1999 until December 2004. He was the Chairman and Chief Executive Officer of ACE Aviation Holdings, Inc., a holding company for Air Canada and other aviation interests from 2004 until June 2012. He was formerly a director of US Airways, Inc., AirAsia Berhad and TAP Portugal. He was the Chairman of United Continental Holdings, Inc., holding company of United Airlines, from April 2016 to April 2018.

**TUNG, Lieh Cheung Andrew**, aged 56, has been a Director of Cathay Pacific since May 2015. He is a director of QBN Management Limited and a non-executive director of Orient Overseas (International) Limited. He is also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

#### **COMPANY SECRETARY**

**CHOW, Koon Ying (Paul)**, aged 48, has been Company Secretary of Cathay Pacific since January 2020. He joined Cathay Pacific as Group General Counsel on 1 July 2019 and before then, he was a partner of Davis Polk & Wardwell LLP.

#### **DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with Cathay Pacific or any other member of the Cathay Pacific Group



(excluding contracts expiring or determinable by Cathay Pacific within a year without payment of any compensation (other than statutory compensation)).

### MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Cathay Pacific Group, had been entered into by members of the Cathay Pacific Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) a share purchase agreement dated 27 March 2019 entered into between Cathay Pacific, Hong Kong Express Holding Company Limited and 海航航空集團有限公司 (HNA Aviation Group Co., Ltd.\*) in respect of Cathay Pacific's acquisition of a 100% equity interest in Hong Kong Express Airways Limited (as amended);
- (ii) the PS Subscription Agreement;
- (iii) the Rights Issue Underwriting Agreement;
- (iv) the Bridge Loan Facility Agreement; and
- (v) the deed of irrevocable undertaking dated 9 June 2020 given by Qatar Airways to Cathay Pacific and signed by Qatar Airways and Cathay Pacific in relation to the Rights Issue.

\* For identification purpose only.

### LITIGATION

As at the Latest Practicable Date, no member of the Cathay Pacific Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Cathay Pacific Group.

### EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

<u>Name</u>	<u>Qualification</u>
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
KPMG	Certified Public Accountants

As at the Latest Practicable Date, each of the Independent Financial Adviser and KPMG was not beneficially interested in the share capital of any member of the Cathay Pacific Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe

for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Cathay Pacific Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Cathay Pacific Group since 31 December 2019, being the date to which the latest published audited financial statements of the Cathay Pacific Group were made up.

Each of the Independent Financial Adviser and KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

## GENERAL

- (a) The company secretary of Cathay Pacific is Paul Chow, a solicitor qualified to practise in Hong Kong and England and Wales and an attorney admitted to practise in New York.
- (b) The English text of this circular shall prevail over the Chinese text.
- (c) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of Cathay Pacific into Hong Kong from outside of Hong Kong.
- (d) The Underwriters and their affiliates are diversified financial institutions with relationships in locations globally. These entities engage in a wide range of commercial and investment banking, financing, hedging, brokerage, funds management, trading, investing and other activities for their own account and for the account of others. Engaging in such activities by the Underwriters and their affiliates (with the Cathay Pacific Group or other parties as counterparties, as the case may be) may involve interests that differ from those of the Cathay Pacific Group.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may purchase, sell or hold a broad array of investments and trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of others. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Cathay Pacific Group and/or persons and entities with relationships with the Cathay Pacific Group and may also include swaps and other financial instruments entered into for hedging purposes.

In relation to the Shares, the activities of the Underwriters and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices

including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

## EXPENSES

The expenses in connection with the Recapitalisation Proposal, including the underwriting fees, financial advisory fees, printing, registration, translation, legal, accounting and documentation charges are estimated to be approximately HK\$100 million, which are payable by Cathay Pacific.

## CORPORATE INFORMATION, PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered Office</b>	33 <sup>rd</sup> Floor, One Pacific Place 88 Queensway Hong Kong
<b>Company Secretary</b>	Paul Chow
<b>Authorised representatives</b>	Martin Murray Paul Chow
<b>Financial adviser to Cathay Pacific</b>	Morgan Stanley Asia Limited
<b>Auditors</b>	KPMG 8 <sup>th</sup> Floor, Prince's Building 10 Chater Road Central Hong Kong
<b>Share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17 <sup>th</sup> Floor, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Legal advisers to Cathay Pacific</b>	Linklaters 11 <sup>th</sup> Floor, Alexandra House Chater Road Hong Kong
<b>Principal Banks</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

<b>Underwriters</b>	Morgan Stanley Asia Limited 46/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong  BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  BNP Paribas Securities (Asia) Limited 59/F-63/F Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Legal advisers to the Underwriters</b>	Allen & Overy 9/F Three Exchange Square Central Hong Kong
<b>Independent Financial Adviser</b>	Anglo Chinese Corporate Finance, Limited 40/F Two Exchange Square 8 Connaught Place Central Hong Kong

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Cathay Pacific at 33<sup>rd</sup> Floor, One Pacific Place, 88 Queensway, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Articles in effect as at the Latest Practicable Date;
- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 9 to 43 of this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 44 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 45 to 74 of this circular;
- (e) the written consents referred to in the paragraph headed "Experts' Qualification and Consent" in this appendix;

- (f) the annual reports of Cathay Pacific for each of the three years ended 31 December 2017, 2018 and 2019;
- (g) the report on the unaudited pro forma financial information of the Cathay Pacific Group from KPMG, the text of which is set out in Appendix II to this circular;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (i) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### CATHAY PACIFIC CATHAY PACIFIC AIRWAYS LIMITED

國泰航空有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 293)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of the shareholders of Cathay Pacific Airways Limited (the “**Company**”) will be held on Monday, 13 July 2020 at 2:00 p.m. at the Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong for the purpose of considering and passing the following resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 19 June 2020 of which this notice forms part (the “**Circular**”).

**Shareholders should note that all of the resolutions set out in this notice are inter-conditional. As such, if any one of the resolutions is not passed, none of the resolutions will be passed.**

### ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions:

1. “**THAT**, conditional on the passing of all other resolutions set out in this notice:
  - (a) the subscription agreement dated 9 June 2020 and entered into between the Company and Aviation 2020 Limited (the “**PS Subscription Agreement**”) (a copy of which marked “A” and signed by the chairman of the Meeting for the purpose of identification is produced to the Meeting) insofar as it relates to the Warrants (as defined below), and the transactions contemplated thereunder insofar as they relate to the Warrants and all actions taken or to be taken by the Company pursuant to or incidental to the PS Subscription Agreement in relation to the Warrants, be approved, confirmed and ratified;
  - (b) conditional on the Stock Exchange granting approval for the issue of the Warrants, the exercise by the Directors of the powers of the Company to create and issue to Aviation 2020 Limited 416,666,666 unlisted warrants (the “**Warrants**”), and to allot and issue up to 416,666,666 new Shares (or such number of Shares subject to adjustment) (the “**Warrant Shares**”) upon the exercise by the holder(s) of the Warrants at an exercise price of HK\$4.68 per Share (subject to adjustment) and otherwise which have the rights attached to them as set out in the terms and conditions of the Warrants (and as substantially set out in the Circular), pursuant to the PS Subscription Agreement be approved;
  - (c) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Warrant Shares, the exercise by the Directors of the powers of the Company to allot and issue the Warrant Shares which may fall to be allotted and issued upon exercise of the rights attaching to the Warrants in accordance with the terms and conditions thereof be approved; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (d) any one of the Directors be authorised to take all such actions, do all such acts and things and execute all such further documents or deeds as s/he may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the PS Subscription Agreement, the creation and issue of the Warrants, the allotment and issue of the Warrant Shares and the transactions contemplated under the PS Subscription Agreement insofar as they relate to the Warrants, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”
2. “**THAT**, conditional on the passing of all other resolutions set out in this notice:
- (a) the issue by way of rights (the “**Rights Issue**”) of up to 2,503,355,631 new Shares (the “**Rights Share(s)**”) at a subscription price of HK\$4.68 per Share on the basis of seven Rights Shares for every 11 existing Shares held by the Qualifying Shareholders, substantially on the terms and conditions set out in the Circular (a copy of which marked “B” and signed by the chairman of the Meeting for the purpose of identification is produced to the Meeting) and such other terms and conditions as may be determined by the Directors, be approved;
- (b) the Directors be authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements: (i) in relation to fractional entitlements to Rights Shares as they think fit; and (ii) in relation to the Non-Qualifying Shareholders as they may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (c) any one of the Directors be authorised to take all such actions, do all such acts and things and execute all such further documents or deeds as s/he may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue or the transactions contemplated thereunder and to agree to and make such variations, amendments and waivers of any of the matters relating thereto or in connection therewith.”
- (3) “**THAT**, conditional on the passing of all other resolutions set out in this notice:
- (a) subject to paragraph (b), the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional Shares, to grant rights to subscribe for, or convert any security into Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) and to make or grant offers, agreements and options which will or might require the exercise of such powers during or after the end of the Relevant Period be approved;
- (b) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares; or (iii) the exercise of rights of subscription or conversion under the terms of any options, warrants or similar rights granted by the Company or any securities which are convertible into Shares, shall not exceed 20 per cent of the number of Shares in issue as at the date of this resolution;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(c) subject to the passing of this resolution, the sought from Shareholders pursuant to resolution number 4 at the Company's annual general meeting on 23 June 2020 (if approved), to the extent such approval is granted, be and is hereby cancelled with effect from the date of this resolution; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders in general meeting; and

“Rights Issue” means an offer of Shares or an offer or issue of options, warrants or other securities giving the right to subscribe for, or of securities convertible into, Shares, to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

### SPECIAL RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions as special resolutions:

1. **“THAT**, conditional on the passing of all other resolutions set out in this notice:
  - (a) the creation and issue of 195,000,000 redeemable preference shares in the share capital of the Company (the **“Preference Shares”**) with an aggregate subscription price of HK\$19,500,000,000, which have the rights attached to them as set out in the articles of association (revised as contemplated in this Notice), be approved;
  - (b) the PS Subscription Agreement insofar as it relates to the Preference Shares, and the transactions contemplated thereunder insofar as they relate to the Preference Shares and all actions taken or to be taken by the Company pursuant to or incidental to the PS Subscription Agreement in relation to the Preference Shares be approved, confirmed and ratified;
  - (c) the exercise by the Directors of the powers of the Company to allot and issue the Preference Shares to Aviation 2020 Limited pursuant to the PS Subscription Agreement be approved; and
  - (d) any one of the Directors be authorised to take all such actions, do all such acts and things and execute all such further documents or deeds as s/he may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the PS Subscription Agreement, the creation and issue of the Preference Shares and the transactions contemplated under the PS Subscription Agreement insofar as they relate to the Preference Shares, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. “**THAT**, conditional on the passing of all other resolutions set out in this notice:
- (a) the articles of association of the Company be amended to reflect the amendments described in Appendix I to the Circular and any ancillary or related adjustments or amendments approved by the Directors or required by any relevant regulatory authority, and such amended articles of association (a copy of which marked “C” and signed by the chairman of the Meeting for the purpose of identification is produced to the Meeting) be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association; and
  - (b) any one of the Directors be authorised to file the amended articles of association of the Company with the relevant regulatory authorities for approval, endorsement and/or registration as appropriate, and to do or authorise doing all such acts, matters and things as s/he may in his/her absolute discretion consider necessary, expedient or desirable to give effect to and implement the amendments.”

By Order of the Board

**CATHAY PACIFIC AIRWAYS LIMITED**

Paul Chow  
Company Secretary

Hong Kong, 19 June 2020

**Notes:**

- (1) Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) All proxies must be deposited with the Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for the Meeting or any adjourned meeting thereof.
- (3) The register of members will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020, both days inclusive. In order to be entitled to attend and vote at the Meeting, all transfers should be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 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.
- (4) Each of the resolutions set out in this notice will be voted on by poll.
- (5) Shareholders with disabilities are requested to indicate in advance whether, because of their disabilities, they need special arrangements to assist them in participating at the Meeting.
- (6) The Meeting is being held at the Island Shangri-La Hotel in Hong Kong. The hotel may refuse entry to the hotel by persons who fail temperature checks. Persons so refused entry to the hotel will not be able to attend the Meeting. Persons attending the Meeting will be required to wear surgical face masks on entry to and throughout the Meeting. Additional precautionary safety measures may also be adopted. Shareholders are in any event asked (i) to consider carefully the risk of attending the Meeting, which will be held in an enclosed environment, (ii) to follow any guidelines or requirements of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the Meeting and (iii) not to attend the Meeting if they have contracted

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19. No refreshments will be served at the Meeting. As a precautionary safety measure, seating at the Meeting will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the Meeting. Shareholders are reminded that attendance at the Meeting in person is not necessary for the purpose of exercising voting rights. They may (as indicated in note 1 above) appoint proxies to vote on their behalf.