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

## **CATHAY PACIFIC AIRWAYS LIMITED** **國泰航空有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock code: 293)

### **PROPOSED ISSUE OF HK\$6,740,000,000 2.75% GUARANTEED CONVERTIBLE BONDS DUE 2026**

#### **Joint Lead Managers and Joint Bookrunners**



**BNP PARIBAS**



**中銀國際**  
BOC INTERNATIONAL



**HSBC**

**Morgan Stanley**

*(in alphabetical order)*

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

On 27 January 2021 (after trading hours), the Issuer, the Company and the Managers entered into the Subscription Agreement, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in a principal amount of HK\$6,740,000,000, guaranteed by the Company.

The Bonds are, in the circumstances set out in the Terms and Conditions, convertible into Conversion Shares. The initial Conversion Price is HK\$8.57 per Conversion Share, which represents (i) a premium of 30.0% over the last closing price of HK\$6.59 per Share as quoted on the Hong Kong Stock Exchange on 27 January 2021 (being the trading day on which the Subscription Agreement was signed) and (ii) a premium of approximately 25.84% over HK\$6.81, being the average of the closing price as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including 27 January 2021.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$8.57 per Share, the Bonds will be convertible into 786,464,410 Conversion Shares, representing approximately 12.22% of the total issued share capital of the Company as at the date of this announcement and approximately 10.89% of the enlarged total issued share capital of the Company resulting from the full conversion of the Bonds (assuming that there is no other change to the issued share capital of the Company). The Conversion Shares will be fully paid and will in all respects rank *pari passu* with the Shares then in issue on the relevant registration date.

The gross proceeds from the Subscription of the Bonds will be HK\$6,740,000,000. The Company intends to use the proceeds from the Subscription in the manner detailed below in the paragraph headed “*Use of Proceeds*”.

The Conversion Shares which may fall to be allotted and issued by the Company upon the exercise of the conversion rights under the Bonds will be issued pursuant to the general mandate granted to the Board by the Shareholders at the general meeting of the Company held on 13 July 2020. The subscription of the Bonds and the issue of the Conversion Shares by the Company are not subject to further Shareholders’ approval.

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds and the Conversion Shares to be allotted and issued upon conversion of the Bonds.

**Completion of the Subscription is subject to the satisfaction and/or waiver of the conditions precedent in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances.**

**As the transactions envisaged under the Subscription Agreement may or may not be completed, the Bonds may or may not be issued or listed and/or the Conversion Shares may**

**or may not be issued or listed, Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

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## **SUBSCRIPTION AGREEMENT**

### **Date**

27 January 2021

### **Parties**

1. Cathay Pacific Finance III Limited as issuer;
2. The Company as guarantor; and
3. BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc (collectively the “**Managers**”, and each a “**Manager**”) (in alphabetical order).

### **Subscription**

Subject to the satisfaction of the conditions set out below in the section headed “Conditions precedent”, the Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in a principal amount of HK\$6,740,000,000. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of the Managers is a third party independent of the Company and is not a connected person of the Company.

### **Conditions precedent**

The obligations of the Managers to subscribe and pay for the Bonds are conditional on:

1. **Due Diligence:** the Managers being satisfied with the results of their due diligence investigations with respect to the Issuer, the Company and their respective subsidiaries and the Offering Circular having been prepared in form and content satisfactory to the Managers;
2. **Other Contracts:** the execution and delivery (on or before the Closing Date) of the other Contracts, each in a form reasonably satisfactory to the Managers, by the respective parties;

3. **Comfort Letters:** upon the Publication Date and on the Closing Date, there having been delivered to the Managers letters, each in form and substance satisfactory to the Managers, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of the subsequent letter, and addressed to the Managers from KPMG, auditors of the Company;
4. **Compliance:** there being no outstanding breach of any of the obligations of either the Issuer or the Company under the Subscription Agreement which has not been expressly waived by the Managers on or prior to the Closing Date;
5. **Material Adverse Change:** there having been, as at the proposed Closing Date, no material adverse change or any development involving a prospective material adverse change from that set forth in the Offering Circular in the consolidated or unconsolidated condition (financial or trading) of the Issuer or the Company nor the occurrence of any event making untrue or incorrect any of the representations and warranties contained in the Subscription Agreement, and there having been delivered to the Managers a certificate dated the Closing Date from each of the Issuer and the Company in the form set out in the Subscription Agreement;
6. **Listing:** the Hong Kong Stock Exchange having agreed to list the Bonds, subject only to the issue of the Bonds, and the Hong Kong Stock Exchange having agreed to list the Conversion Shares upon the conversion of the Bonds;
7. **Legal Opinions:** on or before the Closing Date, there having been delivered to the Managers opinions of Cayman Islands law, English law and Hong Kong law, in form and substance satisfactory to the Managers, each dated the Closing Date;
8. **Authorisations:** there being in full force and effect (i) all governmental or regulatory resolutions, approvals or consents required for (A) the Issuer to issue the Bonds, (B) the Company to guarantee the Bonds on the Closing Date and the issue of the Conversion Shares and (C) for the Issuer and the Company to fulfil their obligations under the Bonds, the Guarantee and the Contracts, respectively, and (ii) the consent of the Board of Directors of the Company to the issue of the Bonds and the Conversion Shares, and the Issuer and the Company each having delivered to the Managers copies of those resolutions, approvals or consents, as applicable;
9. **Shareholder's Lock-up:** Swire Pacific Limited 太古股份有限公司 (the "**Relevant Shareholder**") having executed and delivered to the Managers a valid, binding and enforceable lock-up undertaking on or before the date of the Subscription Agreement in the form set out in the Subscription Agreement;
10. **Clearing Systems:** the Bonds being accepted for settlement by Euroclear Bank SA/NV and Clearstream Banking S.A.; and
11. **Process Agent's Acceptance:** letter from John Swire & Sons Limited confirming its acceptance as agent for service of process of the Issuer and the Company.

The Managers may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than paragraph 2 above).

### **Termination**

Notwithstanding anything contained in the Subscription Agreement, the Managers may, by notice to the Issuer and the Company given at any time prior to payment of the net subscription monies for the Bonds to the Issuer, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties or representations contained in the Subscription Agreement or any failure to perform, or breach of, any of the Issuer's or the Company's undertakings or agreements in the Subscription Agreement;
2. if any of the conditions specified in the conditions precedent of the Subscription Agreement has not been satisfied or waived by the Managers on or prior to the Closing Date;
3. if in the opinion of the Managers (after consultation with the Issuer and the Company to the extent reasonably practicable in the circumstances) there shall have been such a change, or developments involving a prospective change, in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in their view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if in the opinion of the Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Singapore Stock Exchange and/or the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Issuer, the Company, the Bonds and the Conversion Shares to be issued upon conversion of the Bonds or the transfer thereof; or
5. if, in the opinion of the Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

### **The Company's lock-up**

Neither the Issuer, the Company nor any person acting on its or their behalf will (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry

rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive); except for the Bonds and the Conversion Shares and any issuance of Shares upon exercise of any of the Warrants.

### **The Relevant Shareholder's lock-up**

The Relevant Shareholder undertakes that, for a period from the date of the Subscription Agreement to 90 days after the Closing Date, neither it nor its nominee nor any person acting on its behalf will (except with the prior written consent of the Managers) (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Relevant Shares or securities of the same class as the Relevant Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Relevant Shares or securities of the same class as the Relevant Shares or other instruments representing interests in the Relevant Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Relevant Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Relevant Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, provided that the Relevant Shareholder's lock-up undertaking shall not prohibit or restrict: (i) any sale, transfer or disposal (or transaction referred to in (a), (b), (c) above or announcement referred to in (d) above) among the Relevant Shareholder and its subsidiaries where such transferee(s) agrees to receive and hold the Relevant Shares subject to the provisions of the Relevant Shareholder's lock-up undertaking; (ii) any sale, transfer or disposal (or transaction referred to in (a), (b), (c) above or announcement referred to in (d) above) pursuant to the shareholders' agreement in relation to the Company between (among others) the Relevant Shareholder and Air China Limited 中國國際航空股份有限公司 dated 8 June 2006 (as amended on 27 November 2009); (iii) entry into and performance under the Global Master Securities Lending Agreement (the "GMSLA") dated on or around the date of the Subscription Agreement by the Relevant Shareholder with The Hongkong and Shanghai Banking Corporation Limited or any sale, transfer, loan, delivery or disposal of any interest in the Relevant Shares or securities of the same class as the Relevant Shares (or transaction referred to in (a), (b), (c) above or announcement referred to in (d) above) pursuant to, relating to or in connection with the GMSLA; or (iv) any sale, transfer or disposal (or transaction referred to in (a), (b), (c) above or announcement

referred to in (d) above) arising by operation of, or required by, law or an order made by a court of competent jurisdiction.

## PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

<b>Issuer:</b>	The Issuer
<b>Guarantor:</b>	The Company
<b>Maturity Date:</b>	5 February 2026
<b>Issue Price:</b>	100% of the principal amount of the Bonds
<b>Bonds:</b>	HK\$6,740,000,000 2.75% guaranteed convertible bonds due 2026 convertible at the option of the holder thereof into fully paid ordinary shares of the Company at the initial Conversion Price of HK\$8.57 per Share.
<b>Shares:</b>	Ordinary shares of the Company.
<b>Interest:</b>	The Bonds bear interest from and including 5 February 2021 at the rate of 2.75% per annum payable semi-annually in arrear on 5 February and 5 August in each year, beginning on 5 August 2021.
<b>Status:</b>	<p>The Bonds will constitute direct, unconditional, unsubordinated and (subject to condition 4 of the Terms and Conditions) unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> among themselves. The obligations of the Company under the Guarantee will constitute direct, unconditional, unsubordinated and (subject to condition 4 of the Terms and Conditions) unsecured obligations of the Company.</p> <p>The payment obligations of the Issuer under the Bonds and of the Company under the Guarantee shall (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer or the Company, as the case may be, from time to time outstanding.</p>
<b>Form and denomination:</b>	The Bonds will be issued in registered form in denominations of HK\$2,000,000 each and integral multiples in excess thereof.
<b>Conversion period:</b>	Subject to and upon compliance with the Terms and Conditions, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof at any time on or after 18 March 2021 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the 10 <sup>th</sup> day prior to the Maturity Date (both days inclusive) (but except as provided in condition 6(a)(iv) and condition 10 of the Terms and Conditions, in

no event thereafter), or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to the terms set out in Terms and Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

**Conversion Price:**

The price at which Shares will be issued upon conversion will initially be HK\$8.57 per Share but will be subject to adjustments for the following events as set out in the terms of the Bonds: (a) consolidation, subdivision, redesignation or reclassification; (b) capitalisation of profits or reserves; (c) distributions; (d) rights issues of Shares or options over Shares at less than 95% of the current market price per Share; (e) rights issues of other securities; (f) issues at less than 95% of the current market price; (g) other issues at less than 95% of the current market price; (h) modification of rights of conversion at less than 95% of the current market price; (i) other offers to Shareholders and (j) other events as described in the Terms and Conditions.

Notwithstanding anything to the contrary in the Terms and Conditions, no adjustment will be made to the Conversion Price in respect of (i) any issuance of Shares upon exercise of any of the Warrants or (ii) any payment of dividend or other distribution in respect of, or redemption by the Company of, the Preference Shares.

In addition, if a Change of Control shall occur, the Issuer shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with the Terms and Conditions and to the Trustee within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1+(CP \times c/t)}$$

where:

“**NCP**” means the new Conversion Price after adjustment;



“OCP” means the Conversion Price in effect on the relevant Conversion Date in respect of any conversion to which this provision is applicable;

“CP” means 30.0% expressed as a fraction.

“c” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

“t” means the number of days from and including the Closing Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this provision below the level permitted by applicable laws and regulations from time to time (if any).

**Ranking of Conversion Shares:**

The Shares issued upon exercise of the Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant registration date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant registration date.

**Redemption at maturity:**

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, each Bond will be redeemed by the Issuer at its principal amount together with accrued and unpaid interest thereon on the Maturity Date.

**Redemption for taxation reasons:**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Principal Agent and the Trustee and, (in accordance with the Terms and Conditions) the Bondholders (which notice shall be irrevocable) at their principal amount, together (if appropriate) with interest accrued to (but excluding) the date of redemption, if :

- A. on the occasion of the next payment due under the Bonds, the Issuer has or will become obliged to pay additional amounts as provided in the Terms and Conditions or the Company would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong or any political subdivision of, or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which

change or amendment becomes effective on or after 27 January 2021; and

- B. such obligation cannot be avoided by the Issuer or, as the case may be, the Company taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Bonds at their principal amount, together with interest accrued but unpaid to but excluding the tax redemption date, provided that redemption under this clause may not occur within seven days of the end of a closed period, but otherwise may occur when the Conversion Right is expressed in the Terms and Conditions to be exercisable.

If the Issuer gives a Tax Redemption Notice pursuant to the terms set out in the Terms and Conditions, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the foregoing provisions shall not apply in respect of any payment of principal, premium (if any) or interest to be made in respect of such Bond(s), whereupon no additional amounts shall be payable in respect thereof pursuant to condition 9 of the Terms and Conditions and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld.

**Redemption at the option of the Issuer:**

The Issuer may, on having given not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Principal Agent and the Trustee and (in accordance with the Terms and Conditions) the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem in whole, but not in part, the Bonds for the time being outstanding on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with interest accrued but unpaid to (but excluding) the Optional Redemption Date, at any time if, prior to the date the relevant Optional Redemption Notice is given, at least 90 per cent. in principal amount of the Bonds originally issued have already been converted, redeemed or purchased and cancelled.

**Redemption for Relevant Event**

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds

on the Relevant Event redemption date at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

A “**Relevant Event**” occurs:

- (i) when the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Hong Kong Stock Exchange; or
- (ii) when there is a Change of Control.

**Negative Pledge:**

So long as any Bond remains outstanding, neither the Issuer nor the Company will, and the Company has agreed that it will procure that none of the Issuer and the Principal Subsidiaries (as defined in the Terms and Conditions) will, create or permit to subsist any Security Interest (as defined below) other than a Permitted Security Interest (as defined below) upon the whole or any part of its property or assets, present or future, to secure:

- (i) payment of principal of, or premium or interest of, or on, any Securities (as defined below); or
- (ii) any guarantee, indemnity or other like obligation in respect of the payment of principal of, or premium or interest of, or on, any Securities,

without in any such case at the same time according to the Bonds either the same security as granted or is outstanding in respect of such Securities or such guarantee, indemnity or other like obligation or such other security or other arrangement (whether or not involving the giving of a Security Interest) as shall be approved by an Extraordinary Resolution of Bondholders.

“**Permitted Security Interest**” means any Security Interest, created or subsisting, directly or indirectly, over (i) any aircraft, aircraft engines or aircraft-related equipment, or any lease receivables or insurances in respect of aircraft, aircraft engines or aircraft-related equipment (and any proceeds of the foregoing), in each case purchased, owned or operated by the Issuer, the Company or any of the Principal Subsidiaries (including by means of special purpose entities purchasing, owning or operating aircraft, aircraft engines or aircraft-related equipment) and (ii) any assets (including but not limited to existing and/or future receivables, revenues, rights in relation thereto and proceeds of any kind arising therefrom) in respect of loyalty and/or reward programmes operated (directly or indirectly) by the Company or any of its subsidiaries.

“**Securities**” means notes, debentures, debenture stock, loan stock or other similar securities of any person which are for the time being, or are issued on the basis that they will be or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market.

“**Security Interest**” means any pledge, mortgage, lien (other than liens arising by operation of law), charge, hypothecation, encumbrance or other security interest.

## **STOCK LENDING ARRANGEMENT**

In connection with the proposed issue of the Bonds, The Hongkong and Shanghai Banking Corporation Limited (the “**Borrower**”) as borrower has entered into the GMSLA with the Relevant Shareholder to allow the Relevant Shareholder to provide stock lending to the Borrower in respect of 289,675,300 Shares upon and subject to the terms and conditions stated in the GMSLA.

## **CONVERSION PRICE AND CONVERSION SHARES**

The initial Conversion Price is HK\$8.57 per Conversion Share, which represents (i) a premium of 30.0% over the last closing price of HK\$6.59 per Share as quoted on the Hong Kong Stock Exchange on 27 January 2021 (being the trading day on which the Subscription Agreement was signed) and (ii) a premium of approximately 25.84% over HK\$6.81, being the average of the closing price as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including 27 January 2021.

The Conversion Price was determined with reference to the prevailing market price of the Shares and the Terms and Conditions (including the redemption options) and was negotiated on an arm’s length basis between the Issuer, the Company and the Managers.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$8.57 per Share, the Bonds will be convertible into approximately 786,464,410 Shares, representing approximately 12.22% of the total issued share capital of the Company as at the date of this announcement and approximately 10.89% of the enlarged total issued share capital of the Company resulting from the full conversion of the Bonds (assuming that there is no other change to the issued share capital of the Company). The Conversion Shares will be fully paid and will in all respects rank *pari passu* with the Shares then in issue on the relevant registration date.

The Conversion Shares have a market value of approximately HK\$5,182,800,462, based on the closing price of HK\$6.59 per Share as quoted on the Hong Kong Stock Exchange on 27 January 2021. The net price of each Conversion Share to the Company based on the estimated net proceeds of approximately HK\$6.68 billion and 786,464,410 Conversion Shares resulting from the conversion of the Bonds, is estimated to be approximately HK\$8.49.

## PLACEES

The Managers have informed the Company that the Bonds will be offered to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) is not a connected person of the Company before and immediately after the completion of the issuance of the Bonds.

## EFFECT ON SHAREHOLDINGS IN THE COMPANY

The table below sets out a summary of the holdings of Shares in the Company (i) as at the date of this announcement, (ii) upon the exercise in full of the Warrants and (iii) upon the further exercise in full of the Conversion Rights attached to the Bonds:

	As at the date of this announcement		As adjusted (assuming full exercise of the Warrants)		As further adjusted (assuming full conversion of the Bonds at the initial Conversion Price of HK\$8.57 per Share)	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
Swire Pacific Limited 太古股份有限公司 ...	2,896,753,089	45.00%	2,896,753,089	42.26%	2,896,753,089	37.91%
Air China Limited 中國國際航空股份有限公司 <sup>(1)</sup> .....	1,930,516,334	29.99%	1,930,516,334	28.17%	1,930,516,334	25.27%
Qatar Airways Group Q.C.S.C. <sup>(3)</sup> .....	643,076,181	9.99%	643,076,181	9.38%	643,076,181	8.42%
Aviation 2020 Limited <sup>(2)</sup> .....	–	–	416,666,666	6.08%	416,666,666	5.45%
Other Shareholders <sup>(3)</sup> .....	966,854,599	15.02%	966,854,599	14.11%	966,854,599	12.65%
Bondholders .....	–	–	–	–	786,464,410	10.29%
Total .....	6,437,200,203	100.00%	6,853,866,869	100.0%	7,640,331,279	100.00%

### Notes:

- (1) As at the date of this announcement, 1,930,516,334 Shares are indirectly held by Air China Limited 中國國際航空股份有限公司 through its subsidiaries, namely 472,248,545 Shares held by Angel Paradise Ltd., 351,574,615 Shares held by Custain Limited, 314,054,626 Shares held by Easerich Investments Inc., 310,870,873 Shares held by Grand Link Investments Holdings Ltd., 339,343,616 Shares held by Motive Link Holdings Inc. and 142,424,059 Shares held by Perfect Match Assets Holdings Ltd.
- (2) As at the date of this announcement, Aviation 2020 Limited holds 195,000,000 Preference Shares. Aviation 2020 Limited also holds 416,666,666 Warrants, which will entitle it to subscribe for 416,666,666 Shares.

- (3) 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.

## **USE OF PROCEEDS**

The net proceeds from the Subscription will be approximately HK\$6.68 billion. The Cathay Pacific Group intends to apply the net proceeds from the Bonds for general corporate purposes.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS**

The Board considers the issuance of the Bonds to be an opportunity to further strengthen the Company's liquidity and working capital position and which allows the Company to better navigate the challenges posed by the COVID-19 pandemic.

The Board considers that the terms and conditions of the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **GENERAL MANDATE FOR THE ISSUE OF THE BONDS AND THE CONVERSION SHARES**

At the general meeting of the Company held on 13 July 2020, an ordinary resolution was passed to grant a general mandate (the "**General Mandate**") to the Directors to allot, issue and deal with additional Shares, to grant rights to subscribe for, or convert any security into Shares, not exceeding 20% of the aggregate number of Shares of the Company in issue as at the date of the resolution.

The Conversion Shares will be allotted and issued by the Company pursuant to the General Mandate. The issue of the Bonds and the Conversion Shares by the Company is not subject to further Shareholders' approval.

## **FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS**

As disclosed in the announcements of the Company dated 9 June 2020, 19 June 2020, 22 June 2020, 7 August 2020 and 12 August 2020, the Company implemented a recapitalisation plan involving (i) an issuance by the Company to Aviation 2020 Limited of the Preference Shares for an aggregate subscription price of HK\$19.5 billion and the Warrants to subscribe for Shares with an aggregate exercise price of approximately HK\$1.95 billion (subject to adjustment), (ii) a rights issue of 2,503,355,631 rights shares on the basis of seven rights shares for every 11 existing Shares held on the relevant record date at a rights subscription price of HK\$4.68 to raise aggregate proceeds of approximately HK\$11.7 billion, and (iii) a committed bridge loan facility extended by Aviation 2020 Limited to the Company in an amount of HK\$7.8 billion. Upon completion of implementation of the recapitalisation plan, the net proceeds from the implementation was approximately HK\$38.9 billion. Such proceeds have yet to be fully utilised, and the Cathay Pacific Group intends to apply such proceeds for general corporate purposes.

Save as disclosed above, the Company has not raised any fund by issuing equity securities during the 12 months immediately before the date of this announcement.

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

The Cathay Pacific Group is mainly engaged in the provision of international passenger and cargo air transportation. The Cathay Pacific Group operates business through its four operating segments. The Cathay Pacific segment provides full service international passenger and cargo air transportation under the Cathay Pacific brand. 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.

## **APPLICATION FOR LISTING**

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds and the Conversion Shares to be allotted and issued upon conversion of the Bonds.

**Completion of the Subscription is subject to the satisfaction and/or waiver of the conditions precedent in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances.**

**As the transactions envisaged under the Subscription Agreement may or may not be completed, the Bonds may or may not be issued or listed and/or the Conversion Shares may or may not be issued or listed, Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

<b>“Agency Agreement”</b>	the paying, conversion and transfer agency agreement in respect of the Bonds to be entered into between the Issuer, the Company, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent, Citigroup Global Markets Europe AG as registrar, and the other paying, conversion and transfer agents appointed therein on or around the Closing Date
<b>“Board”</b>	the board of Directors of the Company
<b>“Bondholder(s)”</b>	holder(s) of the Bond(s) from time to time
<b>“Bonds”</b>	HK\$6,740,000,000 2.75% guaranteed convertible bonds due 2026 convertible at the option of the holder thereof into fully paid ordinary

	Shares of the Company at the initial Conversion Price of HK\$8.57 per Share
<b>“Cathay Pacific Group”</b>	the Company and its subsidiaries
<b>“Change of Control”</b>	means the occurrence of one or more of the following events: <ul style="list-style-type: none"> <li>(A) the Permitted Holders (or Persons who are Controlled by the Permitted Holders), in aggregate, cease to have Control of the Company;</li> <li>(B) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons (other than the Permitted Holders) acquiring Control over the Company or the successor entity; or</li> <li>(C) the Company ceases to hold (directly or indirectly) 100 per cent. of the issued shares of the Issuer.</li> </ul>
<b>“Closing Date”</b>	5 February 2021
<b>“Company”</b>	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
<b>“connected person”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Contracts”</b>	the Subscription Agreement, the Trust Deed and the Agency Agreement
<b>“Control”</b>	means (a) the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the relevant entity, or (b) the right to appoint and/or remove all or the majority of the members of the relevant entity’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise
<b>“Conversion Price”</b>	the price per Conversion Share (subject to adjustments) at which the Bonds may be converted into the Shares
<b>“Conversion Right”</b>	the right of a Bondholder to convert any Bond into Shares
<b>“Conversion Share(s)”</b>	the Share(s) to be issued upon conversion of the Bonds pursuant to the Trust Deed and the Terms and Conditions
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Guarantee”</b>	the due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds has been



unconditionally and irrevocably guaranteed by the Company. The obligations of the Company in that respect are contained in the Trust Deed

<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Issuer”</b>	Cathay Pacific Finance III Limited, a wholly-owned subsidiary of the Company
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Main Board”</b>	the Main Board of the Hong Kong Stock Exchange
<b>“Managers”</b>	BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc (in alphabetical order)
<b>“Maturity Date”</b>	5 February 2026
<b>“Offering Circular”</b>	the offering circular to be prepared by the Issuer and the Company in connection with the issue of the Bonds and the listing of the Bonds on the Hong Kong Stock Exchange
<b>“Permitted Holders”</b>	Swire Pacific Limited 太古股份有限公司 and Air China Limited 中國國際航空股份有限公司 and any Person or Person(s) Controlled by any of them
<b>“Person”</b>	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity)
<b>“PRC”</b>	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
<b>“Preference Shares”</b>	195,000,000 preference shares of HK\$100 each in the capital of the Company issued to Aviation 2020 Limited on 12 August 2020
<b>“Principal Agent”</b>	Citibank, N.A., London Branch
<b>“Publication Date”</b>	the publication date of the Offering Circular, which is dated no later than three business days prior to the Closing Date or such other date as may be agreed between the Issuer, the Company and the Managers
<b>“Relevant Shares”</b>	an aggregate of 2,896,753,089 Shares, representing approximately 45.00% of the Shares of the Company, held by the Relevant Shareholder as at the date of the lock-up undertaking

“Shareholders”	holders of the Share(s)
“Shares”	ordinary share(s) of the Company
“Subscription”	the issue and subscription of the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 January 2021 entered into between the Issuer, the Company and the Managers in connection with the issue and subscription of the Bonds
“Terms and Conditions”	the terms and conditions of the Bonds
“Trust Deed”	the trust deed constituting the Bonds to be entered into between the Issuer, the Company and the Trustee on or around the Closing Date
“Trustee”	Citicorp International Limited
“United States”	the United States of America
“US Securities Act”	the US Securities Act of 1933, as amended
“Voting Rights”	the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency)
“Warrants”	416,666,666 warrants issued by the Company to Aviation 2020 Limited on 12 August 2020
“%”	per cent. or percentage

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

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

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

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

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

By Order of the Board

**CATHAY PACIFIC AIRWAYS LIMITED**

國泰航空有限公司

Paul Chow

Company Secretary

Hong Kong, 28 January 2021