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## **CATHAY PACIFIC AIRWAYS LIMITED**

**國泰航空有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 293)

### **Proposed Capital Reduction and First Redemption of Preference Shares**

The Board proposes to put forward for approval by the Ordinary Shareholders a proposal to reduce all of the credit (being HK\$19,500 million) standing in the Preference Shares Capital Account of the Company. Such credit arising from the Proposed Capital Reduction will be applied to a new Preference Shares Reserves Account of the Company and be used to redeem all of the Preference Shares. The Company plans to redeem all of the Preference Shares by the end of July 2024, subject to market conditions and the Group's business operations at the relevant time.

Subject to and following the completion of the Proposed Capital Reduction, the Company will exercise its right to first redeem and cancel 97,500,000 Preference Shares before the end of 2023. Upon the completion of the First Redemption, there will be 97,500,000 Preference Shares outstanding.

A circular containing further details concerning the Proposed Capital Reduction and a notice convening the EGM to approve the Proposed Capital Reduction will be dispatched to the Ordinary Shareholders in due course.

#### **PROPOSED CAPITAL REDUCTION**

The Board proposes to implement the Proposed Capital Reduction by reducing all of the credit standing in the Preference Shares Capital Account of the Company (being HK\$19,500 million).

The credit in the amount of HK\$19,500 million arising from the Proposed Capital Reduction will be applied to the Preference Shares Reserves Account and be used to redeem all of the Preference Shares. The Company plans to redeem all of the Preference Shares by the end of July 2024, subject to market conditions and the Group's business operations at the relevant time.

## **Conditions**

The Proposed Capital Reduction would be subject to the satisfaction of the following conditions:

- (i) all the Directors making a Solvency Statement;
- (ii) the passing by the Ordinary Shareholders of the Special Resolution at the EGM;
- (iii) the publication of a notice of capital reduction in the Gazette and newspapers in accordance with the Companies Ordinance;
- (iv) the delivery to the Registrar for registration a copy of the Solvency Statement and other relevant documents in relation to the Proposed Capital Reduction in accordance with the Companies Ordinance;
- (v) either (a) there being no application to the Court for cancellation of the Special Resolution by creditors or members of the Company within five (5) weeks of the date of the Special Resolution to approve the Proposed Capital Reduction; or (b) if there is any such application, the Court making an order to confirm the Special Resolution; and
- (vi) the delivery to the Registrar for registration and/or the registration by the Registrar (as applicable) of the relevant documents within the prescribed timeframe in accordance with the Companies Ordinance.

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

## **Reasons for the Proposed Capital Reduction**

The Board is of the opinion that the Proposed Capital Reduction will facilitate the Company's redemption of all the Preference Shares. The credit arising from the Proposed Capital Reduction will be applied to the Preference Shares Reserves Account and be used to redeem all of the Preference Shares. The Company plans to redeem all of the Preference Shares by the end of July 2024, subject to market conditions and the Group's business operations at the relevant time.

Further, taking into account the effects as described in the section headed "Effects of the Proposed Capital Reduction" of this announcement, the Board believes that the Proposed Capital Reduction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Effects of the Proposed Capital Reduction**

Save for the expenses to be incurred by the Company in relation to the Proposed Capital Reduction, the implementation of the Proposed Capital Reduction will not, of itself, alter the consolidated net asset value, underlying assets, liabilities, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Board believes that the Proposed Capital Reduction alone will not have any adverse effect on the financial position of the Group.

Set out below, for illustrative purpose only, is an extract of the statement of financial position of the Company showing the proposed movement in the equity of the Company before and after the Proposed Capital Reduction taking effect, based on the Company's position as at 30th June 2023 as if the Proposed Capital Reduction was completed on 30th June 2023:-

	<b>Immediately before the Proposed Capital Reduction as at 30 June 2023</b>	<b>Immediately after the Proposed Capital Reduction taking effect and the application of credit arising from the Proposed Capital Reduction to the Preference Shares Reserves Account</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Share Capital	48,322	28,822
- Ordinary Shares	28,822	28,822
- Preference Shares	19,500	19,500
Preference Shares Reserves	--	19,500
Other Reserves	23,290	23,290
<b>Total Equity of the Company</b>	<b>71,612</b>	<b>71,612</b>

*Note: This table does not take into account expenses that will be incurred by the Company in relation to the Proposed Capital Reduction.*

Further, except for the expenses to be incurred by the Company in relation thereto, which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Proposed Capital Reduction becoming effective. The Proposed Capital Reduction will not result in any change in the relative rights of the Shareholders.

### **Expected Completion of the Proposed Capital Reduction**

Assuming that all of the above conditions are fulfilled, it is expected that the Proposed Capital Reduction would become effective upon the registration by the Registrar of the Return of Reduction of Share Capital (by Special Resolution supported by the Solvency Statement) required under the Companies Ordinance.

### **FIRST REDEMPTION OF PREFERENCE SHARES**

As at the date of this announcement, the Company has 195,000,000 Preference Shares outstanding, all of which are held by the Preference Shareholder.

Pursuant to the Articles of Association of the Company, the Company may redeem Preference Shares in whole or in part by giving not more than 30 days' but not less than 15 days' notice to the Preference Shareholder. The Preference Shares which are redeemed will forthwith be cancelled.

Subject to and following the completion of the Proposed Capital Reduction, the Company will exercise its right to first redeem and cancel 97,500,000 Preference Shares (being the First Redemption) at a redemption price of HK\$100 per Preference Share plus any unpaid Preference Share dividends before the end of 2023. Upon the completion of the First Redemption, there will be 97,500,000 Preference Shares outstanding.

The Company will only proceed with a redemption of the Preference Shares if the Board considers that such redemption at the relevant time will not result in any material adverse effect on the financial position of the Group.

## GENERAL

An EGM will be convened to approve the Proposed Capital Reduction. A circular containing further details of the Proposed Capital Reduction and a notice convening the EGM for the purpose of considering and, if thought fit, passing the necessary resolutions to approve the Proposed Capital Reduction will be dispatched to the Ordinary Shareholders in due course.

**The Proposed Capital Reduction is subject to the satisfaction of conditions and therefore it may or may not become effective. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following respective meanings:

<b>“Board”</b>	the board of Directors;
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
<b>“Company”</b>	Cathay Pacific Airways Limited, a company incorporated in Hong Kong, whose ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 293);
<b>“Court”</b>	the Court of First Instance of the High Court of Hong Kong;
<b>“Director(s)”</b>	the director(s) of the Company;

<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened to approve the Proposed Capital Reduction;
<b>“First Redemption”</b>	the proposed redemption and cancellation of 97,500,000 Preference Shares;
<b>“Group”</b>	the Company together with its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Ordinary Share(s)”</b>	the ordinary share(s) of the Company;
<b>“Ordinary Shareholder(s)”</b>	the holder(s) of the Ordinary Share(s);
<b>“Preference Share(s)”</b>	the preference share(s) of the Company;
<b>“Preference Shareholder”</b>	Aviation 2020 Limited, the holder of the Preference Shares;
<b>“Preference Shares Capital Account”</b>	the share capital (Preference Shares) account in the financial statements of the Company;
<b>“Preference Shares Reserves (Account)”</b>	a reserves account to be created in the financial statements of the Company for the credit of HK\$19,500 million after the completion of the Proposed Capital Reduction;
<b>“Proposed Capital Reduction”</b>	the proposed reduction of all of the credit standing to the Preference Shares Capital Account of the Company, being HK\$19,500 million;
<b>“Registrar”</b>	the Registrar of Companies in Hong Kong;
<b>“Shareholder(s)”</b>	the Ordinary Shareholder(s) and Preference Shareholder;
<b>“Solvency Statement”</b>	the solvency statement to be made by all Directors in relation to the Proposed Capital Reduction in accordance with the Companies Ordinance; and
<b>“Special Resolution”</b>	the special resolution by the Ordinary Shareholders to approve the Proposed Capital Reduction at the EGM.



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

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

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Wang Mingyuan, Xiao Feng, Zhang Zhuo Ping;

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

By Order of the Board

**CATHAY PACIFIC AIRWAYS LIMITED**

國泰航空有限公司

Joanna Lai

Company Secretary

Hong Kong, 9th August 2023