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## **SWIRE PACIFIC LIMITED**

**太古股份有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 00019 and 00087)

### **Proposed HK\$39 billion recapitalisation of Cathay Pacific Airways Limited**

#### **Discloseable transaction of Swire Pacific Limited**

#### **Resumption of Trading**

### **PROPOSED RECAPITALISATION OF CATHAY PACIFIC AIRWAYS LIMITED**

Cathay Pacific Airways Limited ("Cathay Pacific") has today announced a proposed HK\$39 billion recapitalisation involving a proposed issue of preference shares and warrants, a proposed rights issue of shares (the "Cathay Pacific Rights Issue") and a proposed bridge loan facility. Cathay Pacific has also announced proposed amendments to its articles of association (the "Cathay Pacific Articles"), principally to reflect the terms of the preference shares. The preference shares and the warrants are proposed to be issued to (and the bridge loan is proposed to be made available by) Aviation 2020 Limited ("Aviation 2020"), a limited company incorporated in Hong Kong which is wholly owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporated Ordinance (Cap.1015 of the Laws of Hong Kong).

An extraordinary general meeting of Cathay Pacific (the "Cathay Pacific EGM") will be convened to approve (i) a mandate to be sought from the shareholders of Cathay Pacific to approve the



allotment and issue of securities, (ii) the issue and terms of the preference shares, (iii) the proposed amendments to the Cathay Pacific Articles and (iv) the Cathay Pacific Rights Issue.

Swire Pacific Limited (“Swire Pacific”) holds 45.00% of the issued shares in Cathay Pacific (the “Relevant Cathay Pacific Shares”). Swire Pacific supports the proposed recapitalisation of Cathay Pacific and has irrevocably undertaken in the Irrevocable Undertaking (as defined below): (i) to remain at 5pm on the record date for determining the entitlement of the shareholders of Cathay Pacific to vote at the Cathay Pacific EGM and on the record date for determining entitlements under the Rights Issue the sole legal owner and registered holder of the Relevant Cathay Pacific Shares, (ii) to subscribe for all of the rights shares (“Cathay Pacific Rights Shares”) to be provisionally allotted to Swire Pacific pursuant to the Cathay Pacific Rights Issue and (iii) to the extent permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Hong Kong Code on Takeovers and Mergers and the Cathay Pacific Articles, to vote in favour of the resolutions to be proposed at the Cathay Pacific EGM that are required to give effect to the proposed recapitalisation of Cathay Pacific.

Swire Pacific has also undertaken to Aviation 2020 that, until the date of issue of the preference shares to be issued by Cathay Pacific and so long thereafter as Aviation 2020 remains the holder of such preference shares or any amount of the bridge loan facility to be made available to Cathay Pacific is outstanding, Swire Pacific will remain a controlling shareholder (as defined in the Listing Rules) 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 such a controlling shareholder of Cathay Pacific.

The total subscription price payable by Swire Pacific in respect of its subscription for the Cathay Pacific Rights Shares at the subscription price of HK\$4.68 per Cathay Pacific Rights Share (the “Subscription Price”) is expected to be HK\$5.3 billion. Upon completion of the Cathay Pacific Rights Issue, Swire Pacific will continue to hold 45.00% of the issued shares in Cathay Pacific (“Cathay Pacific Shares”). Assuming full exercise of the warrants proposed to be issued by Cathay Pacific, Swire Pacific’s percentage holding of shares in Cathay Pacific would reduce to 42.26%.

## **DISCLOSEABLE TRANSACTION OF SWIRE PACIFIC**

### **Implications under the Listing Rules**

As the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of Swire Pacific’s irrevocable undertaking to subscribe for the Cathay Pacific Rights Shares is more than 5% but less than 25%, the giving of such irrevocable undertaking constitutes a discloseable transaction for Swire Pacific under the Listing Rules. Accordingly, Swire Pacific’s giving of such irrevocable undertaking is subject to the announcement requirement but is exempt

from the circular (including accountants' report) and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **Irrevocable Undertaking**

On 9th June 2020, Swire Pacific gave to Cathay Pacific an irrevocable undertaking (the "Irrevocable Undertaking") pursuant to which Swire Pacific has irrevocably undertaken to subscribe for the Cathay Pacific Rights Shares at the Subscription Price.

### **Principal terms of the Cathay Pacific Rights Issue**

Basis of the Cathay Pacific Rights Issue	Seven Cathay Pacific Rights Shares for every eleven existing Cathay Pacific Shares
Subscription Price	HK\$4.68 per Cathay Pacific Rights Share
Number of Cathay Pacific Shares in issue as at the date of this announcement	3,933,844,572
Number of Cathay Pacific Rights Shares to be issued under the Cathay Pacific Rights Issue	2,503,355,631
Number of Cathay Pacific Rights Shares to be provisionally allotted to Swire Pacific	1,126,515,089

The Subscription Price of HK\$4.68 per Cathay Pacific Rights Share was determined by the directors of Cathay Pacific with reference to the market price of the Cathay Pacific Shares under the prevailing market conditions preceding and including the date of this announcement.

The subscription price payable by Swire Pacific in respect of its subscription for the Cathay Pacific Rights Shares is expected to be HK\$5.3 billion, which Swire Pacific intends to fund with its internal resources.

### **Financial information relating to Cathay Pacific**

Based on the audited consolidated financial statements of the Cathay Pacific group: (i) as at 31st December 2019, the net asset value of the Cathay Pacific group was HK\$62,776 million; (ii) for the year ended 31st December 2019, the profit before and after taxation of the Cathay Pacific group were HK\$2,145 million and HK\$1,691 million respectively; and (iii) for the year ended 31st



December 2018, the profit before and after taxation of the Cathay Pacific group were HK\$3,243 million and HK\$2,777 million respectively.

### **Reasons for and benefits of entering into the Irrevocable Undertaking**

The Recapitalisation is proposed by Cathay Pacific in response to a series of unexpected events outside the Cathay Pacific group's control, including the outbreak of the global COVID-19 pandemic which has created significant challenges for the airline industry. Travel restrictions imposed by various governments have led to significantly reduced inbound and outbound passenger traffic for the Cathay Pacific group and uncertainty over the Cathay Pacific group's future prospects and operations. Cathay Pacific has explored available options and believes that a recapitalisation is required to ensure it has sufficient liquidity to weather this current crisis. In addition, it is expected to place Cathay Pacific in a better position to compete vigorously and to capitalise on any opportunities that may arise as a result of the current crisis and should position Cathay Pacific for growth when the crisis resolves.

As the largest shareholder in Cathay Pacific, Swire Pacific supports the Recapitalisation and considers that it is in the best interests of Swire Pacific that the Recapitalisation should proceed. Entering into the Irrevocable Undertaking is necessary in order for the Recapitalisation to proceed and is therefore considered to benefit Swire Pacific.

### **Compliance with Listing Rules**

Swire Pacific is an investment holding company incorporated in Hong Kong with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Swire Pacific's subsidiaries, associates and joint ventures are engaged in property, aviation, beverages, marine services and trading and industrial businesses.

Cathay Pacific is a company incorporated in Hong Kong and listed on the Stock Exchange. Cathay Pacific's principal activity is the operation of scheduled airline services.

Swire Pacific confirms that, to the best of its directors' knowledge, information and belief having made all reasonable enquiries, Cathay Pacific and its ultimate beneficial owners (other than Swire Pacific (as a controlling shareholder, as defined under the Listing Rules, of Cathay Pacific) and the ultimate beneficial owners of Swire Pacific) are third parties independent of Swire Pacific and its connected persons.

### **RESUMPTION OF DEALINGS IN THE SHARES AND DEBT SECURITIES OF SWIRE PACIFIC**

At the request of Swire Pacific, trading in the shares of Swire Pacific (stock codes: 00019 and 00087) and the debt securities (the "Debt Securities") issued by Swire Pacific's wholly-owned subsidiaries and guaranteed by Swire Pacific (stock codes: 4537, 5231, 5565, 5975, 40141, 85928, 85930 and 85931) on the Stock Exchange was halted from 9:00 a.m. on Tuesday, 9th June 2020 pending the release of this announcement. An application has been made to the Stock Exchange



for the resumption of trading in the shares of Swire Pacific and the Debt Securities with effect from 9:00 a.m. on Wednesday, 10th June 2020.

At the date of this announcement, the directors of Swire Pacific are:

Executive directors: M.B. Swire (Chairman), D.P. Cogman, M.M.S. Low, Z.P. Zhang;

Non-executive directors: M. Cubbon, S.C. Swire; and

Independent non-executive Directors: P.K. Etchells, T.G. Freshwater, C. Lee, R.W.M. Lee and G.R.H. Orr.

By Order of the Board

**SWIRE PACIFIC LIMITED**

太古股份有限公司

St.John Flaherty

Company Secretary

Hong Kong, 9th June 2020