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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)

### **Inside information**

#### **Cathay Pacific Airways Limited (“Cathay Pacific”)**

On 21st October 2020, Cathay Pacific made an announcement which included the following statement. References in the statement below to the Company are to Cathay Pacific.

“Reference is made to the announcement of the Company dated 9 June 2020 (the “Announcement”) in which it was disclosed that, by the fourth quarter of 2020, the Company’s management team would recommend to the Board of Directors of the Company (the “Board”) the optimum size and shape of the Company and its subsidiaries (the “Cathay Pacific Group”) to meet the air travel needs of Hong Kong while meeting its responsibilities to shareholders.

The Board has now approved a restructuring plan (the "Restructuring") put forward by the management team which consists of the following:

- Hong Kong Dragon Airlines Limited (“Cathay Dragon”), a wholly-owned subsidiary of the Company, will cease its operations with effect from today. It is intended that regulatory approval will be sought for a majority of Cathay Dragon’s routes to be operated by the Company and Hong Kong Express Airways Limited, a wholly-owned subsidiary of the Company.
- Approximately 8,500 positions across the Cathay Pacific Group (including Cathay Dragon) will be eliminated, which accounts for around 24% of the Cathay Pacific Group’s established headcount of 35,000. Of these 8,500 positions, approximately 5,300 Hong Kong-based employees will be made redundant in the coming weeks, with approximately 600 employees based outside of Hong Kong possibly being affected subject to local regulatory requirements. The

remaining 2,600 positions to be eliminated are currently unfilled, owing to cost reduction initiatives in recent months including a hiring freeze and the closure of certain overseas bases.

- Hong Kong-based cabin and cockpit crew of Cathay Pacific Airways Limited will be asked to agree to changes in their conditions of service which are designed, inter alia, to match remuneration more closely to productivity and to enhance market competitiveness.

The Restructuring will cost approximately HK\$2.2 billion, which will be funded by the Company through its internal resources. In connection with the Restructuring, a deferred tax asset of HK\$1.3 billion will be impaired. Other impairments and charges will be considered in the course of preparing the audited financial statements of the Cathay Pacific Group for the year ending 31 December 2020. The Company will ensure that Cathay Dragon has sufficient funds to meet its commitments and perform its obligations notwithstanding the cessation of its operations.

The airline industry faces significant challenges as a result of the COVID-19 pandemic. The Company's management team has been agile in responding to the extremely difficult environment. The Company has undertaken the recapitalization described in the Announcement. It has implemented a number of cash preservation measures including suspension of non-essential spend, deferral of aircraft deliveries and introduction of special leave schemes and executive pay cuts. Notwithstanding these efforts, the Company's cash losses remain at HK\$1.5 to 2 billion per month. It is expected that the Restructuring, the main elements of which are described above, will lead to a reduction of approximately HK\$500 million in monthly cash outlay by the Group in 2021.

The future remains highly uncertain and it is clear that recovery is slow. Based on IATA predictions, passenger travel will not return to pre-COVID-19 levels until 2024. The management team has concluded that the most optimistic scenario it can responsibly adopt is one in which, for the year 2021, the Company will be operating at well under 50 per cent of the passenger capacity it operated in 2019. Assuming the vaccines currently under development prove to be effective and are successfully rolled out on a global scale by summer 2021, the Company expects to be operating at well below 25% capacity in the first half of 2021, but expects to see a gradual recovery in capacity in the second half of the year. The Company will continue to monitor developments relating to the airline industry and will adopt measures to ensure that it will survive the COVID-19 crisis and emerge as a more focused, efficient and competitive airline."

Swire Pacific Limited ("Swire Pacific") holds 45% of the shares in Cathay Pacific.



## **General**

It is considered that the information in this announcement may constitute inside information. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Shareholders and potential investors are advised to exercise caution in dealing in shares of Swire Pacific.**

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, 21st October 2020