



Zhong Lun Assists HKA in Debt Restructuring

On April 26, 2023, Hong Kong Airlines Limited (“HKA”) announced that it had received strategic investment funds, and a Hong Kong scheme of arrangement and a UK restructuring plan (collectively, the “Restructuring”), which were previously approved by the Hong Kong court and UK court respectively in December 2022, took effect. The Restructuring is also the first successful parallel Hong Kong scheme of arrangement and UK restructuring plan. On April 26, 2023, Hong Kong Airlines Limited (“HKA”) announced that it had received strategic investment funds, and a Hong Kong scheme of arrangement and a UK restructuring plan (collectively, the “Restructuring”), which were previously approved by the Hong Kong court and UK court respectively in December 2022, took effect. The Restructuring is also the first successful parallel Hong Kong scheme of arrangement and UK restructuring plan.

HKA, formerly a member of the HNA Group, was established in 2006 with an extensive network of air routes covering 25 major cities in the Asia-Pacific region, making it one of the leading local airlines in Hong Kong. The debt crisis of HNA Group, coupled with the impact of the COVID-19 pandemic and other factors, sent HKA into serious financial difficulties. In order to restructure the debts governed by PRC laws, Hong Kong laws and UK laws and to avoid winding-up, HKA sought for debt restructuring under Hong Kong’s jurisdiction as well as the UK’s jurisdiction.

Most of the aircrafts in HKA fleet were financed by PRC financial institutions, and the related financing documents were governed by PRC laws. Subject to the Gibbs Rule, one of the key points to the Restructuring’s success was to reach agreements with the major PRC creditors on the Restructuring plan, including but not limited to amendments to the financing documents of the underlying debt.

Acting as the PRC counsel of HKA, Zhong Lun provided legal services for all stages of debt restructuring governed by PRC laws involved in this Restructuring, including but not limited to reviewing, amending and negotiating the restructuring documents.

The Project was led by partners Decai Zhang and Ting Yuan, and the project team also included partner Li Zhang and associates Jianhui Xie, Xiuling Lin, Chuyue Lin and Yingfan Li.