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*No PRIIPs KID – No packaged retail and insurance-based investment products (“**PRIIPs**”) key information document (“**KID**”) has been prepared as the Bonds will not be available to retail investors in the European Economic Area and the United Kingdom.*

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

*This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on the Stock Exchange (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

## **CATHAY PACIFIC FINANCE III LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(the “**Issuer**”)

### **HK\$6,740,000,000 2.75% Guaranteed Convertible Bonds due 2026**

(Stock Code: 40580)

(the “**Bonds**”)

**Unconditionally and Irrevocably Guaranteed by**



## **CATHAY PACIFIC AIRWAYS LIMITED**

**國泰航空有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock code: 293)

(the “**Company**”)

### **PUBLICATION OF THE OFFERING CIRCULAR**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the offering circular dated 2 February 2021 (the “**Offering Circular**”) appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Stock Exchange on that basis. Accordingly, the Issuer and the Company confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

As at the date of this announcement, the Directors of the Issuer are: Paul Chow, Rebecca Sharpe and Augustus Tang.

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

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

Non-Executive Directors: Michelle Low, Song Zhiyong, 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, 8 February 2021

## IMPORTANT NOTICE

### THIS OFFERING IS AVAILABLE ONLY OUTSIDE OF THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the attached Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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**The following Offering Circular is not a prospectus for the purposes of the European Union’s Prospectus Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as defined below).**

The communication of the attached Offering Circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in the attached Offering Circular are only available to, and any investment or investment activity to which the attached Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached Offering Circular or any of its contents.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Bonds described in the following Offering Circular are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a

retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended (“MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Prohibition of sales to UK retail investors** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**CONFIRMATION AND YOUR REPRESENTATION:** IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING CIRCULAR OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES, INVESTORS MUST BE OUTSIDE THE UNITED STATES. BY ACCEPTING THE E-MAIL AND ACCESSING THE ATTACHED OFFERING CIRCULAR, YOU SHALL BE DEEMED TO HAVE REPRESENTED TO BNP PARIBAS SECURITIES (ASIA) LIMITED, BOCI ASIA LIMITED, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AND MORGAN STANLEY & CO. INTERNATIONAL PLC AS LEAD MANAGERS (THE “JOINT LEAD MANAGERS”) THAT (1) YOU AND ANY CUSTOMERS YOU REPRESENT ARE OUTSIDE THE UNITED STATES AND THAT THE E-MAIL ADDRESS THAT YOU GAVE US AND TO WHICH THIS E-MAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES AND (2) THAT YOU CONSENT TO DELIVERY OF SUCH OFFERING CIRCULAR BY ELECTRONIC TRANSMISSION.

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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the issuer in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Joint Lead Managers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) or any of their respective affiliates, advisers, directors, officers, employees, representatives or agents or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

**Singapore Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) Product Classification:** In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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# Cathay Pacific Finance III Limited

(incorporated in the Cayman Islands with limited liability)

**HK\$6,740,000,000 2.75 per cent. Guaranteed Convertible Bonds Due 2026**

**Unconditionally and Irrevocably Guaranteed by**



## Cathay Pacific Airways Limited

(incorporated in Hong Kong with limited liability)

**Issue Price: 100.00 per cent.**

The 2.75 per cent. guaranteed convertible Bonds due 2026 in an aggregate principal amount of HK\$6,740,000,000 (the "Bonds", which shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "Terms and Conditions of the Bonds" (the "Terms and Conditions" or the "Conditions") and consolidated and forming a single series therewith) will be issued by Cathay Pacific Finance III Limited (the "Issuer"). Each Bond will, at the option of the holder, be convertible (unless previously redeemed or purchased and cancelled) into ordinary shares of the Guarantor (as defined below) (the "Shares") at an initial conversion price of HK\$8.57 per Share, during the conversion period and subject to adjustment as provided in, and otherwise on the terms of, the Conditions. The Bonds will be unconditionally and irrevocably guaranteed (the "Guarantee") by Cathay Pacific Airways Limited (the "Guarantor" or the "Company").

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 5 February 2026 (the "Maturity Date"). On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem the Bonds in whole, but not in part, at any time, on the date specified in the Tax Redemption Notice (as defined in the Conditions) at their principal amount together (if appropriate) with interest accrued to but excluding such date, in the event of certain changes to the tax laws or regulations of the Cayman Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, subject to the non-redemption option of each Bondholder after the exercise by the Issuer of its tax redemption option as described in the Conditions. On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with interest accrued but unpaid to but excluding the date fixed for redemption at any time prior to the Maturity Date provided that prior to the date on which the Issuer gives a redemption notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled (capitalised terms each as defined in the Conditions). 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 (as defined in the Conditions) at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption following the occurrence of (i) the Shares ceasing to be listed or admitted to trading or being suspended for trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange (as defined below); or (ii) a Change of Control (capitalised terms each as defined in the Conditions). See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Guarantor and (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 Guarantor, from time to time outstanding.

Each Bond will, at the option of the holder thereof, be convertible (unless previously redeemed, converted or purchased and cancelled) 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 10th day prior to the Maturity Date (both days inclusive) into fully paid Shares at an initial conversion price of HK\$8.57 per Share. The Conversion Price (as defined in the Terms and Conditions) is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds — Conversion". The Closing Price (as defined in the Terms and Conditions) of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 27 January 2021 was HK\$6.59 per Share.

**Investors should be aware that the Bonds and Guarantees are unsecured, there are risks attached to exercise of Conversion Rights of the Bonds, and there are various other risks relating to the Bonds, the Issuer and the Guarantor, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 14.**

Application has been made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only.

**Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

**The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, the Guarantor or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the content of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

**The distribution of this Offering Circular should be limited to Professional Investors only.** This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge there are no other material facts the omission of which would make any statement herein misleading. The expected date of listing of the Bonds on the Hong Kong Stock Exchange is on or around 8 February 2021.

The Bonds will be issued in the denomination of HK\$2,000,000 and integral multiples in excess thereof.

The Bonds, the Shares to be issued upon conversion of the Bonds (the "New Shares") and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. For a description of certain further restrictions on offers and sales of the Bonds and the New Shares and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out in the Global Certificate, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Certificate will be made on the 5 February 2021 (the "Issue Date") or such later date as may be agreed by the Issuer, the Registrar and the Joint Lead Managers.

### *Joint Lead Managers and Joint Bookrunners*

**BNP PARIBAS**

**BOC International**

**HSBC**

**Morgan Stanley**

*(in alphabetical order)*

The date of this Offering Circular is 2 February 2021

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## IMPORTANT NOTICE

**This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as at any time after that date.**

**This Offering Circular is not a prospectus for the purposes of the European Union's Prospectus Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as defined below).**

**The communication of the attached Offering Circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities described in the attached Offering Circular are only available to, and any investment or investment activity to which the attached Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached Offering Circular or any of its contents.**

We, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to the Issuer and the Guarantor, their respective subsidiaries taken as a whole (together, the "Group") and to the Guarantee, the Shares and the Bonds, which is material in the context of the issue and offering of the Bonds; (ii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held; (iii) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements in the Offering Circular; and (iv) the Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they will be made, not misleading.

This Offering Circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this Offering Circular before making a decision whether to purchase the Bonds. You must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

We have prepared this Offering Circular, and we are solely responsible for its contents. Each person receiving this Offering Circular acknowledges that such person has not relied on BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc (the "Joint Lead Managers"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Principal Agent" and the "Transfer Agent"), Citigroup Global Markets Europe AG (the "Registrar", and together with the Principal Agent and the Transfer Agent, the "Agents") or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who

controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Guarantor and its subsidiaries and affiliates taken as a whole and the merits and risks involved in investing in the Bonds.

No representation or warranties, express or implied, are made by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, officers, employees, representatives or agents or any person who controls any of them as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. To the fullest extent permitted by law, the Joint Lead Managers, the Trustee, the Agents and each of their respective affiliates, advisers, directors, officers, employees, representatives and agents and each person who controls any of them do not accept any responsibility for the contents of this Offering Circular or for any statement made or purported to be made by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, officers, employees, representatives or agents or any person who controls any of them or on their behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, the Agents and each of their respective directors, officers, employees, agents, advisers, representatives and affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Each person receiving this Offering Circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Bonds (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

The Bonds, the New Shares and the Guarantee of the Bonds have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Bonds described in the following Offering Circular are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union(Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore SFA Product Classification:** In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

We are not, and the Joint Lead Managers are not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of these securities may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Bonds, and distribution of this Offering Circular, see the section entitled “*Subscription and Sale*” below.

This Offering Circular summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We, the Joint Lead Managers, the Trustee, the Agents and each of our and their respective affiliates, advisers, directors, officers, employees, representatives and agents and each person who controls us or any of them are not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in

this Offering Circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Bonds.

We reserve the right to withdraw the offering of the Bonds at any time, and the Joint Lead Managers reserves the right to reject any commitment to subscribe for or purchase of the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Bonds.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATIONS

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. The term the “Issuer” refers to Cathay Pacific Finance III Limited. When we use the terms “we”, “us”, “our”, the “Company”, the “Guarantor”, the “Group”, “Cathay Pacific”, “Cathay Pacific Group” and words of similar import, we are referring to the Issuer, Cathay Pacific Finance III Limited itself or Cathay Pacific Airways Limited and its consolidated subsidiaries taken as a whole, as the context requires.

Market data, industry forecasts and the innovative drug market statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Joint Lead Managers or our or its directors and advisors, and neither we, the Joint Lead Managers nor our or its directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

In this Offering Circular, all references to “HK\$”, “Hong Kong dollars” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong” or “HK”); all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”); and all references to “US\$”, “U.S.\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or the “U.S.”).

References to the PRC and China, in the context of statistical information and description of laws and regulations in this Offering Circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China (“Macau”) or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to “2018” and “2019” in this Offering Circular are to our financial years ended 31 December 2018 and 2019, respectively.

References to “Share” are to, unless the context indicates otherwise, an ordinary share of the Company.

In this Offering Circular, unless the context otherwise requires, all references to “affiliate” are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Listing Rules, which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to International Financial Reporting Standards (the “IFRS”) or HKFRS, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to IFRS or HKFRS, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes:

(i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to such rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

## GLOSSARY

*This glossary contains definitions of certain terms used in this Offering Circular in connection with us and our business. Some of these may not correspond to standard industry definitions.*

- “**Bridge Loan**” means the bridge loan facility in the principal amount of HK\$7.8 billion granted by Aviation 2020 Limited to Cathay Pacific pursuant to a facility agreement dated 9 June 2020 entered into between Cathay Pacific and Aviation 2020 Limited.
- “**Preference Shares**” means 195,000,000 new preference shares of HK\$100 each in the capital of Cathay Pacific issued by Cathay Pacific to Aviation 2020 Limited pursuant to the PS Subscription Agreement.
- “**Preference Shares and Warrants Issue**” means the issue of the Preference Shares and the Warrants.
- “**PS Subscription Agreement**” means the subscription agreement dated 9 June 2020 and entered into between Cathay Pacific and Aviation 2020 Limited in relation to the Preference Shares and Warrants Issue.
- “**Rights Issue**” means the rights issue of 2,503,355,631 Rights Shares at the Rights Subscription Price on the basis of seven Rights Shares for every 11 existing Shares held on the Rights Issue Record Date.
- “**Rights Issue Record Date**” means Tuesday, 21 July 2020, being the date by reference to which entitlements under the Rights Issue were determined.
- “**Rights Issue Underwriting Agreement**” means the underwriting agreement dated 9 June 2020 entered into between Cathay Pacific and the Underwriters in relation to the Rights Issue.
- “**Rights Share(s)**” means the new Share(s) allotted and issued pursuant to the Rights Issue Underwriting Agreement.
- “**Rights Shares and Preference Shares Issue**” means the issue of the Rights Shares and the Preference Shares.
- “**Rights Subscription Price**” means the subscription price of HK\$4.68 per Rights Share.
- “**Underwriter(s)**” means BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc.
- “**Warrant Shares**” means up to 416,666,666 Shares (subject to adjustment) allotted and issued by Cathay Pacific upon the exercise of the subscription rights attaching to the Warrants.
- “**Warrants**” means the 416,666,666 unlisted warrants issued by Cathay Pacific to Aviation 2020 Limited pursuant to the PS Subscription Agreement which entitle holders to subscribe for the Warrant Shares.

## FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include, the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “could”, “would”, “plan”, “potential”, “continue”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance and some of which may not materialize or may change. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our operations and business prospects and our ability to develop and manage our operations and business;
- our business and operating strategies and our ability to implement such strategies;
- our ability to attract and retain our customers;
- general economic, political and business conditions in the markets in which we operate;
- our ability to attract and retain qualified employees and key personnel;
- our capital expenditure programs and future capital requirements;
- our ability to control costs;
- our dividend policy;
- capital market development;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this Offering Circular.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this Offering Circular. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Offering Circular might not occur in the way we expect, or at all.



## THE OFFERING

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Provisions relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

<b>Issuer</b>	Cathay Pacific Finance III Limited.
<b>Guarantor</b>	Cathay Pacific Airways Limited.
<b>Issue</b>	HK\$6,740,000,000 2.75 per cent. guaranteed convertible bonds due 2026 (the “Bonds”). The Bonds will be convertible at the option of the holder thereof into fully paid Shares of the Guarantor.
<b>Shares</b>	Ordinary shares of the Guarantor.
<b>Interest</b>	Interest on the Bonds is payable at the rate of 2.75 per cent. per annum payable semi-annually in arrear in equal instalments of HK\$27,500 per Calculation Amount (as defined in the Terms and Conditions) on 5 February and 5 August in each year, beginning on 5 August 2021. See “Terms and Conditions of the Bonds — Interest”.
<b>Issue Price</b>	100.00 per cent. of the principal amount of the Bonds.
<b>Issue Date</b>	5 February 2021.
<b>Maturity Date</b>	5 February 2026.
<b>Form and Denomination of the Bonds</b>	The Bonds will be issued in registered form in the denomination of HK\$2,000,000 and integral multiples in excess thereof.
<b>Guarantee</b>	The due payment of all sums expressed to be payable by the Issuer and the due performance by the Issuer of its obligations under the Trust Deed and the Bonds has been unconditionally and irrevocably guaranteed by the Guarantor.
<b>Negative Pledge</b>	<p>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:</p> <ul style="list-style-type: none"><li>(i) payment of principal of, or premium or interest of, or on, any Securities (as defined below); or</li><li>(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,</li></ul> <p>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</p>

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.

See “*Terms and Conditions of the Bonds — Negative Pledge*”.

**Status of the Bonds and the Guarantee**

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Guarantor and (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 Guarantor, from time to time outstanding. See “*Terms and Conditions of the Bonds — Status and Guarantee*”.

**Conversion Right and Period**

Subject as provided in the Terms and Conditions, each Bond shall entitle the holder to convert such Bond into Shares at any time during the Conversion Period referred to below (the “Conversion Right”). 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 (a) 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 10th day prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6(a)(iv) (*Revival and/or survival after Default*) and Condition 10 (*Events of Default*) of the Terms and Conditions, in no event thereafter), or (b) if such Bond shall have been called for

## Conversion Price

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 (c) if notice requiring redemption has been given by such Bondholder pursuant to Condition 8(d) (*Redemption at the option of the Bondholders*) of the Terms and Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice. See “*Terms and Conditions of the Bonds — Conversion — Conversion Right*”.

Initial conversion price is HK\$8.57 per Share, subject to adjustment for, among other things, (a) consolidation, subdivision, redesignation or reclassification; (b) capitalization 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 416,666,666 warrants issued by the Guarantor to Aviation 2020 Limited on 12 August 2020 or (ii) any payment of dividend or other distribution in respect of, or redemption by the Guarantor of, the 195,000,000 preference shares of HK\$100 each in the capital of the Guarantor issued to Aviation 2020 Limited on 12 August 2020.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Guarantor or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Hong Kong Stock Exchange and applicable laws and duly adopted by the Guarantor) (“Share Scheme Shares/Options”) unless any grant or issue of Share Scheme Shares/Options would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 3 per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 3 per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining any adjustment of the Conversion Price pursuant to the Terms and Conditions.

See “*Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price*”.

**Adjustment upon a Change of Control**

If a Change of Control (as defined in Condition 8(h) (*Definitions*)) shall occur, the Issuer shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 16 (*Notices*) 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:

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

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 per cent. 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.

“**t**” means the number of days from and including the Issue 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).

**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, the Bondholders 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 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 thereof or therein 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 provision may not occur within seven days of the end of a closed period, but otherwise may occur when the conversion right is expressed in Terms and Conditions to be exercisable.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that Condition 9 (*Taxation*) of the Terms and Conditions 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 tax amounts shall be payable in respect thereof pursuant to Condition 9 (*Taxation*) 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.

See “*Terms and Conditions of the Bonds — Redemption for Taxation Reasons*”.

**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 the Bondholders, 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 (as defined in the Terms and Conditions).

**Issuer, Guarantor and Shareholders 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 Shares issued on conversion of the Bonds and any issuance of Shares upon exercise of any of the 416,666,666 warrants issued by the Guarantor to Aviation 2020 Limited on 12 August 2020.

Swire Pacific Limited (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 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 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

	<p>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.</p> <p>“<b>Relevant Shares</b>” means 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.</p>
<b>Events of Default</b>	<p>For a description of the Events of Default that will permit the Bonds to become immediately due and payable at their principal amount, together with accrued interest (if any) to (but excluding) the date of payment, see “<i>Terms and Conditions of the Bonds — Events of Default</i>”.</p>
<b>Clearing Systems</b>	<p>The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.</p>
<b>Governing Law</b>	<p>The Bonds and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law.</p>
<b>Trustee</b>	<p>Citicorp International Limited</p>
<b>Principal Agent and Transfer Agent</b>	<p>Citibank, N.A., London Branch</p>
<b>Registrar</b>	<p>Citigroup Global Markets Europe AG</p>
<b>Legal Entity Identifier</b>	<p>549300K30Y0MI5T0HV31</p>
<b>Listing and Trading of the Bonds</b>	<p>Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and formal permission is expected to become effective on or around 8 February 2021.</p>
<b>Listing of Shares</b>	<p>The Shares are listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of the New Shares.</p>
<b>Use of Proceeds</b>	<p>See “<i>Use of Proceeds</i>”.</p>
<b>Selling Restrictions</b>	<p>There are certain restrictions on the offer, sale and transfer of the Bonds and the Shares to be issued upon conversion of the Bonds in certain jurisdictions including the United States and Hong Kong. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds and the Shares to be issued upon conversion of the Bonds, see “<i>Subscription and Sale</i>”.</p>
<b>Global Certificate</b>	<p>For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depository for Euroclear and Clearstream, payments of principal in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other</p>

Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant clearing system.

**ISIN**

XS2287867563

**Common Code**

228786756

**Stock Lending Agreement**

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.



## SUMMARY FINANCIAL INFORMATION AND OTHER DATA<sup>1</sup>

The summary financial information as of and for the six months ended 30 June 2020 and 30 June 2019 is prepared based on the unaudited condensed interim financial statements of Cathay Pacific for the six months ended 30 June 2020, which are incorporated by reference in this Offering Circular.

The summary financial information as of and for the years ended 31 December 2019 and 31 December 2018 is prepared based on the audited consolidated financial statements of Cathay Pacific for the years ended 31 December 2019 and 31 December 2018, which are incorporated by reference in this Offering Circular.

The Cathay Pacific Group's loss attributable to shareholders for the six months ended 30 June 2020 amounted to HK\$9,865 million compared to the profit attributable to the shareholders of HK\$1,347 million for the six months ended 30 June 2019.

The following table sets out selected consolidated statement of profit or loss and other comprehensive income and dividend information and consolidated statement of financial position information of Cathay Pacific for (i) the six months ended 30 June 2020 and 2019 and (ii) the years ended 31 December 2019 and 2018:

	Six months ended 30 June		Year ended 31 December	
	2020	2019	2019	2018
	<i>(in HK\$ million)</i>			
<b>Selected Consolidated Statement of Profit or Loss and Other Comprehensive Income and dividend information</b>				
Total revenue .....	27,669	53,547	106,973	111,060
Net finance charges .....	(1,652)	(1,420)	(2,939)	(2,114)
(Loss)/profit before taxation .....	(10,913)	1,702	2,145	3,243
(Loss)/profit attributable to the shareholders of Cathay Pacific.....	(9,865)	1,347	1,691	2,345
Dividends paid to the shareholders of.....				
Cathay Pacific.....	—	(787)	(1,495)	(590)
<b>Selected Consolidated Statement of Financial Position information</b>				
Non-current assets .....	178,738	179,765	187,232	160,676
Current assets.....	16,194	26,631	27,284	29,618
Current interest-bearing liabilities .....	23,909	18,789	20,752	13,694
Non-current interest-bearing liabilities .....	76,479	71,952	76,508	60,183

<sup>1</sup> The non-statutory accounts (within the meaning of Section 436 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the "Ordinance") of Cathay Pacific in this document are not specified financial statements (within such meaning). The specified financial statements of Cathay Pacific for the years ended 31 December 2018 and 31 December 2019 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. An auditor's report has been prepared on those specified financial statements. The auditor's reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain any statement under section 406(2) or 407(2) or (3) of the Ordinance.

	Six months ended 30 June		Year ended 31 December	
	2020	2019	2019	2018
	<i>(in HK\$ million)</i>			
Funds attributable to the shareholders of Cathay Pacific.....	49,371	62,566	62,773	63,936
	<u>149,759</u>	<u>153,307</u>	<u>160,033</u>	<u>137,813</u>

Note:

The Cathay Pacific Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information in 2018 is not restated.

Cathay Pacific had a net current liabilities position as of 30 June 2020 of HK\$35,283 million, and 30 June 2019 of HK\$27,494 million, 31 December 2019 of HK\$29,578 million and 31 December 2018 of HK\$18,727 million.

The following table sets out, among others, the revenue, operating profit or loss, share of loss or profit of associates and attributable loss or profit of Cathay Pacific for (i) the six months ended 30 June 2020 and 2019 and (ii) the years ended 31 December 2019 and 2018 and the total equity of Cathay Pacific at those dates:

	Six Months ended 30 June		Year ended 31 December	
	2020	2019	2019	2018
	<i>(in HK\$ million)</i>			
<b>Revenue</b>				
Passenger services.....	11,056	37,449	73,985	73,119
Cargo services.....	12,692	11,498	23,810	28,316
Other services and recoveries.....	3,921	4,600	9,178	9,625
<b>Total revenue</b> .....	<u>27,669</u>	<u>53,547</u>	<u>106,973</u>	<u>111,060</u>
<b>Expenses</b>				
Staff .....	(8,623)	(10,133)	(20,125)	(20,211)
Inflight service and passenger expenses...	(949)	(2,682)	(5,306)	(5,292)
Landing, parking and route expenses .....	(4,242)	(8,635)	(17,758)	(17,486)
Fuel, including hedging losses .....	(7,318)	(14,807)	(29,812)	(33,869)
Aircraft maintenance.....	(3,673)	(4,708)	(9,858)	(9,401)
Aircraft depreciation and rentals .....	(6,163)	(5,944)	(12,022)	(12,743)
Other depreciation, amortisation and rentals.....	(1,415)	(1,392)	(2,991)	(2,851)
Commissions.....	(125)	(503)	(927)	(862)
Others.....	(1,431)	(2,269)	(4,847)	(4,750)
<b>Operating expenses</b> .....	<u>(33,939)</u>	<u>(51,073)</u>	<u>(103,646)</u>	<u>(107,465)</u>
Impairment and related charges .....	(2,465)	—	—	—
<b>Operating (loss)/profit</b> .....	<u>(8,735)</u>	<u>2,474</u>	<u>3,441</u>	<u>3,595</u>

	Six Months ended 30 June		Year ended 31 December	
	2020	2019	2019	2018
	<i>(in HK\$ million)</i>			
Finance charges.....	(1,717)	(1,617)	(3,276)	(2,457)
Finance income.....	65	197	337	343
Net finance charges .....	(1,652)	(1,420)	(2,939)	(2,114)
Share of (losses)/profits of associates .....	(526)	648	1,643	1,762
<b>(Loss)/profit before taxation .....</b>	<b>(10,913)</b>	<b>1,702</b>	<b>2,145</b>	<b>3,243</b>
Taxation .....	1,049	(355)	(454)	(466)
<b>(Loss)/profit for the period.....</b>	<b>(9,864)</b>	<b>1,347</b>	<b>1,691</b>	<b>2,777</b>
<b>(Loss)/profit attributable to the shareholders of Cathay Pacific .....</b>	<b>(9,865)</b>	<b>1,347</b>	<b>1,691</b>	<b>2,345</b>
Non-controlling interests.....	(1)	—	—	432
<b>(Loss)/profit for the period.....</b>	<b>(9,864)</b>	<b>1,347</b>	<b>1,691</b>	<b>2,777</b>
<b>Total equity .....</b>	<b>49,375</b>	<b>62,569</b>	<b>62,776</b>	<b>63,939</b>

Note:

The Cathay Pacific Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information in 2018 is not restated.

## **RISK FACTORS**

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Bonds. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Bonds are also described below. However, the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE CATHAY PACIFIC GROUP**

#### **Risks Relating to the Business and Operations of the Cathay Pacific Group**

##### **COVID-19 Risk**

The outbreak of a novel strain of coronavirus (i.e. COVID-19) has spread globally and triggered a global economic downturn and global economic contraction, causing a severe impact on the regional and global aviation industry. The number of reported cases of COVID-19 worldwide, as well as the number of reported deaths, have significantly exceeded those observed during the Severe Acute Respiratory Syndrome (“SARS”) epidemic that occurred in 2002/2003 and have resulted in a more widespread health crisis than that observed during the SARS epidemic. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic. As of the date of the Offering Circular, there are a number of COVID-19 vaccines developed by scientists for which certain national regulatory authorities have authorized the use of, although there can be no assurance as to whether they will provide long-term protection. The COVID-19 pandemic is ongoing and the actual extent of the outbreak and its impact on the domestic, regional and global economy remains uncertain.

On 24 November 2020, the International Air Transport Association (“IATA”) announced a revised outlook for the aviation industry’s performance in 2020 and 2021. Deep industry losses will continue into 2021, even though performance is expected to improve over the period of the forecast. The IATA estimated a net loss of U.S.\$118.5 billion for 2020 (deeper than the previous U.S.\$84.3 billion forecast in June) and a net loss of U.S.\$38.7 billion for 2021 (deeper than the previous U.S.\$15.8 billion forecast in June). The IATA also anticipates that performance factors in 2021 will show improvements as compared to 2020, while the second half of 2021 is expected to see improvements after a difficult first half of 2021. In addition, aggressive cost-cutting is expected to combine with increased demand during 2021 (due to the re-opening of borders with testing and/or the widespread availability of a vaccine) to see the industry turn cash-positive in the fourth quarter of 2021 which is earlier than previously forecast. However, given the uncertain nature of the ongoing COVID-19 pandemic, the road to recovery is expected to be long and difficult and there can be no assurance that the aviation industry can return to pre-pandemic levels in the near future.

Governments around the world have introduced measures designed to slow the spread of the virus, including strict border controls and travel restrictions and ordering residents to stay at home with a limited range of exceptions. In Hong Kong, travel restrictions were implemented by the Hong Kong government on 25 March 2020, pursuant to which all non-Hong Kong residents and transit passengers will be denied entry into Hong Kong and a 14-day mandatory health quarantine arrangement was introduced for inbound travellers. The 14-

day mandatory health quarantine arrangement was extended to 21 days on 25 December 2020. Further travel restrictions were subsequently implemented, pursuant to which from 25 December 2020 and 23 January 2021, all persons who have stayed in the United Kingdom or South Africa and Brazil or Ireland, for more than two hours on the day of boarding or during the 21 days before that day are not allowed to board for Hong Kong, respectively. As of the date of the Offering Circular, such restrictions were still in force, and may be further extended, including to a greater or lesser degree, which may, in turn, materially and adversely affect the Cathay Pacific Group's business, financial condition and results of operations. In addition, effective later within February 2021, the Hong Kong government intends to implement a new 14-day hotel quarantine plus 7-day medical surveillance requirement for both Hong Kong-based pilots and cabin crew. The actual extent of the impact from these measures will be affected by a number of factors, including the success of mitigation measures that Cathay Pacific is able to adopt, such as agile manpower resources management. Cathay Pacific's preliminary assessment is that the new measure may result in a reduction of current passenger capacity of around 60 per cent., a reduction of current cargo capacity of around 25 per cent. and a further increase in its cash burn of approximately HK\$300-\$400 million per month, on top of its existing HK\$1.0-1.5 billion levels.

The COVID-19 outbreak could even become more severe, which may in turn result in protracted volatility in international markets and/or result in a global recession as a consequence of widespread disruptions to travel and retail segments, tourism and manufacturing supply chains, imposition of quarantines and prolonged closures of workplaces. For instance, the all-purpose, two-way, quarantine-free Hong Kong-Singapore Air Travel Bubble introduced in November 2020 was subsequently postponed by the government authorities to 2021 due to the spike in COVID-19 infections in Hong Kong. Cathay Pacific is particularly impacted by such travel restrictions and measures as it has no domestic network and is wholly reliant on cross-border travel, which remains highly restricted and subject to quarantine constraints, with no prospects for a return to normal international travel arrangements in the near future. In response to the COVID-19 pandemic, the Cathay Pacific Group has implemented a number of cash preservation measures, obtained significant liquidity and government support, engaged in recapitalisation efforts and implemented restructuring of the Cathay Pacific Group to strengthen recovery of its business. See "*Description of Cathay Pacific Airways Limited – Recent Developments*" below for more details on such measures. Despite all these measures, the drop in revenue from passenger services to around only 1 per cent. of prior year levels meant that Cathay Pacific was initially losing cash at the operating level at a rate of HK\$2.5 to 3.0 billion per month as it serviced a high level of customer refunds. This has subsequently reduced and is expected to remain at a rate of approximately HK\$1.0-1.5 billion cash burn per month whilst minimal passenger services are in place. While such passenger capacity cuts and cost management measures have helped to reduce expenditure, many costs are unavoidable regardless of the number of flights mounted. Accordingly, such measures will not fully offset the contraction in revenue from passenger services resulting from the COVID-19 pandemic.

In terms of passenger flight capacity outlook 2021, which remains challenging, the Cathay Pacific Group expects to operate at approximately 50 per cent. of its pre-pandemic seat capacity. Given the extended COVID-19 recovery outlook, it will continue to consider further assets and inventory impairments and assess the potential of increasing more flights and adding destinations for its customers in the coming months; however, these plans remain contingent on the further relaxation or tightening of government health measures, the existence of travel bubbles and other mitigating factors (testing and quarantine) and the adoption rates and effectiveness of the vaccines currently authorised for use in its key markets. Also, the Cathay Pacific Group may underestimate future risks and thus any existing or future allowance for impairment losses on its assets and inventory may not be adequate to cover future credit losses. Under such circumstances, it may need to make additional allowance for its related assets and inventory, which could significantly reduce its profit and may materially and adversely affect the Cathay Pacific Group's business. It is also unclear when the Cathay Pacific Group can begin to resume normal services, given the uncertainty as to when the stringent border controls of destination countries will be lifted and/or travel bubbles will be implemented. The duration of the border

controls, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the Cathay Pacific Group's business are and remain uncertain. Even when restrictions are lifted, there might be a period of significantly reduced economic activity, potential increased unemployment and reduced consumer spending and it is likely that passengers would voluntarily choose to reduce travel. There is also no assurance that travel will rebound to pre-outbreak levels. This is expected to have a material adverse impact on the Cathay Pacific Group's financial results for the year ended 31 December 2020 and possibly beyond. Accordingly, the performance of the Cathay Pacific Group in the short-to-medium term (including its financial results for the year ended 31 December 2020) is expected to be materially worse than that in the past.

A number of governments (including but not limited to the Hong Kong government) have also revised gross domestic product growth forecasts for 2021 downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 will cause a prolonged global economic crisis or recession, which may disrupt the Cathay Pacific Group's business operations and consequently have a material adverse effect on its financial condition and results of operations. While governments (including the Hong Kong government) have introduced and may introduce further support and relief measures in response to the COVID-19 pandemic, there is no assurance that such support packages will be effective in improving the state of the local and global economy. Furthermore, the COVID-19 pandemic has resulted in significant volatility in the financial markets, which has in turn impeded access to the capital markets and bank borrowings for many businesses. As one of the industries worst hit by the pandemic, the aviation industry may continue to suffer restricted access to external funding if investors' confidence is not restored.

### **Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Cathay Pacific. Credit risk for Cathay Pacific arises from activities with treasury counterparties and trade debtors:

- On the one hand, Cathay Pacific's exposure to credit risk arising from treasury activities is limited. To manage credit risk in respect of treasury activities, derivative financial transactions, deposit placements and funds are only carried out with financial institutions which have high credit ratings and all counterparties are subject to prescribed trading limits which are regularly reviewed. Risk exposures are monitored regularly by reference to market values.
- On the other hand, Cathay Pacific's credit risk with regard to trade debtors is relatively low. Trade debtors mainly represent passenger and freight sales due from agents and amounts due from airlines for interline services provided. The majority of the agents are connected to the settlement systems operated by the IATA which is responsible for assessing the credit worthiness of such agents and collecting bank guarantees or other monetary collateral according to local industry practice. In most cases amounts due from airlines are settled on net basis via an IATA clearing house.

The management of the Cathay Pacific Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. It normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantees or other monetary collateral. Furthermore, it measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix based on its historical credit loss experience and forward-looking factors. However, there can be no assurance that the aforementioned credit policies and measures will always be effective in mitigating its credit risks, which may adversely affect its financial condition and profitability.

## **Liquidity Risk**

Cathay Pacific relies on diversified funding sources and its management monitors rolling forecasts of the Cathay Pacific Group's liquidity reserve (comprising liquid funds and undrawn credit facilities) on the basis of expected cash flows to mitigate liquidity risk. In addition, the Cathay Pacific Group's liquidity management policy includes monitoring balance sheet liquidity ratios against internal and external benchmarks and attaining debt financing plans. Although such systems, policies and procedures are in place as part of its liquidity management mechanism to identify and manage on a timely basis the liquidity risks arising from its businesses, there is no assurance that these systems and procedures will successfully manage and mitigate Cathay Pacific's liquidity risks. For instance, in June 2020, Cathay Pacific announced the Recapitalisation Plan as a response to withstand the industry-wide downturn and liquidity risks resulting from the COVID-19 pandemic. The Recapitalisation Plan was designed to improve the Cathay Pacific Group's capital structure and cash conservation, as well as to ensure sufficient funds and liquidity for Cathay Pacific's business and operations. See "*Description of Cathay Pacific Airways Limited – Recent Developments – Recapitalisation Plan*" below for more details on the Recapitalisation Plan.

Its ability to obtain additional sources of funding may also be affected by factors such as deterioration of market conditions and disruptions to financial markets. Global capital markets have experienced and may continue to experience negative investor sentiment, significant volatility and liquidity disruptions. Furthermore, Cathay Pacific may not be able to secure required funding on commercially acceptable terms on a timely basis or at all, which could result in liquidity risk and materially and adversely affect its business, financial condition and results of operations.

## **Economic Risk**

The aviation industry is cyclical and international air transportation is intimately linked and correlated with economic growth. The growth or decline in economic activity and uncertainties caused by geo-political events directly affect demand for business travel by air and for cargo space. Economic downturns can also impact leisure travel as discretionary income is affected. Since a substantial portion of airline travel, for both business and leisure, is discretionary, the aviation industry may experience adverse financial performance during an economic downturn and geopolitical events. In particular, a severe or prolonged recession, either regionally or globally, could result in lower demand for passenger travel and air cargo transportation services and a decline in the asset value of our aircraft portfolio, which may materially and adversely affect the Cathay Pacific Group's business and operations. Yields may also experience a decline as airlines may offer fare discounts in certain markets to stimulate demand.

As an international airline, the Cathay Pacific Group's business is highly and substantially dependent on general global economic conditions. As the aviation industry is generally characterised by high fixed costs, including aircraft costs such as aircraft depreciation, lease rentals, maintenance and repair costs, a drop in revenue levels as a result of a slower economic cycle could have an adverse impact on the Cathay Pacific Group's financial performance. It is difficult to predict the duration and effects of an economic downturn, which may be aggravated by volatility in the financial sector and the capital markets, leading to significant market-wide liquidity problems. Any material adverse change in economic conditions will reduce demand for business and leisure travel and for shipments of air cargo, which in turn reduces revenue and may adversely affect the Cathay Pacific Group's operating cash flow, financial condition, financial performance and/or results of operations in the future.

## **Competition Risk**

The airline business has developed rapidly over the years and is highly competitive. Although the aviation industry still has great potential for development, there can be no assurance that Cathay Pacific will be able to maintain its advantageous position as a result of the increasingly intense competition from its competitors.

Due to the diverse and international nature of its business, Cathay Pacific competes with full service and low-cost carriers and with existing and new airlines. Some of these competitors may have greater financial and management resources than Cathay Pacific does. Some of these competitors may also have more operational and financial resources as well as customer networks and relationships, lower financing costs, and higher risk tolerance or different methods of risk assessment, such that they can consider or afford a wider variety of investments, establish more relationships, and bid more aggressively on assets available for sale. In addition, some of these competitors may offer better terms to current and prospective customers than Cathay Pacific.

Also, liberalisation of air traffic rights increases competition as it enables more airlines to operate on Cathay Pacific's network of routes. Competition for passengers and cargo in turn puts pressure on revenues and adversely affects financial performance. Furthermore, Hong Kong International Airport competes for traffic with other airports, particularly those situated in Asia. Loss of traffic to those competing airports may adversely affect the business and operations of Cathay Pacific. There can be no assurance that Cathay Pacific will always be able to compete successfully with its competitors in the aviation industry.

### **Governmental and Regulatory Risk**

The aviation industry is highly regulated by governments, both the home governments of airlines and those of countries to which they fly, and this may require significant costs to be incurred in meeting existing and new regulations and policies. Changes in government policies towards the aviation industry and in government regulation of the industry may adversely affect the financial performance of Cathay Pacific, for example if they result in increased landing charges or duties payable by passengers or enhanced safety, environmental or public health management measures.

In particular, safety, environmental, health and similar regulations impose significant requirements and compliance costs on the Cathay Pacific Group's business. For the Cathay Pacific Group's airlines to maintain their air operator certificates, they have to comply with regulations in Hong Kong and elsewhere. These regulations deal mainly with safety issues from aircraft airworthiness to training of crew. Governments across the world have also become more active in regulatory intervention on issues ranging from climate change, environmental protection to anti-corruption and consumer welfare. Over time, it is possible that governments will adopt additional regulatory requirements, taxes, duties, levies and/or market-based policies that are intended to reduce energy usage, emissions, and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may also impact the global market for certain aircraft and in turn airlines. Compliance with current or future regulations, taxes, duties or levies could cause Cathay Pacific's customers to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel, lower aircraft residual values and adverse impacts on the Cathay Pacific Group's business, operations and financial condition. In light of the COVID-19 pandemic, there can be no assurance that governments will not impose additional regulations on airlines to address public health management concerns. For risks on the recent COVID-19 outbreak, see "*COVID-19 Risk*" above.

In some instances, governments may also adopt restrictive policies with respect to the issuance of certain permits and approvals. Foreign governments may impose or alter domestic regulations so as to protect their domestic airlines from competition, which may restrict the Cathay Pacific Group's business opportunities. Foreign governments may distort competition by subsidising their domestic airlines, which may put pressure on the revenues of Cathay Pacific. Changes in such regulations and policies, or the administration of such regulations and policies, could have an adverse impact on the Cathay Pacific Group's business by increasing costs, impeding normal service, restricting market access and benefiting its competitors. In the event that Cathay Pacific does not fully comply with such laws and regulations and policies in the conduct of its business or operations, there can be no assurance that any such non-compliance would not have a material and adverse effect on the Cathay Pacific Group's business, operational results, financial position, performance or prospects.



In addition, such laws and regulations and policies may be ambiguous and their interpretations and applications may potentially be detrimental to Cathay Pacific.

### **Jet Fuel Cost Risk**

Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Due to the variety of factors that affect the price of fuel, the cost of fuel cannot be predicted with any degree of certainty. Jet fuel is a major component of the Cathay Pacific Group's operating expenses and its financial results are significantly affected by the volatility in the price of jet fuel. In particular, high jet fuel prices and significant increases in jet fuel prices adversely affect the financial performance of airlines.

Hedging can ameliorate the adverse effect of jet fuel price increases to an extent, but hedging can itself adversely affect profits, for example when spot jet fuel prices fall significantly and hedging has been done at higher prices. The Cathay Pacific Group's policy is to reduce fuel price risk by hedging a percentage of its expected fuel consumption using fuel derivatives. Crude oil swaps which are economically equivalent to forward contracts are used to achieve Cathay Pacific's desired hedging position.

As of 31 December 2019, a 5 per cent. increase/decrease in price of jet fuel would have increased/decreased the Cathay Pacific Group's other equity components by approximately HK\$620 million. This is on the assumption that all other variables remain constant and has been prepared on the same basis as the same sensitivity analysis disclosed in the annual report of Cathay Pacific for the year ended 31 December 2018.

In addition, the scale of reduced flights due to the COVID-19 pandemic means that the Cathay Pacific Group is in an over-hedged position with respect to expected fuel consumption. Accordingly, surplus hedges will need to be classified as ineffective under applicable financial reporting standards. The marked to market losses as of 31 December 2020 could be significant and any such losses arising from ineffective hedges will be recognised in profit or loss for the year ended 31 December 2020.

### **Interest Rate Risk**

Interest rate fluctuations may adversely affect Cathay Pacific's financial performance. Cathay Pacific's cash flow exposure to interest rate risks arises primarily from long-term borrowings. Cathay Pacific borrows significant amounts in order to fund its capital expenditure on aircraft and other items. It borrows at fixed and floating rates, which are affected by market interest rates, high volatility in market interest rates will directly affect its financing costs and net interest margin, and, in turn, affect its profit margin and financial condition. For instance, increases in interest rates increase the cost of current floating rate borrowings and all future borrowings. Interest rates for Cathay Pacific can increase because market rates increase or because lenders change their views of Cathay Pacific's creditworthiness. Increased interest rates cost Cathay Pacific more money directly and may have longer term adverse effects by causing planned investments to be deferred or cancelled because they are no longer profitable. Cathay Pacific uses interest rate swaps to achieve an appropriate mix of fixed rate and floating rate exposure consistent with the Cathay Pacific Group's risk management policy, but there is no assurance that these swaps will continue to be effective in mitigating risks or its decision to use these swaps will continue to be accurate.

Cathay Pacific may also be susceptible to interest rate volatility if it is unable to maintain a balance between fixed and floating rate debts and match the floating/fixed lease income and lease maturities with financing on a similar basis or secure appropriate hedges for the same. Fluctuations in interest rate will also affect the market value of and return on derivative financial instruments and may result in a gap between its interest rate sensitive assets and interest rate sensitive liabilities. Fluctuations in market interest rates are subject to various factors beyond its control, such as the regulatory framework of the Chinese banking and financial sectors and the economic and political environment in China and abroad.

## **Currency Risk**

A significant portion of the Cathay Pacific Group's revenue stream is earned and denominated in foreign currency. Cathay Pacific is therefore subject to risks associated with foreign currency exchange rate fluctuations. For example, losses may be incurred on its conversion into Hong Kong dollars. Cathay Pacific also borrows in foreign currencies (mainly denominated in United States dollars and Japanese yen). Increases in the value of those currencies compared with the Hong Kong dollar increase the cost of repaying them and paying interest on them in Hong Kong dollars. To manage currency risk exposure, Cathay Pacific's assets are, where possible, financed in those foreign currencies in which sales transactions are anticipated, thus establishing a natural hedge. Also, Cathay Pacific uses currency derivatives and forward contracts to reduce foreign currency exposure from highly probably forecast sales transactions in foreign currencies. There can be no assurance that the aforementioned measures will always be effective in mitigating the risks from foreign exchange rate fluctuations, which may adversely affect its financial condition and profitability.

## **Reputational Risk**

Reputational risk refers to the potential or existing risk of negative impact or damage to Cathay Pacific's image, reputation and brand value, arising when aspects of its operational, managerial and other behaviours or external incidents are noticed or reported by the media. The Cathay Pacific Group's reputation and brand image may in particular be significantly damaged by safety related breaches or other events, which could have a material adverse effect on its revenue and business.

## **Local and International Macroeconomic and Political Risk**

The Cathay Pacific Group's business and operations are subject to evolving macroeconomic and local policies in domestically and abroad in both mature and emerging markets, including but not limited to inflation or deflation, fluctuations in currency, accessibility to financing and the levels of interest rates. Any changes in national macroeconomic and local policies in various jurisdictions in which Cathay Pacific has operations in may also materially and adversely affect its businesses, financial condition and results of operations. If Cathay Pacific fails to promptly adjust its business structure and proactively prevent the risks in response to such policy changes, its business operations and prospects may be adversely affected.

There are on-going concerns about European sovereign debt levels and the anticipated lower levels of economic growth and investor confidence in the Eurozone and the political gridlock in the United States over government spending and debt levels and the anticipated lower levels of economic growth and investor confidence in the United States ("U.S."), and raising of interest rates by the U.S. Federal Reserve. Further, in the United Kingdom ("UK") a remain-or-leave referendum on its membership within the European Union ("EU") was held in June 2016, the result of which favored the exit of the UK from the EU ("**Brexit**"). On 31 January 2020, the UK officially exited the EU following a UK-EU Withdrawal Agreement signed in October 2019. The UK and the EU signed the Brexit trade deal on 30 December 2020 and the UK completed its separation from the EU with effect from 1 January 2021. While the UK and the EU had reached the trade deal, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. In addition, on 30 June 2020, the Standing Committee of the PRC National People's Congress passed the Law of the People's Republic of China on Safeguarding National Security in the HKSAR (the "**HK National Security Law**"). The law defines the duties and the government bodies of the HKSAR for the safeguarding of national security, categories of offences and their corresponding penalties. On 14 July 2020, President Donald Trump signed into law the Hong Kong Autonomy Act (the "**HKAA**"), authorizing the U.S. administration to impose blocking sanctions against individuals and entities determined to "materially contribute" to the erosion of Hong Kong's autonomy. The HKAA further authorizes secondary sanctions, including the imposition of blocking sanctions, against foreign financial institutions that knowingly conduct a significant transaction with foreign persons sanctioned under this authority. Heightened geopolitical tensions

between the United States and the PRC continue to cause significant uncertainty in the global macroeconomy and it remains to be seen how this will evolve under President Joe Biden's new administration.

The Cathay Pacific Group's business and operations are also influenced by ongoing trade discussions, developments and tensions between major economies. In 2018 and 2019, the U.S. government imposed several rounds of tariffs on cumulatively U.S.\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively U.S.\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war between the U.S. and China created substantial uncertainties and volatilities to global markets. On 15 January 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions and whether any further agreement will be reached between the two countries at any time or at all. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken, and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. In addition, against the backdrop of the trade conflict between the U.S. and China, which has brought uncertainty to the global markets and impacted business and financial market sentiments, the U.S. government has also taken actions beyond tariffs. For example, the U.S. Department of Defense maintains a list of Chinese companies under the National Defense Authorization Act for Fiscal Year 1999, asserting that these companies are Communist Chinese military companies. While Cathay Pacific is not affected by the list, any trade or investment sanctions developed or promulgated by governments around the world in the future imposing similar effective restrictive measures may affect the market for Cathay Pacific's securities or impair the Cathay Pacific Group's ability to gain access to the U.S. capital markets. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on the future economic development of the U.S. and China and the aviation industry remains uncertain. The adoption and expansion of trade restrictions, the occurrence and escalation of a trade war, or any other government actions related to tariffs, trade agreements or policies have the potential to adversely impact the aviation industry, which may in turn materially and adversely affect the Cathay Pacific Group's business, financial condition and results of operations.

As a global airline, Cathay Pacific is also exposed to risks arising from any actual or potential political events (including war, terrorism, social unrest and public order events), which may disrupt travel and business, reduce passenger traffic and shipment of air cargo, may lead to closure or restriction of access to airspace or airports, and may contribute to a fear of travelling by air, visiting particular destinations. Such circumstances may adversely impact forward bookings. In particular, the effect of the HK National Security Law and the HKAA may cause substantial market uncertainties, which could in turn affect the business and operations of the Cathay Pacific Group. Protests, demonstrations or rioting causing disruption to businesses and transportation in various parts of Hong Kong, such as the protests in 2020 in anticipation of the HK National Security Law, those that started in 2019 in connection with the anti-extradition bill or the Occupy Central Movement that took place during the latter half of 2014, may decrease consumer spending, reduce cross-border trade and affect inbound tourism to Hong Kong, which in turn may have a negative impact on the local economy, including the aviation industry. Civil unrest is outside the control of the Cathay Pacific Group and there can be no assurance that further large-scale protests will not occur in the future or as to the authorities' reactions to any such protests if they recur and the effect on the stability of the political and economic conditions in the region. Continued civil unrest in Hong Kong or future economic, political and social developments in China could have significant

effects on Hong Kong, which could materially adversely affect the Cathay Pacific Group's business, results of operations and financial condition.

The scope of the Cathay Pacific Group's international operations may also require it in certain situations to comply with trade and economic sanctions and other restrictions imposed by the relevant governments, agencies or organisations. In addition, the recent outbreak of COVID-19 and its spread worldwide has introduced more uncertainty and volatility in the global markets and the aviation industry. For risks on the recent COVID-19 outbreak, see “— *COVID-19 Risk*” above.

### **Risks from Aircraft Accidents, Acts of Terrorism, Wars, Epidemics, Pandemics, Severe Weather Conditions, Natural or Other Calamities and Cyber-attacks**

Aircraft accidents may lead to a fear of travel via particular airlines or travel to particular countries or regions, resulting in a reduction in demand for air travel. Natural calamities such as earthquakes, floods, volcanic eruptions or tsunamis may devastate popular business or tourist travel destinations and significantly reduce travel to the affected areas for a period of time. Acts of terrorism and war (and threats of terrorism and war) and civil or political strike may also contribute to a fear of travelling by air, or visiting particular destinations, resulting in a sharp fall in demand for air travel. These events may also result in the closure or restriction of access to airspace or airports, and present serious risks to airlines and their financial performance and liquidity position if they result in significant disruption to air travel for long periods or cause travel demand to drop substantially. Given that the Cathay Pacific Group's services depend on the availability of airspace and airports and the general accessibility of destinations, its business and operations could also be adversely affected by the occurrence of such events.

In addition, the outbreak of any contagious disease such as mutation of COVID-19, Avian Flu H5N1, SARS, Ebola, Middle East respiratory syndrome coronavirus and swine flu that escalates into a regional or global epidemic or pandemic, or the fear of such events, may have an adverse impact on all airlines, including those of the Cathay Pacific Group which may operate to or from such affected areas or regions. The demand for air travel will be severely reduced as international and national response plans, which include tightening of border controls and closure or restriction of access to airspace or airports around the world, are put in place to address such contagion. For risks on the recent COVID-19 outbreak, see “— *COVID-19 Risk*” above.

Furthermore, cyber-attacks on IT systems that affect the operations of Cathay Pacific, its customers or the aviation industry more generally, including IT systems used or operated by global distribution services providers, online reservation agents, credit card processors, airports and immigration authorities, among others, could have a materially adverse effect on the Cathay Pacific Group's business and operations.

### **Implementation of HKFRS 16 “Leases”**

HKFRS 16 “Leases” became effective for accounting periods beginning on or after 1 January 2019. The standard eliminates the lessee's classification of leases as either operating leases or finance leases and, instead, introduces a single lease accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of right-of-use assets separately from interest on lease liabilities in profit or loss.

HKFRS 16 primarily affects the Cathay Pacific Group's accounting as a lessee of leases for aircraft and related equipment, and buildings and other equipment which were previously classified as operating leases. The adoption of HKFRS 16 is solely due to a change in accounting standards which has resulted in an accounting impact on the audited financial results of Cathay Pacific for the year ended 31 December 2019 and the unaudited condensed financial results of Cathay Pacific for the six months ended 30 June 2019 and 30 June 2020 as presented in this Offering Circular. The audited consolidated financial statements of Cathay Pacific for the year ended 31 December 2018 (as presented and/or incorporated by reference in this Offering Circular) do not reflect

the impact of adoption of this new standard. Investors should therefore take the above into consideration when making comparisons of any financial results for the six months ended 30 June 2020, the year ended 31 December 2019 and the six months ended 30 June 2019 against Cathay Pacific's historical financial results for the year ended 31 December 2018 and when evaluating the Cathay Pacific Group's financial condition and results of operations.

### **Segment Risk**

The Cathay Pacific's business segments comprise of (i) passenger services, (ii) cargo services and (iii) other services and recoveries. For more details on the business segments, see "*Description of Cathay Pacific Airways Limited – Business and Operations*" below. These business segments could be affected, to various extents of volatility, by the economic cycle of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn, unfavourable economic and market conditions may lead to a decline in the demand for and/or constrains on its passenger or cargo services and outlook, as well as an increase in its clients' default, which may, in turn, materially and adversely affect the Cathay Pacific Group's business, financial condition and results of operations.

For instance, the outbreak of COVID-19 had a significant impact on the aviation industry and in turn passenger services. For risks on the recent COVID-19 outbreak, see "*— COVID-19 Risk*" above. For more details on the impact of COVID-19 on the Cathay Pacific Group's business, see "*Description of Cathay Pacific Airways Limited – Recent Developments – COVID-19*" below. Please see also "*Description of Cathay Pacific Airways Limited – Recent Developments – Traffic Figures*" below for more details on the latest combined traffic figures of the Cathay Pacific Group reflecting its substantial capacity reductions in response to significantly reduced demand as well as travel restrictions and quarantine requirements in place in Hong Kong and other markets amid the ongoing global COVID-19 pandemic.

### **Funding and Indebtedness Risk**

The Cathay Pacific Group's airline business is balance sheet-driven and requires sufficient financing and funding to support the growth of its asset portfolio, fund its operations and repay its debts. Cathay Pacific has to make significant principal and interest payments on its outstanding indebtedness. Although under normal market conditions, it generates considerable funds from its operations, meeting the cash requirements for its business needs in the long term requires substantial liquidity and stable access to multiple sources of funding. See also "*— Liquidity Risk*" below for more details.

In addition to the cash generated from its business operations, Cathay Pacific funds its operations and expansion through borrowings, bonds payable and other liabilities including due to banks and other financial institutions and notes payable. Volatility or disruption in the financing markets could adversely affect such banks and financial institutions, causing lenders to increase the costs of funding, to be reluctant or unable to provide Cathay Pacific with funding on terms acceptable to it and/or to reduce the amount of funding available. Financial crises, instability and/or other events and factors resulting in volatility in the capital markets may result in a similar adverse impact, as could further consolidation in the banking industry, new global and national capital adequacy or other rules for financial institutions and/or changes to export credit schemes. If Cathay Pacific fails to maintain its existing and future funding arrangements on commercially acceptable terms, it may not be able to continue obtaining sufficient funding from its current sources. In particular, in light of the COVID-19 situation, Cathay Pacific's current sources of funding may not be sufficient to meet its liquidity needs in the future, and it may not be able to timely explore new sources to raise financing for its business.

As at 30 June 2020, Cathay Pacific's total current interest-bearing liabilities is HK\$23,909 million and total non-current interest-bearing liabilities is HK\$76,479 million. See "*Capitalization and Indebtedness*" below for more details. Due to the balance sheet-driven and capital-intensive nature of the Cathay Pacific Group's airline business and aircraft portfolio, it expects to continue maintaining significant levels of indebtedness and to incur

additional indebtedness in the future. This requires a portion of its cash flows from operations to be dedicated to interest and principal payments, and therefore not available to fund its operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In order to meet its current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund its operations and expansion, Cathay Pacific may need to raise additional funds by accessing additional funding from banks or other financial institutions. Also, Cathay Pacific's ability to obtain debt financing, and its cost of debt financing, are dependent, in part, on the financial ratings assigned to it by lenders and rating agencies. Maintaining these ratings depends in part on its strong financial condition and results of operations and in part on other factors, some or all of which are not within Cathay Pacific's control, including the outlook of lenders and rating agencies on the aviation industry and the market generally. Any inability to raise such funds may materially and adversely affect its financial condition and growth prospects.

Cathay Pacific also regularly considers market conditions and its ability to incur indebtedness to either refinance existing indebtedness and/or for working capital purposes. If market conditions worsen and precipitate declines in demand for aircraft or commercial airline related markets, Cathay Pacific's operations may not generate sufficient cash to service its debt. In addition, Cathay Pacific may need to incur additional debt over and above its current debt levels. Any or all of these factors could materially and adversely affect the Cathay Pacific Group's business, financial condition and results of operations.

### **Counterparty Risk**

In addition to the credit risk taken on by Cathay Pacific's counterparties in the aviation industry in the ordinary course of business, Cathay Pacific takes on counterparty risk on a range of financial institutions and corporates, including deposit-taking and letter of credit-issuing banks, issuers of financial instruments, counterparties to interest rate and foreign exchange derivatives and other financial instruments as well as on aircraft and engine manufacturers to which pre-delivery payments are made. Cathay Pacific may incur losses as a result of its failure to recover amounts payable to it by a counterparty due to the default and/or bankruptcy of that counterparty or due to unforeseen or other adverse events occurring, as a result of which Cathay Pacific required to incur additional costs or charges. Such an event could have a material adverse effect on the Cathay Pacific's business, financial condition and results of operations.

### **Risk Management Systems and Internal Control Policies Risk**

Cathay Pacific assumes various risks in its business and operations, including but not limited to the aforementioned credit, liquidity, interest rate, currency, reputational and counterparty risks. While it continually improves its risk management systems, its risk management measures may not be able to capture and mitigate all material risks in its business expansion. Therefore, when Cathay Pacific approaches new customers or develops new products or services, it may not be able to adequately identify and estimate all future risk exposures, since some of its risk management and control methods are based upon historical business experience, market behaviour and past events, and such risk exposures could be significantly greater than its estimation based on historical data. Furthermore, as the Cathay Pacific Group's business develops, its risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which it is unaware. In addition, in response to certain operational, legal or regulatory risks, Cathay Pacific needs to establish various sets of policies and procedures, in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure to properly implement risk management systems and internal control policies and procedures or any failure to identify applicable risks may materially and adversely affect its financial condition and results of operations.

## **Data Protection Risk**

Cathay Pacific Group is subject to a variety of laws, rules, policies and other obligations regarding data protection. Any unlawful destruction, loss, alteration, disclosure of, or access to confidential information and personal data could subject Cathay Pacific Group to significant reputational, financial, legal and operational consequences.

Cathay Pacific Group's business requires it to use and store confidential information, including, among other things, personally identifiable information ("PII"), with respect to its customers. Cathay Pacific Group is subject to domestic and international laws relating to the collection, use, retention, security and transfer of PII. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause Cathay Pacific Group to incur substantial costs or require it to change its business practices. Non-compliance could result in significant penalties or legal liability. From time to time, concerns may be expressed about whether Cathay Pacific Group's services or processes pose risks to the privacy of customers and others. Concerns about Cathay Pacific Group's practices with regard to the collection, use, disclosure, or security of PII or other privacy-related matters, even if unfounded, could damage Cathay Pacific Group's reputation and adversely affect its operating results.

Cathay Pacific Group's services involve the storage and transmission of customers' proprietary information, and theft and security breaches expose it to a risk of loss of this information, improper use and disclosure of such information, litigation, and potential liability. Any system failure or compromise of Cathay Pacific Group's security that results in the unauthorised disclosure of its customers' data, or in its or its customers' inability to access such data, could seriously harm Cathay Pacific Group's reputation and brand and, therefore, its business, and impair its ability to attract and retain customers.

In October 2018, Cathay Pacific announced that it had discovered unauthorised access to some of the passenger data of Cathay Pacific and Cathay Dragon ("the Data Incident"). Immediate action was taken to contain the event and a thorough investigation was carried out.

In 2019, the Hong Kong Privacy Commissioner for Personal Data found that the Data Incident, contravened the Personal Data (Privacy) Ordinance and required Cathay Pacific to implement certain technical and organisational measures. In 2020 the Commissioner confirmed that Cathay Pacific have complied with all of the required actions.

In March 2020 the UK Information Commissioner's Office (ICO) imposed a monetary penalty on Cathay Pacific Airways Limited for contravention of the Data Protection Act 1998 in relation to the Data Incident.

Cathay Pacific continues to co-operate with data privacy regulators, in their investigations and enquiries.

Cathay Pacific Group expects to continue to expend significant resources to maintain internal procedures and security protections that shield against security breaches. As with all companies, even state of art technical and organisational measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or customers into disclosing usernames, passwords or other sensitive information, which may in turn be used to access Cathay Pacific Group's information technology systems. Cathay Pacific Group has introduced and expects to continue to introduce and maintain a robust set of security and organisational measure to mitigate such risks.

## **Insurance Risk**

Although Cathay Pacific has obtained insurance coverage for the business operations that it considers necessary and sufficient for its operations and customary for the aviation industry in which it operates in, such as risks in relation to the loss of or damage to its aircraft and risk of liability for damages associated with the operation of

its aircraft, including in connection with an aircraft accident, it may face risks in connection with its business for which it does not have adequate insurance coverage. As a result, its insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses or insurance coverage shortfall could reduce its revenue upon an event of loss and could subject Cathay Pacific to uninsured liabilities, any of which may materially and adversely affect its results of operations and financial condition.

Furthermore, there can be no assurance that the insurance maintained by Cathay Pacific's airline customers, or the contingent insurance obtained by Cathay Pacific, will be adequate or sufficient to, and/or will in fact (given its or their respective coverage levels) cover it and its fleet against all risks, including all types of claims that may be asserted against it or be adequate to cover the value of the relevant aircraft against loss or damage, or that airline customers will at all times comply with their obligations to maintain insurance, that airline customers will be able to obtain adequate insurance coverage at commercially reasonable rates in the future. Any insurance coverage shortfall or default by airline customers to fulfil their indemnification or insurance obligations, as well as the lack of available insurance (whether generally in respect of particular types of loss or damage or for specific circumstances or events) and any shortfall under Cathay Pacific's insurance, could reduce the proceeds upon an event of loss and could subject Cathay Pacific to uninsured liabilities, any or all of which could have a material adverse effect on the Cathay Pacific's business, financial condition and results of operations.

### **Management and Employee Risk**

Cathay Pacific operates in an increasingly competitive market environment where highly specialised expertise is required for the efficient management of its business and operations and the operation of its aircraft fleet, and the ability to attract and retain its management team and key employees is crucial. Cathay Pacific depends on the continued efforts of its management team and core employees for its success, each of which plays a vital role in its business and operations. Its management team has many years of experience in the financial or aviation industry, and they collectively possess in-depth understanding of the Cathay Pacific Group's business and operations, customers and competitors, and the laws related to its business. Therefore, the management team is essential in formulating and implementing strategies necessary for achieving success.

However, Cathay Pacific's management team and key employees may voluntarily terminate employment with it or leave their positions due to reasons beyond its control. The loss of service of any of its management team and key employees could impair its ability to operate and hinder its efforts to implement business and growth strategies. Cathay Pacific may not be able to replace them with others of equivalent expertise and experience within a reasonable period of time. Furthermore, its continued success also depends on its ability to attract and retain qualified staff to manage its existing operations. Cathay Pacific may also need to offer superior compensation and other benefits to attract and retain key personnel, as compared to its competitors, and its compensation and benefit payments may thus increase unpredictably or at a greater rate than its revenues. This may also adversely affect its financial condition and results of operations.

### **Fraud and Misconduct Risk**

Fraud or other misconduct by Cathay Pacific's employees, such as unauthorised business transactions, bribery and breach of its internal policies and procedures, or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject Cathay Pacific to financial loss and sanctions imposed by governmental authorities while seriously damaging its reputation. This may also impair its ability to effectively attract prospective customers, develop customer loyalty, obtain financing on favourable terms, compete in invitations to tender and conduct other business activities. While Cathay Pacific's risk management systems and internal control policies are designed to monitor its operations and overall compliance, it may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by its employees or third parties, and the precautions it takes to prevent and detect such activities may not be effective. Therefore, Cathay Pacific is subject to the risk that fraud



or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect its business, financial condition and results of operations.

## **RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE SHARES**

### **The Bonds and the Guarantee are unsecured obligations.**

As the Bonds and the Guarantee are unsecured obligations, the ability of the Issuer or the Guarantor to fulfil their financial obligations may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under secured indebtedness or other unsecured indebtedness of the Issuer or the Guarantor; or
- there is an acceleration of any indebtedness of the Issuer or the Guarantor.

If any of these events occur, the assets of the Issuer and the Guarantor may not be sufficient to pay amounts due on the Bonds and the Guarantee.

### **The Bonds may not be a suitable investment for all investors.**

Each potential investor in the Bonds must determine the suitability of an investment in the Bonds in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it: (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio; (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal, interest or Distributions is different from the currency in which the potential investor's financial activities are principally denominated; (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

### **Risks attached to the exercise of Conversion Rights.**

At any point when the Bonds are outstanding, depending on the performance of the Shares, the value of the Shares may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Conversion Rights are exercised and when Shares are delivered, the value of the Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Shares are delivered.

**The Bonds may be redeemed early at the Issuer’s option.**

The Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and in writing to the Trustee and the Principal Agent (which notice will be irrevocable), redeem in whole, but not in part, the Bonds for the time being outstanding on the date specified in the redemption notice, at their principal amount together with interest accrued but unpaid to but excluding the date fixed for redemption at any time if, prior to the date the relevant 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. In addition, the Issuer may also redeem the Bonds in whole, but not in part, if there are changes in, or amendments to, the laws or regulations of the Cayman Islands, Hong Kong or any political subdivision of, or any authority thereof or therein 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.

As a result, the trading price of the Bonds may be affected when the redemption options of the Issuer become exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds. In addition, the proceeds from the redemption of the Bonds may be reinvested by the Bondholders and the Bondholders may thereby be subject to additional risks associated to such reinvestment.

**Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds, but are subject to changes made with respect to the Shares.**

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, Bondholders will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Guarantor’s articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

**There is a limited period during which the Bondholders may convert their Bonds.**

Subject as provided in the Conditions, Conversion Rights under the Conditions may only be exercised in certain circumstances (subject to any applicable fiscal or other laws or regulations and as further provided in the Conditions) (a) at any time on or after 18 March 2021 up to the close of business on the 10th day prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions, in no event thereafter); or (b) if the Bonds shall have been called for redemption by the Issuer before the Maturity Date, up to the close of business on a date no later than 10 days (both days inclusive) prior to the date fixed for redemption thereof; or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(d) (*Redemption for Relevant Event*) then up to the close of business on the day prior to the giving of such notice. If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount on the Maturity Date unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Conditions.

**Bondholders have limited anti-dilution protection.**

The conversion price of the Bonds will be adjusted only in the situations and only to the extent provided in the “*Terms and Conditions of the Bonds — Conversion*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no

adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

**Bondholders bear the risk of fluctuation in the price of the Shares.**

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. The share price of companies admitted to the Hong Kong Stock Exchange can be highly volatile and their shares may have limited liquidity. Investors may be unable to recover their original investment. In addition, equity market conditions may affect the price and market liquidity for Shares regardless of our performance. Equity market conditions are affected by many factors, such as the general economic, political or regulatory outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Shares by other investors, such as large purchases or sales of Shares may also affect the share price. Accordingly, the market price of Shares may not reflect the underlying value of our investments and the price at which investors may dispose of their Shares at any point in time may be influenced by a number of factors, only some of which may pertain to us while others may be outside our control. Investors should not expect that they will necessarily be able to realise, within a period that they would otherwise regard as reasonable, their investment in Shares issued on conversion of the Bonds. Our results and prospects from time to time may be below the expectations of market analysts and investors. Any decline in the market price of the Shares may have an adverse effect on the market price of the Bonds.

In addition, the future issue of Shares or equity-related securities by us or the disposal of Shares or equity-related securities by any of our substantial shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Shares. Except for our undertakings described in the Conditions, there is no restriction on our ability to issue Shares, and there can be no assurance that we will not issue Shares or that any substantial shareholder will not dispose of, encumber, or pledge its Shares or related securities. We cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares and the Bonds. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

**The conversion of some or all of the Bonds will dilute the ownership interests of shareholders of the Company.**

The conversion of some or all of the Bonds will dilute the ownership interests of shareholders, including your equity interest in the Company upon conversion of the Bonds. Any sales in the public market of the Shares issuable upon such conversion could affect prevailing market prices for the Shares.

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds. However, the Issuer cannot assure investors as to the liquidity of the Bonds, that an active trading market will develop, or that the Issuer will be able to maintain a listing of the Bonds on the Hong Kong Stock Exchange. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial price depending on many factors, including prevailing interest rates, our operating and financial results and the market for similar securities. In addition, one or more initial investors in the Bonds may purchase a significant portion of the aggregate principal amount of the Bonds pursuant to the offering. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market. Accordingly, no assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their

Bonds. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

**The Trustee may request the holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances, the Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions and/or steps and/or institute proceedings on their behalf. The Trustee will not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken or such proceedings can be instituted. Further, the Trustee may not be able to take or institute actions, steps or proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions or in circumstances where there is uncertainty or dispute as to whether such actions and/or steps and/or proceedings are in compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Bonds to take such actions and/or steps and/or to institute such proceedings directly.

**The insolvency laws of the Cayman Islands and Hong Kong may differ from those of any other jurisdiction with which the holders of the Bonds are familiar.**

Because the Issuer is incorporated under the laws of the Cayman Islands and the Guarantor is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve insolvency laws of the Cayman Islands and Hong Kong, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

**The Bonds will initially be held in book-entry form, and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.**

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate representing the Bonds will trade in book-entry form only, and securities in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Bonds. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, investors must rely on the procedures of Euroclear or Clearstream, and if an investor is not a participant in Euroclear or Clearstream, on the procedures of the participant through which such investor owns an interest, to exercise any rights and obligations of a holder of the Bonds under the Bonds. Upon the winding-up of the Issuer, unless and until definitive registered certificates are issued with respect to all book-entry interests, if an investor owns a book-entry interest, it will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds. See “*Terms and Conditions of the Bonds*”.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in price for comparable companies and government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. A substantial portion of the Bonds may be purchased by the Joint Lead Managers or their affiliates for their own account. The Joint Lead Managers may sell the Bonds in the initial distribution or from time to time in subsequent sales in negotiated transactions at varying prices (which may be lower than the

initial issue price to the Joint Lead Managers set forth on the cover page of this Offering Circular). Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. We cannot assure you that these developments will not occur in the future.

**We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.**

For so long as the Bonds are listed on the Hong Kong Stock Exchange, we will be subject to continuing listing obligations in respect of the Bonds. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

**The Issuer and the Guarantor may not have the ability to redeem the Bonds.**

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event as described under “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Relevant Event*”. The Issuer or the Guarantor (whom will be required to make payments pursuant to the Guarantee) may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer’s and the Guarantor’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Issuer or the Guarantor.

**If the Issuer, the Guarantor or any of their respective subsidiaries is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.**

If the Issuer, the Guarantor or any of their respective subsidiaries is unable to comply with the restrictions and covenants in their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer’s, the Guarantor’s or such subsidiary’s other debt agreements. If any of these events occur, there is no assurance that the Issuer or the Guarantor would have sufficient assets and cash flow to repay in full all of its indebtedness, or that the Issuer or the Guarantor would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, it could not guarantee that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

**The Issuer’s ability to make payments under the Bonds depends on timely payments by the Guarantor or its subsidiaries and affiliates under the on-lent loans.**

The Issuer is a direct wholly-owned subsidiary of the Guarantor with limited operations of its own and will on-lend the entire proceeds from the issue of the Bonds to the Guarantor and/or the Guarantor’s subsidiaries and affiliates. The Issuer has limited net assets other than such loans and its ability to make payments under the Bonds depends on timely payments under such loans. In the event that the Guarantor or its subsidiaries and affiliates do not make such payments, due to lack of available cash flow or other factors, the Issuer’s ability to make payments under the Bonds may be adversely affected.

**Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares.**

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

**Any possible judicial decision or change of law may impact the Bonds.**

The Terms and Conditions of the Bonds are based on English law in effect as of the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

**The Bondholders may be subject to tax on their income or gain from the Bonds.**

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Shares. See “Taxation” for certain Cayman Islands and Hong Kong tax consequences.

**The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.**

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interest of individual holders of the Bonds. The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of the holders of the Bonds, agree to (i) any modification of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or error which is, in the opinion of the Trustee, proven or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

**Legal investment considerations may restrict certain investments.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

## **USE OF PROCEEDS**

The gross proceeds from this offering of the Bonds, before deducting the underwriting commissions and concessions and other estimated expenses payable by Cathay Pacific in connection with this offering, will be HK\$6,740,000,000.

Cathay Pacific intends to use the net proceeds towards general corporate purposes. Cathay Pacific may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

## CAPITALISATION AND INDEBTEDNESS OF CATHAY PACIFIC AIRWAYS LIMITED

The following table shows the consolidated capitalisation and indebtedness of Cathay Pacific as of 30 June 2020 on an actual basis and as adjusted to give effect to the issue of the Bonds before deducting the underwriting commissions and concessions and other estimated expenses payable in connection with the issue of the Bonds. The following table should be read in conjunction with Cathay Pacific's unaudited condensed interim financial information for the six months ended 30 June 2020 and notes thereto:

	As of 30 June 2020	
	Actual	Adjusted
	<i>(in HK\$ million)</i>	
Current interest-bearing liabilities <sup>(2)</sup> .....	23,909	23,909
<b>Total current interest-bearing liabilities</b> .....	<b>23,909</b>	<b>23,909</b>
Non-current interest-bearing liabilities <sup>(2)</sup> .....	76,479	76,479
Total Bonds to be issued .....	-	6,740 <sup>(5)</sup>
<b>Total non-current interest-bearing liabilities</b> .....	<b>76,479</b>	<b>83,219</b>
Non-controlling interests.....	4	4
Funds attributable to the shareholders of Cathay Pacific		
Share capital <sup>(1)</sup> .....	17,106	17,106
Reserves .....	32,265	32,265
<b>Total funds attributable to the shareholders of Cathay Pacific</b> .....	<b>49,371</b>	<b>49,371</b>
<b>Total capitalisation</b> <sup>(3)(4)</sup> .....	<b>125,854</b>	<b>132,594</b>
<b>Total current interest-bearing liabilities and capitalisation</b> <sup>(4)</sup> .....	<b>149,763</b>	<b>156,503</b>

Notes:

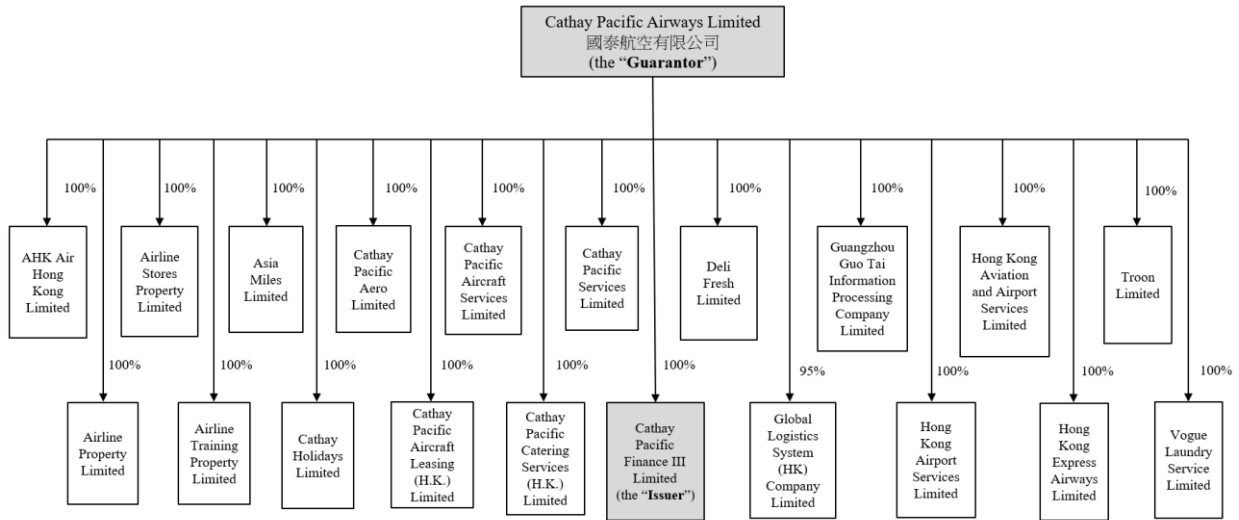
- (1) As of 30 June 2020, 3,933,844,572 ordinary shares of Cathay Pacific were in issue (31 December 2019: 3,933,844,572 ordinary shares).
- (2) Current liabilities comprise interest-bearing liabilities, trade and other payables, contract liabilities and taxation. Non-current liabilities comprise interest-bearing liabilities, other long-term payables and deferred tax liabilities. Interest-bearing liabilities comprise loans and other borrowings and lease liabilities.
- (3) Total capitalisation equals non-current interest-bearing liabilities plus funds attributable to the shareholders of Cathay Pacific and non-controlling interests.
- (4) On 9 June 2020, Cathay Pacific announced a recapitalisation plan which will raise aggregate proceeds, before expenses, of approximately HK\$39 billion (the "Recapitalisation Plan"). For more information on the Recapitalisation Plan, please refer to the section "*Description of Cathay Pacific Airways Limited – Recent Developments*".
- (5) As adjusted as of 30 June 2020 to give effect to the issue of the Bonds before deducting the underwriting commissions and concessions and other estimated expenses payable in connection with the issue of the Bonds. In accordance with Hong Kong Accounting Standard 32, Financial Instruments: Presentation, the Bonds are accounted for as compound financial instruments containing both a liability component and an equity component. For illustrative purpose, the aggregate proceeds from the issue of the Bonds (before deducting the underwriting commissions and concessions and other estimated expenses payable in connection with the issue of the Bonds) will be assumed as the liability component and no allocation to the equity component will be made.



Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in Cathay Pacific's capitalisation and indebtedness since 30 June 2020.

## CORPORATE STRUCTURE

The following chart shows the simplified corporate structure of the Cathay Pacific Group as of 31 December 2020:



## DESCRIPTION OF CATHAY PACIFIC FINANCE III LIMITED

### Formation

Cathay Pacific Finance III Limited (“CPFL”) is an exempted company incorporated with limited liability under the Companies Act (as amended) of the Cayman Islands. It was incorporated in the Cayman Islands on 29 April 2020 as a special purpose vehicle. Its registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

### Business Activity

CPFL was established with unrestricted objects as set out in its memorandum of association (the “**Memorandum of Association**”) and CPFL has full power and authority to carry out any object not prohibited by the laws of the Cayman Islands. CPFL does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment and those incidental to the issue of the Bonds and any other activities reasonably incidental thereto.

### Financial Statements

Under Cayman Islands law, CPFL is not required to publish interim or annual financial statements. CPFL has not published, and does not propose to publish, any financial statements. CPFL is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of CPFL’s affairs and to explain its transactions.

### Directors and Officers

The Directors of CPFL are CHOW, Koon Ying (Paul), SHARPE, Rebecca Jane and TANG, Kin Wing Augustus. CPFL does not have any employees and has no subsidiaries.

### Share Capital

Under its Memorandum of Association, CPFL has an authorised share capital of U.S.\$50,000 divided into 50,000 shares with a nominal or par value of U.S.\$ 1.00 each and one share has been issued to and is currently held by Cathay Pacific. The register of members of CPFL is maintained at its registered office in the Cayman Islands at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. No part of the equity securities of CPFL is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

## DESCRIPTION OF CATHAY PACIFIC AIRWAYS LIMITED

Cathay Pacific was founded in 1946 and is an international airline registered and based in Hong Kong. Together with its wholly-owned subsidiaries, Hong Kong Express Airways Limited (“**HK Express**”) and AHK Air Hong Kong Limited (“**Air Hong Kong**”), offer passenger and cargo services around the world including Asia, North America, Europe, Australia and Africa. Cathay Pacific owns 18.13 per cent. of Air China Limited (“**Air China**”), the national flag carrier of the Chinese mainland. Cathay Pacific is also engaged in airline catering, ground handling, aircraft ramp handling services and cargo terminal operations.

Cathay Pacific and its substantial shareholders, Swire Pacific Limited (“**Swire Pacific**”) and Air China, are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Based on the closing price of its shares on 31 December 2020, Cathay Pacific had a market capitalisation of approximately HK\$46,154 million. The registered office of Cathay Pacific is at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong.

As of 30 June 2020, Cathay Pacific, Hong Kong Dragon Airlines Limited (“**Cathay Dragon**”)<sup>2</sup> and Air Hong Kong together operated a fleet of 235 Airbus and Boeing passenger and cargo aircraft. As of 30 June 2020, the Cathay Pacific Group employed more than 33,000 people worldwide.

Cathay Pacific is a founding member of the oneworld global airline alliance, which has a combined network of more than 1,000 destinations worldwide.

### Recent Developments

#### *COVID-19*

The aviation industry faces significant challenges as a result of the COVID-19 pandemic. Travel demand has declined to an unprecedented level with most nations issuing strict travel restrictions and passengers halting business and international travel. Cathay Pacific is particularly impacted by such travel restrictions as it has no domestic network and is wholly reliant on cross-border travel, which remains highly restricted and subject to quarantine constraints, with no prospects for a return to normal international travel arrangements in the near future. In addition, effective later within February 2021, the Hong Kong government intends to implement a new 14-day hotel quarantine plus 7-day medical surveillance requirement for both Hong Kong-based pilots and cabin crew. The actual extent of the impact from these measures will be affected by a number of factors, including the success of mitigation measures that Cathay Pacific is able to adopt, such as agile manpower resources management. Cathay Pacific’s preliminary assessment is that the new measure may result in a reduction of current passenger capacity of around 60 per cent., a reduction of current cargo capacity of around 25 per cent. and a further increase in its cash burn of approximately HK\$300-\$400 million per month, on top of its existing HK\$1.0-1.5 billion levels. For more details on the risks relating to COVID-19, its impact on the aviation industry and IATA’s outlook on the aviation industry’s performance in 2020 and 2021, see “*Risks Relating to the Business and Operations of the Cathay Pacific Group – COVID-19 Risk*” above.

In the first half of 2020, the number of passengers carried by the Cathay Pacific Group dropped by 76 per cent. against a 65.7 per cent. decrease in capacity and a 72.6 per cent. decrease in revenue passenger kilometres, as compared to the same period in 2019. In response to border restrictions and minimal demand, Cathay Pacific implemented a skeleton flight schedule and made extensive cuts to its passenger schedule, which has resulted in significant cargo capacity loss. For more details on Cathay Pacific’s passenger flight capacity outlook for 2021, see “*Risks Relating to the Business and Operations of the Cathay Pacific Group – COVID-19 Risk*” above. Furthermore, in the first half of 2020, while cargo yield increased by 44.1 per cent., the tonnage carried

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<sup>2</sup> Cathay Dragon has ceased operations with effect from 21 October 2020 pursuant to the Restructuring Plan. See “*Description of Cathay Pacific Airways Limited – Recent Developments – Restructuring Plan*” below for more details on the Restructuring Plan.

by Cathay Pacific and Cathay Dragon fell by 31.9 per cent. against a 31 per cent. drop in capacity and a 24.6 per cent. decrease in revenue freight tonne kilometres, as compared to the same period in 2019. In terms of fuel costs in the first half of 2020, total fuel costs decreased by 62.8 per cent. while non-fuel costs per available tonne kilometre increased by 34.1 per cent., as compared to the same period in 2019.

Cathay Pacific's management team has been active and agile in responding to the extremely difficult environment. Cathay Pacific has implemented a number of cash preservation measures, including but not limited to substantially cutting passenger capacity, implementing executive pay cuts, no salary increases nor payment of an annual discretionary bonus for employees, deferring new aircraft delivery, concessions from suppliers and deferral of payments to them, suspension of projects and non-essential expenditure, closure of outport crew bases, as well as implementing three voluntary unpaid and special leave schemes for employees (with an uptake of 80 per cent., 90 per cent., and 84 per cent. respectively). Specifically, Cathay Pacific has reached agreement with Airbus to defer delivery of its A350-900's and A350-1000's from 2020 and 2021 to 2020-2023, and its A321neo's from 2020-2023, to 2020-2025. Advanced negotiations are also ongoing with Boeing for the deferral of 777-9 deliveries. This deferral of deliveries is expected to produce cash savings to the Cathay Pacific Group in the short to medium term. Also, Cathay Pacific has transferred a number of passenger aircrafts to parking locations outside of Hong Kong in keeping with prudent operational and asset management consideration, as it continues to reassess its passenger flight capacity. In addition, Cathay Pacific has also accelerated retirement of older fleet aircraft types, which includes those parked and not expected to return to meaningful economic service. Despite all these measures, the drop in revenue from passenger services to around only 1 per cent. of prior year levels meant that Cathay Pacific was initially losing cash at the operating level at a rate of HK\$2.5 to 3.0 billion per month as it serviced a high level of customer refunds. This has subsequently reduced to approximately HK\$1.0-1.5 billion cash burn per month whilst minimal passenger services are in place. Going forward, Cathay Pacific's preliminary assessment is that the new quarantine measures to be imposed by the Hong Kong government in February 2021 may result in a reduction of current passenger capacity of around 60 per cent., a reduction of current cargo capacity of around 25 per cent. and a further increase in its cash burn of approximately HK\$300-\$400 million per month, on top of its existing HK\$1.0-1.5 billion levels.

In response to the COVID-19 pandemic, Cathay Pacific has also undertaken (i) the Recapitalisation Plan (as defined below) and (ii) the Restructuring Plan (as defined below) to reduce monthly cash burn from operations, aid in its recovery, increase equity balance, reduce net debt and reduce gearing. See "*Description of Cathay Pacific Airways Limited – Recent Developments – Recapitalisation Plan*" and "*Description of Cathay Pacific Airways Limited – Recent Developments – Restructuring Plan*" below for more details on the Recapitalisation Plan and the Restructuring Plan, respectively. The Cathay Pacific Group has also taken the following additional measures in 2020 to bolster its liquidity and cash flow:

- (a) January 2020: issued SGD\$175 million 3.375 per cent. senior unsecured notes under its U.S.\$2 million medium term note programme;
- (b) February 2020: issued HK\$400 million in bonds by way of private placement;
- (c) March 2020: received U.S.\$304 million from the sale and leaseback of six aircrafts;
- (d) June/July 2020: received HK\$6 billion in short term commercial bridging loans; and
- (e) September/October 2020: entered into secured financing and securities lending and borrowing for all CX/KA 2020 aircraft deliveries.

The Cathay Pacific Group has also received approximately HK\$2.4 billion in government grants globally to conserve cash, reduce costs and aid in its recovery against COVID-19, comprising of HK\$1.4 billion in relation to income grants, which are recognised as revenue from other services are recoveries, and HK\$1.0 billion in

relation to cost reductions and waivers, which are recognised net of the respective cost categories. The Hong Kong Airport Authority has also supported the Cathay Pacific Group with HK\$1 billion of advance ticket sales.

Whilst there remains considerable uncertainty surrounding the near-term impact of the pandemic, recent IATA scenario analysis indicates that global annual air passenger growth could be in the range of 3.2 per cent. and 5.3 per cent. over the next 20 years, with a bias towards Asia Pacific. Cathay Pacific nonetheless remains confident in Hong Kong as a major international aviation hub in Asia. In particular, investment in the Third Runway System and increasing intermodal connectivity supporting a growing Greater Bay Area means that Hong Kong, as an international aviation hub and global financial centre, and the Cathay Pacific Group, are well placed to capitalise on this opportunity.

#### *Recapitalisation Plan*

On 9 June 2020, Cathay Pacific announced a recapitalisation plan which will raise aggregate proceeds, before expenses, of approximately HK\$39 billion (the “**Recapitalisation Plan**”). Cathay Pacific has explored available options and believes that a recapitalisation is required to ensure that it has sufficient liquidity to weather the COVID-19 pandemic, which is expected to place it in a better position to compete vigorously and to capitalise on any opportunities that may arise as a result of the COVID-19 pandemic and should position it for growth when the COVID-19 pandemic resolves.

The Recapitalisation Plan involves three components:

- (a) the Preference Shares and Warrants Issue, being the issuance by Cathay Pacific to Aviation 2020 Limited (a limited company incorporated in Hong Kong that is wholly-owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporation Ordinance (Cap. 1015 of the Laws of Hong Kong) (“**Aviation 2020 Limited**”) of (i) Preference Shares for an aggregate subscription price of HK\$19.5 billion and (ii) Warrants to subscribe for Cathay Pacific’s ordinary shares with an aggregate exercise price of approximately HK\$1.95 billion (subject to adjustment);
- (b) the Rights Issue, being a rights issue of 2,503,355,631 Rights Shares on the basis of seven Rights Shares for every 11 existing ordinary shares held on the Rights Issue Record Date at a Rights Subscription Price of HK\$4.68 to raise aggregate proceeds of approximately HK\$11.7 billion and increase the number of ordinary shares in issue to a revised total of 6,437,200,203; and
- (c) the Bridge Loan, being a committed bridge loan facility by Aviation 2020 Limited to Cathay Pacific in an amount of HK\$7.8 billion.

The Bridge Loan facility was extended to Cathay Pacific on 9 June 2020. The Rights Shares under the Recapitalisation Plan were fully subscribed. Proceeds from the Rights Issue of HK\$11,716 million were received, and dealings in Rights Shares commenced, on 11 August 2020. The Preference Shares and Warrants Issue was completed on 12 August 2020. The Rights Shares and Preference Shares Issue has further bolstered Cathay Pacific Group’s liquidity position and will be recorded as an increase in the Cathay Pacific Group’s equity of HK\$31,216 million (before expenses).

On 12 August 2020, Cathay Pacific announced the completion of the Preference Shares and Warrants Issue for an aggregate subscription amount of HK\$19.5 billion. The following table sets out the shareholding structure of Cathay Pacific as of 12 August 2020 and immediately upon completion of the Preference Shares and Warrants Issue (assuming the Warrants are fully exercised):

	As of 12 August 2020		Immediately after completion of the Preference Shares and Warrants Issue (assuming the Warrants are fully exercised)	
	Number of Shares	%	Number of Shares	%
Swire Pacific.....	2,896,753,089	45.00	2,896,753,089	42.26
Air China <sup>(1)</sup> .....	1,930,516,334	29.99	1,930,516,334	28.17
Qatar Airways <sup>(2)</sup> .....	643,076,178	9.99	643,076,178	9.38
Aviation 2020 Limited <sup>(2)(3)</sup> .....	-	-	416,666,666	6.08
Other Shareholders <sup>(2)</sup> .....	966,854,602	15.02	966,854,602	14.11
<b>Total</b> .....	<b>6,437,200,203</b>	<b>100.00</b>	<b>6,853,866,869</b>	<b>100.00</b>

Notes:

- (1) As of 12 August 2020, 1,930,516,334 Shares were indirectly held by Air China 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) 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.
- (3) Aviation 2020 Limited also holds 195,000,000 Preference Shares immediately upon completion of the Preference Shares and Warrants Issue.
- (4) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals or sub-totals may not be an arithmetic aggregation of the figures preceding them.

### *Restructuring Plan*

On 21 October 2020, Cathay Pacific announced the restructuring of the Cathay Pacific Group, pursuant to which its management team will recommend to the Board of Directors the optimum size and shape of the Cathay Pacific Group to meet the air travel needs of Hong Kong and keep its financial status at a healthy level while meeting its responsibilities to shareholders (the “**Restructuring Plan**”), which is targeted at reducing the monthly cash outlay by the Cathay Pacific Group.

The Restructuring Plan consists of the following:

- (a) Cathay Dragon will cease its operations with effect from 21 October 2020 and regulatory approval will be sought for a significant number of Cathay Dragon’s routes to be operated by Cathay Pacific and HK Express;
- (b) Approximately 8,500 positions across the Cathay Pacific Group (including Cathay Dragon) will be eliminated, which represents approximately 24 per cent. of the Cathay Pacific Group’s established headcount of 35,000 as at the date of the announcement; and
- (c) Hong Kong-based cabin and cockpit crew of Cathay Pacific 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 Plan will cost approximately HK\$3.5 billion (HK\$2.2 billion redundancies and HK\$1.3 billion deferred tax impairment), which will be funded by Cathay Pacific through its internal resources, which

seeks to achieve a business more focused, more efficient and more competitive. Pursuant to the Restructuring Plan, a deferred tax asset of HK\$1.3 billion was impaired, an interim HK\$1.2 billion impairment of 16 aircraft was made and an interim HK\$1.2 billion impairment of Cathay Pacific Catering Services and Vogue Laundry Services carrying value of assets was made. Other impairments and charges will be considered in the course of preparing the audited financial statements of Cathay Pacific for the year ended 31 December 2020.

The cessation of the operations of Cathay Dragon and re-routing of Cathay Dragon's routes and network under Cathay Pacific and HK Express aims to achieve operational efficiency and brand synergy that will result in a more focused, efficient and competitive business for the Cathay Pacific Group. There was insufficient meaningful differentiation between Cathay Pacific and Cathay Dragon, and it was evident that there were significant savings and synergies to be had with one premium full service brand and one low cost leisure travel brands. Cathay Pacific will ensure that Cathay Dragon has sufficient funds to meet its commitments and perform its obligations notwithstanding the cessation of its operations.

As of 31 December 2020, the Restructuring Plan has been substantially implemented.

### *Traffic Figures*

Cathay Pacific publishes its combined traffic figures relating to its passenger services, cargo services and outlook on a monthly basis on their website – [https://www.cathaypacific.com/cx/en\\_ID/about-us/investor-relations/announcements.html](https://www.cathaypacific.com/cx/en_ID/about-us/investor-relations/announcements.html).

For 2020 as a whole, the number of passengers carried by Cathay Pacific and Cathay Dragon dropped by 86.9 per cent. against a 78.8 per cent. decrease in capacity and an 85.1 per cent. decrease in revenue passenger kilometres (“**RPKs**”), as compared to 2019, while the tonnage carried by Cathay Pacific and Cathay Dragon fell by 34.1 per cent. against a 35.5 per cent. drop in capacity and a 26.5 per cent. decrease in revenue freight tonne kilometres (“**RFTKs**”), as compared to 2019.

The following tables provide an overview of Cathay Pacific and Cathay Dragon's combined traffic and combined capacity for the year ended 31 December 2020:

### **Cathay Pacific / Cathay Dragon**

<b>Combined Traffic</b>	<b>Cumulative</b>	<b>% Change</b>
	<b>December 2020</b>	<b>Year-to-Date</b>
RPK (000)		
- Chinese mainland.....	812,353	-90.1%
- North East Asia.....	2,048,921	-87.4%
- South East Asia.....	2,430,866	-86.1%
- South Asia, Middle East & Africa .....	1,449,874	-86.2%
- South West Pacific.....	3,242,805	-79.8%
- North America .....	5,840,185	-83.8%
- Europe.....	4,254,276	-85.7%
RPK Total (000) .....	20,079,280	-85.1%
Passengers carried.....	4,631,255	-86.9%
Cargo and mail revenue tonne km (000) .....	8,309,309	-26.5%
Cargo and mail carried (000kg) .....	1,331,645	-34.1%
Number of flights.....	23,621	-70.9%



## Cathay Pacific / Cathay Dragon

Combined Capacity	Cumulative	% Change
	December 2020	Year-to-Date
ASK (000)		
- Chinese mainland.....	1,511,526	-86.7%
- North East Asia.....	3,181,169	-84.5%
- South East Asia.....	4,257,606	-80.2%
- South Asia, Middle East & Africa .....	2,278,996	-82.2%
- South West Pacific.....	5,341,111	-71.6%
- North America .....	10,762,132	-75.3%
- Europe.....	7,276,366	-79.0%
ASK Total (000) .....	34,608,906	-78.8%
Passengers load factor.....	58.0%	-24.3pt
Available cargo/mail tonne km (000) .....	11,329,141	-35.5%
Cargo and mail load factor.....	73.3%	8.9pt
ATK (000) .....	14,620,112	-55.8%

For more details on the estimated impact of the latest quarantine measures on Cathay Pacific, see “*Risks Relating to the Business and Operations of the Cathay Pacific Group – COVID-19 Risk*” above.

### *Air Travel – Border Controls and Travel Restrictions*

The following table sets out the latest situation in Hong Kong relating to border controls and travel restrictions implemented in response to the COVID-19 pandemic:

January – March 2020 .....	Various levels of travel restrictions started to be implemented globally – concentrating primarily on those who had been in the Hubei province in the Chinese mainland.
25 March 2020 .....	Border closed to non-HK residents and transit customers. 14-day mandatory quarantine introduced.
8 April 2020 .....	Hong Kong government announced the introduction of compulsory COVID-19 PCR testing on arrival for all customers entering Hong Kong.
1 June 2020 .....	Transit at the Hong Kong international airport reopened except for those to/from the Chinese mainland.
25 July 2020.....	Cap. 599H imposed for travellers arriving from seven high-risk countries – India, Bangladesh, Pakistan, Nepal, Indonesia, The Philippines and South Africa..
29 July 2020.....	United States and Kazakhstan added to the Cap 599H list of high-risk countries.
15 August 2020 .....	Transit reopened for travellers from ex-China.
28 August 2020 .....	Ethiopia added to the Cap 599H list of high-risk countries
1 October 2020.....	UK added to list of high-risk countries.
26 October 2020.....	France and Russia added to the Cap 599H list of high-risk countries (bringing the total to 15).

28 October 2020.....	Sea-To-Air ferry transit reopened from the Greater Bay Area. Air to Sea services remain suspended.
13 November 2020...	Turkey added to the Cap 599H list of high-risk countries. Home quarantine suspended. All arriving customers, except those from the Chinese mainland, Macau or Taiwan to undergo their compulsory 14-day quarantine period in a hotel.
18 November 2020...	Hong Kong-Singapore Air Travel Bubble announced to commence on 22 November 2020.
21 November 2020...	Hong Kong-Singapore Air Travel Bubble postponed for two weeks (and subsequently suspended until the local transmission rates in Hong Kong fall below a pre-set rolling 7-day average level.
28 November 2020...	Germany and Ecuador added to the Cap 599H list of high-risk countries.
7 December 2020 .....	Romania added to the Cap 599H list of high-risk countries.
17 December 2020 ...	Ukraine added to the Cap 599H list of high-risk countries.
21 December 2020 ...	Compulsory hotel quarantine to be undertaken at designated hotels introduced. 36 hotels listed. Designated transport from Hong Kong international airport to hotels provided by the Hong Kong government.
22 December 2020 ...	Hong Kong bans all passenger flights from the United Kingdom until further notice. All Cathay Pacific flights between Hong Kong and London-Heathrow and Manchester (in both directions) are suspended. Customers who have stayed in the United Kingdom for more than two hours in the past 14 days are not allowed to enter Hong Kong. An additional 7 days home quarantine (in addition to the compulsory 14-day hotel quarantine) introduced for any customers who do arrive from the UK.
24 December 2020 ...	Measures for UK arrivals tightened – travel history extended from 14 days to 21 days and compulsory 21-day hotel quarantine introduced
25 December 2020 ...	Canada added to the list of Cap 599H high-risk countries. South Africa joins the UK on the list of countries where customers with travel history for more than 2 hours in the last 21 days are banned from entering Hong Kong. Compulsory quarantine at a designated hotel increased from 14 days to 21 days for all customers entering Hong Kong.
12 January 2021 .....	Cathay Pacific resumes flights to the UK (London-Heathrow). Flights from the UK remain suspended.
23 January 2021 .....	Persons who have stayed in Brazil or Ireland for more than two hours in the past 21 days are not allowed to enter Hong Kong.

## **Business and Operations**

Cathay Pacific has an incredible brand with a reputation and track record of premium service and commitment to its customers that differentiates it from its competitors. These qualities and values remain at the heart of everything Cathay Pacific does as it continues to move forward with a culture of continuous improvement and investment in its products, customers and fleet. Cathay Pacific seeks to deliver an industry-leading experience for its customers and in strengthening Hong Kong's position as a world-class global aviation hub through its three key business segments: (i) Passenger Services, (ii) Cargo Services and (ii) Other Services and Recoveries.

## Passenger Services

The Cathay Pacific Group's passenger services covers the following markets globally: (i) Home market – Hong Kong and Greater Bay Area, (ii) Americas, (iii) Europe, (iv) Southwest Pacific, (v) North Asia, (vi) Southeast Asia and (vii) South Asia, Middle East and Africa. In response to significantly reduced travel demand and travel restrictions imposed by governments, certain flights and services to various key markets have been temporarily suspended during the outbreak of COVID-19 pandemic.

In 2019, Cathay Pacific built on its commitment to its customers with the launch of its new brand direction, 'Move Beyond', expressing its drive to always exceed their expectations. Designed to enhance the customer experience proposition in the passenger services business segment, 'Move Beyond' includes a major expansion to its inflight entertainment content library; new bedding, amenities and culinary options in its First and Business Class cabins; an elevated Economy Class dining experience on its long-haul services departing Hong Kong; and the reopening of its newly renovated Shanghai Pudong lounge.

In 2020, to provide customers with greater reassurance when planning their travel, Cathay Pacific introduced a number of new flexible booking arrangements. This includes Cathay Credits, a system for trading in tickets for credits of equal value that can be redeemed for future bookings. It also introduced unlimited free rebookings, reroutings or refunds for passengers depending on their booking and travel dates (subject to applicable terms and conditions). In addition, Cathay Pacific launched the Whatsapp enquiry channel in select markets that allows customers to receive quick and effective solutions to their queries in a single chat.

In the first half of 2020, Cathay Pacific Group's revenue from passenger services and revenue passenger kilometres traffic decreased by 70.5 per cent. and 72.6 per cent., respectively, as compared to the same period in 2019. This loss of revenue reflects the precipitous drop in passenger demand resulting from the extensive travel restrictions, border controls and quarantine arrangements which were implemented around the world in response to the COVID-19 pandemic. In total, Cathay Pacific Group carried 4.4 million passengers in the first half of 2020, 76.0 per cent. fewer than the same period in 2019, while its passenger load factor also dropped significantly to 67.3 per cent. from 84.2 per cent. as compared to the same period in 2019.

In addition, for the first half of 2020, Cathay Pacific introduced substantial available seat kilometres capacity reductions, amounting to 29 per cent. in February, 73 per cent. in March, and 97 per cent. in April and May. In June, it began to add capacity back as COVID-19 in Hong Kong stabilised and restrictions on transit traffic were relaxed from the beginning of the month. Overall, Cathay Pacific's passenger capacity was down 65.7 per cent. for the first half of 2020 as compared to the same period in 2019.

### *Awards and Honours*

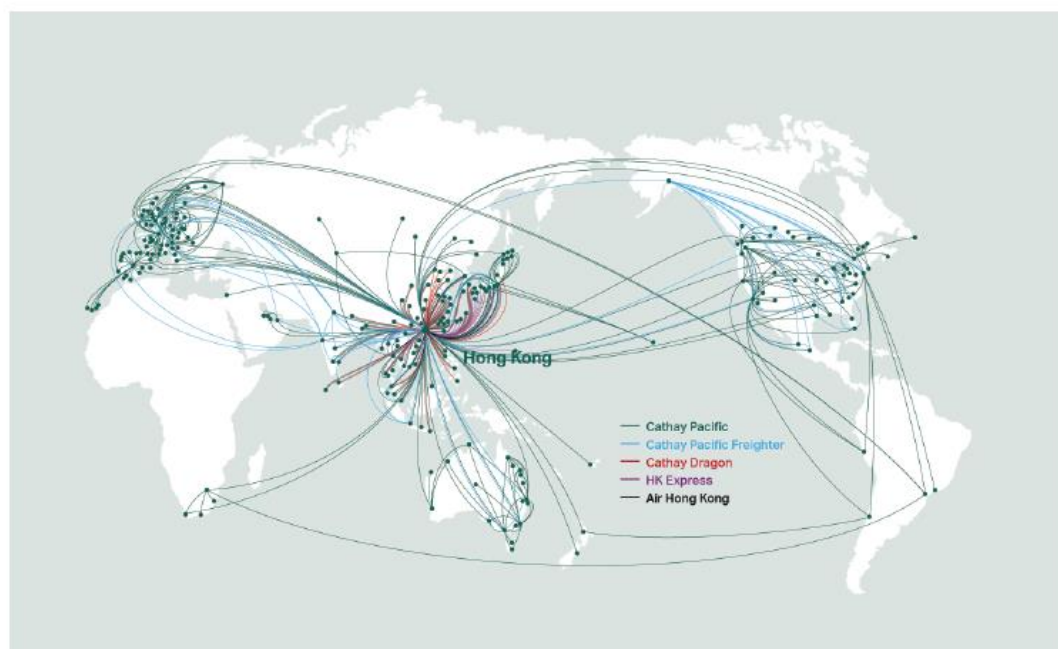
The following table highlights recent key awards and honours received by the Cathay Pacific Group:

<b>Year</b>	<b>Month</b>	<b>Award</b>	<b>Event</b>
2020	Oct	Best Frequent Flyer Programme (Marco Polo Club Programme)	2020 Business Traveller Asia-Pacific Awards
2020	Oct	Best Airport Lounge for The Pier First Class Lounge in Hong Kong	2020 Business Traveller Asia-Pacific Awards
2020	Feb	Best First Class Cellar (Runner-up)	Cellars in the Sky 2019 Awards by Business Traveller
2020	Feb	Cathay Dragon – Best First Class Sparkling	Cellars in the Sky 2019 Awards by Business Traveller

<b>Year</b>	<b>Month</b>	<b>Award</b>	<b>Event</b>
2020	Jan	Honours – service teams and individual staff members	Hong Kong Customer Service Excellence Awards 2019
2019	Dec	Best Airline in Asia	Best in Business Travel Awards by Business Traveller (US) Magazine 2019
2019	Nov	Best Frequent Flyer Programme (Marco Polo Club Programme)	Business Traveller China Awards 2019
2019	Nov	Cathay Dragon – Best Airline Economy Class	Business Traveller China Awards 2019
2019	Nov	Top Five of the World’s Top 20 Airlines	AirlineRatings.com
2019	Sep	Gold Award for Excellence in HR Structure Transformation	HR Distinction Awards 2019 Hong Kong
2019	Sep	Best Inflight Service Award	TTG Travel Awards 2019
2019	Sep	Best Airport Lounge for The Pier First Class Lounge in Hong Kong	2019 Business Traveller Asia-Pacific Awards
2019	Jun	World’s Top 10 Airlines of 2019	Skytrax World Airline Awards 2019
2019	Jun	The World’s Best Regional Airlines 2019 (Runner-up)	Skytrax World Airline Awards 2019
2019	Feb	Best Business Class Red	Cellars in the Sky 2018 Awards by Business Traveller
2019	Feb	Best First Class Sparkling	Cellars in the Sky 2018 Awards by Business Traveller
2018	Nov	Cathay Dragon – Best Airline Economy Class	Business Traveller China Awards 2018
2018	Nov	Marco Polo Club – Best Frequent Flyer	Business Traveller China Awards 2018
2018	Nov	World’s Top 10 Airlines 2019	AirlineRatings.com
2018	Sep	Best Airline Business Class	The 29th Annual TTG Travel Awards 2018
2018	Mar	Best Economy Class	IMA Italian Mission Award 2018
2018	Mar	Airline category	Ming Pao Weekly Elite Awards 2017
2018	Mar	Best Entertainment (Asia and Australia region)	APEX Regional Passenger Choice Awards 2018
2018	Feb	Best First Class Sparkling	Cellars in the Sky 2017 Awards by Business Traveller Magazine
2018	Feb	Cathay Dragon - Best International Airline	20th Malaysia Tourism Awards
2018	Jan	Major Airline in Asia Pacific	TripAdvisor’s Travellers’ Choice

### Route Network and Achievements

The following diagram illustrates the Cathay Pacific Group’s route network as of 30 June 2020:



The following table highlights the key achievements in the flight journey of the Cathay Pacific Group across its route network since its inception:

1946 .....	The first freight service from Australia to China leads to the creation of Cathay Pacific in Hong Kong.
1960 .....	The first international airline to fly to Osaka.
1976 .....	The first Asian carrier to launch a freighter service brand, Cathay Pacific Cargo.
1982 .....	The first to fly non-stop from Hong Kong to Vancouver, setting a brand new world record.
1983 .....	The first to fly non-stop from Hong Kong to London.
1983 .....	The first Asian airline to offer First, Business and Economy services on every flight.
1990 .....	The first non-stop service between Hong Kong and Los Angeles.
1991 .....	The first to introduce custom-designed stacked flight simulators.
1998 .....	The first non-stop flight from Hong Kong to New York, Polar One, celebrates the world’s longest flight.
2001 .....	The first to launch an online check-in service.
2007 .....	The first to create a carbon-offset programme.
2014 .....	The first to win Skytrax’s World’s Best Airline four times.
2018 .....	The first non-stop flight from Hong Kong to Ireland.

### *Loyalty and Reward Programmes*

The Marco Polo Club loyalty programme provides benefits and services to the frequent flyers of Cathay Pacific. Marco Polo Club members contribute to about a quarter of the revenues of Cathay Pacific. Club points are earned by reference to airline, cabin, fare class and distance travelled. Silver members (and above) have unlimited access to lounges when flying on Cathay Pacific. All members are entitled to priority boarding and check-in.

Asia Miles is a leading travel and lifestyle rewards programme in Asia. It has more than 12 million members and over 800 partners worldwide, including 26 airlines, more than 150 hotel brands and over 400 dining partners and shops. There was a 7 per cent. increase in redemptions, 30 per cent. increase in redemptions and a 63 per cent. decrease in redemptions by Asia Miles members on Cathay Pacific and Cathay Dragon flights in 2018, 2019 and the first half of 2020, respectively, as compared to the same of the previous periods. In 2019, a new arrangement for mileage expiry was launched, with new miles credited on or after 1 January 2020 being under an activity-based rule, where the balance of new miles will remain active as long as members earn or redeem any of their miles at least once in an 18 month period.

Marco Polo Club members are also members of Asia Miles.

### **Cargo Services**

In the first half of 2020, Cathay Pacific Group's cargo yield increased by 44.1 per cent. to HK\$2.71. Revenue from cargo services in the first half of 2020 was HK\$12,692 million, an increase of 10.4 per cent. compared to the same period in 2019, due to an imbalance between capacity and demand in the cargo market, while available cargo tonne kilometres capacity decreased by 31.0 per cent. in the first half of 2020 as compared to the same period in 2019, reflecting the considerable loss of available capacity as a result of the extensive cuts to our passenger schedule. Typically, approximately half of Cathay Pacific Group's cargo is carried in the bellies of its passenger aircraft. As a result, overall tonnage carried by Cathay Pacific Group decreased by 31.9 per cent. to 667 thousand tonnes while its cargo load factor increased 5.9 percentage points to 69.3 per cent. in the first half of 2020 as compared to the same period in 2019.

### *Fleet Development*

As of 30 June 2020, Cathay Pacific operated 152 aircraft, Cathay Dragon operated 48 aircraft, HK Express operated 24 aircraft and Air Hong Kong operated 11 aircraft, adding up to a total of 235 aircraft. In response to the COVID-19 situation, Cathay Pacific has also transferred 83 passenger aircrafts, which forms approximately 45 per cent. of its passenger fleet, to parking locations outside of Hong Kong in keeping with prudent operational and asset management consideration, as it continues to reassess its passenger flight capacity.

### *Fleet Profile\**

The following table sets forth information regarding the Cathay Pacific Group's fleet profile and development as of 30 June 2020:

Aircraft type	Number at 30 June 2020					Orders				Expiry of operating leases**					
	Leased**		Operat- ing	Total	Average	'20	'21	'22 and beyond	Total	'20	'21	'22	'23	'24	'25 and beyond
	Owned	Finance													
<b>Aircraft operated by Cathay Pacific:</b>															
A330-300 .....	17	10	1	28	12.7	-	-	-	-	1 <sup>(a)</sup>	-	-	-	-	-
A350-900 .....	18	4	2	24	3.1	3	1	2	6	-	-	-	-	-	2
A350-1000.....	9	3	-	12	1.6	1	2	3	6	-	-	-	-	-	-
747-400ERF .....	-	6	-	6	11.5	-	-	-	-	-	-	-	-	-	-

Aircraft type	Number at 30 June 2020					Orders				Expiry of operating leases**					
	Leased**		Operat- ing	Total	Average	'20	'21	'22 and beyond	Total	'20	'21	'22	'23	'24	'25 and beyond
	Owned	Finance													
747-8F .....	3	11	-	14	7.4	-	-	-	-	-	-	-	-	-	-
777-300 .....	17	-	-	17	18.7	-	-	-	-	-	-	-	-	-	-
777-300ER .....	22	8	21	51	8.3	-	-	-	-	-	6	4	2	3	6
777-9 .....	-	-	-	-	-	-	-	21	21	-	-	-	-	-	-
<b>Total</b> .....	<b>86</b>	<b>42</b>	<b>24</b>	<b>152</b>	<b>8.9</b>	<b>4</b>	<b>3</b>	<b>26</b>	<b>33</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>8</b>
<b>Aircraft operated by Cathay Dragon:</b>															
A320-200 .....	5	-	9	14	14.5	-	-	-	-	3	3	3	-	-	-
A321-200 .....	2	-	6	8	17.6	-	-	-	-	1	2	2	1	-	-
A321-200neo .....	-	-	-	-	-	2	4	10	16	-	-	-	-	-	-
A330-300 .....	21 <sup>(b,c)</sup>	-	5	26	15.9	-	-	-	-	1	-	-	-	-	4
<b>Total</b> .....	<b>28</b>	<b>-</b>	<b>20</b>	<b>48</b>	<b>15.8</b>	<b>2</b>	<b>4</b>	<b>10</b>	<b>16</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>4</b>
<b>Aircraft operated by HK Express:</b>															
A320-200 .....	-	-	8	8	10.7	-	-	-	-	-	3	-	1	4	-
A320-200neo .....	-	-	5	5	3.0	4	1	-	5 <sup>(d)</sup>	-	-	-	-	-	5
A321-200 .....	-	-	11	11	2.7	-	-	-	-	-	-	-	-	-	11
A321-200neo .....	-	-	-	-	-	-	-	16 <sup>(e)</sup>	16	-	-	-	-	-	-
<b>Total</b> .....	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>	<b>5.4</b>	<b>4</b>	<b>1</b>	<b>16</b>	<b>21</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>4</b>	<b>16</b>
<b>Aircraft operated by Air Hong Kong***:</b>															
A300-600F .....	-	-	9	9	16.1	-	-	-	-	-	-	5	3	-	1
A330-243F .....	-	-	1	1	7.1	-	-	-	-	-	-	-	-	-	1
A330-300P2F .....	-	-	1	1	24.6	-	-	-	-	-	-	1	-	-	-
<b>Total</b> .....	<b>-</b>	<b>-</b>	<b>11</b>	<b>11</b>	<b>16.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>2</b>
<b>Grand total</b> .....	<b>114</b>	<b>42</b>	<b>79</b>	<b>235</b>	<b>10.3</b>	<b>10</b>	<b>8</b>	<b>52</b>	<b>70</b>	<b>6</b>	<b>14</b>	<b>15</b>	<b>7</b>	<b>7</b>	<b>30</b>

Notes:

\* The table does not reflect aircraft movements after 30 June 2020.

\*\* Leases previously classified as operating leases are accounted for in a similar manner to finance leases under accounting standards. The majority of operating leases in the above table are within the scope of HKFRS 16.

\*\*\* The nine Airbus A300-600F, one Airbus A330-243F and one A330-300P2F freighters are considered to be operated by Air Hong Kong, even though the arrangement does not constitute a lease in accordance with HKFRS 16.

(a) The operating lease of one Airbus A330-300 aircraft expired in July 2020. The aircraft was returned to its lessor.

(b) 11 of these aircraft are owned by Cathay Pacific and leased by Cathay Dragon.

(c) One Airbus A330-300 aircraft was deregistered in August 2020.

(d) These aircraft are subject to operating leases.

(e) These aircraft, ordered by Cathay Dragon, will be operated by HK Express.

## Review of Other Subsidiaries and Associates

### Hong Kong Express Airways Limited (“HK Express”)

- HK Express is a wholly-owned subsidiary of Cathay Pacific.
- HK Express is Hong Kong’s only low-cost passenger carrier and operates flights to 25 destinations including Bangkok, Da Nang, Fukuoka, Nagoya, Ningbo, Osaka, Phuket, Saipan, Seoul, Taichung and Tokyo.
- As of 30 June 2020, HK Express operated an all Airbus narrow-body fleet of 24 aircraft, including eight Airbus A320-200 aircraft, five Airbus A320-200neo aircraft and 11 Airbus A321-200 aircraft.

- In the first half of 2020, capacity amounted to 1,726 million available seat kilometres, reflecting the airline’s temporary suspension of flight operations, in response to significantly reduced travel demand and travel restrictions imposed by governments around Asia Pacific due to the COVID-19 pandemic, and HK Express recorded a significant after-tax loss of HK\$779 million.

#### **AHK Air Hong Kong Limited (“Air Hong Kong”)**

- Air Hong Kong principally operates express cargo services for DHL Express.
- As of 30 June 2020, Air Hong Kong operated nine dry leased Airbus A300-600F freighters, one dry leased Airbus A330-300 passenger-to-freighter converted freighter, one dry leased Airbus A330-243F freighter, one wet leased Airbus A330-300 passenger-to-freighter converted freighter and one wet leased A330-243F freighter.
- Air Hong Kong operates scheduled and charter flights to major Asia cities, including Bangkok, Ho Chi Minh City, Osaka, Penang, Seoul, Shanghai, Singapore, Taipei, Tokyo, Beijing, Cebu (via Manila), Nagoya, Jakarta and Kuala Lumpur.
- In the first half of 2020, capacity increased by 27.3 per cent. to 438 million available tonne kilometres and Air Hong Kong recorded an increase in profit as compared with the first half of 2019.

#### **Cathay Pacific Catering Services (H.K.) Limited (“CPCS”)**

- CPCS, a wholly-owned subsidiary, operates the principal flight kitchen in Hong Kong.
- CPCS provides flight catering services to 50 international airlines in Hong Kong.
- CPCS produced 22,665 meals for 65 flights per day on average in the first half of 2020 (a decrease of 73 per cent. and of 67 per cent., respectively, as compared with the first half of 2019, due to the impact of COVID-19).

#### **Cathay Pacific Services Limited (“CPSL”)**

- CPSL, a wholly-owned subsidiary, operates the Cathay Pacific Group’s cargo terminal at Hong Kong International Airport.
- The terminal’s annual handling capacity is 2.6 million tonnes and provides cargo handling services for Cathay Pacific, Cathay Dragon, Air Hong Kong and 15 other airlines.
- CPSL handled 668 thousand tonnes of cargo in the first half of 2020, 49 per cent. of which were transshipments. Export and import shipments accounted for 32 per cent. and 19 per cent. respectively of the total.

#### **Hong Kong Airport Services Limited (“HAS”)**

- HAS, a wholly-owned subsidiary, provides ramp and passenger handling services at Hong Kong International Airport.
- As of 30 June 2020, it provided ground handling services to 27 airlines, including Cathay Pacific and Cathay Dragon.
- In the first half of 2020, HAS had 42 per cent. and 5 per cent. market shares in ramp and passenger handling businesses respectively at Hong Kong International Airport.

#### **Vogue Laundry Service Limited (“VLS”)**

- VLS, a wholly-owned subsidiary, provides a comprehensive range of services in laundry and dry cleaning of commercial linen, uniform and guest garments.



- VLS operates a commercial laundry plant in Yuen Long Industrial Park and runs 12 valet shops in Hong Kong serving retail customers.
- In the first half of 2020, VLS processed 19 million pieces of laundry items.

#### **Air China Limited (“Air China”)**

- Air China, in which Cathay Pacific had a 18.13 per cent. interest as of 30 June 2020, is the national flag carrier and leading provider of passenger, cargo and other airline-related services in the Chinese mainland.
- Cathay Pacific’s share of Air China’s results is based on its financial statements drawn up three months in arrears.

#### **Air China Cargo Co., Ltd. (“Air China Cargo”)**

- Air China Cargo, in which Cathay Pacific owns an equity and an economic interest totalling 34.78 per cent., is the leading provider of air cargo services in the Chinese mainland.
- As of 30 June 2020, Air China Cargo operated 15 freighters. It flies to 10 cities in the Chinese mainland and 12 cities outside the Chinese mainland.

#### **Employees**

As of 30 June 2020, the Cathay Pacific Group employed more than 33,000 people worldwide, of whom around 27,600 are employed in Hong Kong. As of 30 June 2020, Cathay Pacific and Cathay Dragon employed more than 26,500 permanent staff worldwide, of whom around 80 per cent. of these people are based in Hong Kong. Cathay Pacific and Cathay Dragon recruited more than 260 staff in the first half of 2020, including 90 pilots. In the first half of 2020, more than 50 cadets graduated from the Cathay Pacific cadet pilot programme.

Cathay Pacific regularly review its human resources and remuneration policies in light of legislation, industry practices, market conditions and the performance of individuals and the Cathay Pacific Group. Cathay Pacific believes that everyone should have equal opportunities in life, and its LGBT+ employees should be treated equally and able to live a life free of prejudice and discrimination. Therefore, Cathay Pacific has signed up the ‘Equal Love’ campaign, committing its support to the legal recognition and equal treatment of same sex relationships in Hong Kong.

#### **Sustainable Development, Environment and Contribution to the Community**

Cathay Pacific applies sustainable development principles when carrying out its business and operations. It takes environmental and social considerations into account when making business decisions. It is the Cathay Pacific Group’s policy to comply with environmental and social regulations and to educate its employees, engage with others and set targets in relation to environmental and social matters. Cathay Pacific also operates an environmental management system which is based on ISO14001:2015 certification. The system is audited once a year externally and internally and opportunities for improvement are identified during these audits.

Cathay Pacific participates in the International Civil Aviation Organization (ICAO) Working Group 4 task force that leads the aviation industry’s work in developing proposals for a fair, equitable and effective global agreement on emissions. It also takes part in the ICAO Fuel Task Group which specialises in the adoption of biofuel for aviation use. In addition, Cathay Pacific engages with regulators and groups (the IATA Sustainability and Environment Advisory Committee, the Sustainable Aviation Fuel Users Group, the Roundtable on Sustainable Biomaterials and the Association of Asia Pacific Airlines) involved in shaping aviation policy with

respect to climate change. The aim is to increase awareness of climate change and to develop appropriate solutions for the aviation industry.

In response to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the Cathay Pacific Group has completed all the necessary preparation and the monitoring, verification and reporting plan has been accepted by the authority. In compliance with the European Union's Emissions Trading Scheme, its 2019 emissions data from intra-EU flights were reported on by an external auditor and submitted to the UK Environment Agency in March 2020.

Cathay Pacific supports UNICEF through its "Change for Good" inflight fundraising programme. Since its introduction in 1991, HK\$193 million has been raised through the fundraising programme. A percentage of the "Change for Good" donations are passed to the Cathay Pacific Wheelchair Bank, which raises funds to provide specially adapted wheelchairs for children with neuromuscular diseases. Cathay Pacific has also received the Caring Company status from the Hong Kong Council of Social Service every year since 2003 in recognition of its good corporate citizenship.

## **Risk Management and Internal Control**

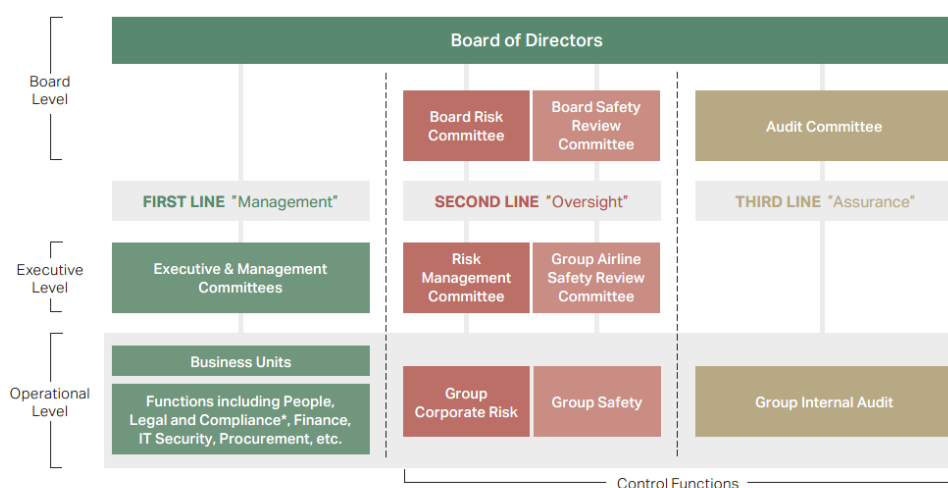
The Cathay Pacific Group's commitment to operational safety has been implemented through systematic and thorough processes supported by focused risk management governance infrastructure including:

- a Board Safety Review Committee chaired by an independent industry expert;
- a Management Safety Committee chaired by the Chief Executive Officer; and
- a Group Safety & Operational Risk Management Department headed by the Group Safety Officer that provides oversight of the management of all risks associated with flight operations.

In 2019, the Board of Directors determined that the Cathay Pacific Group should introduce similar governance to enhance and provide a parallel focus on the management of all other corporate risks in the Cathay Pacific Group. Accordingly, the following entities were established:

- Board Risk Committee – a Board level committee whose membership is exclusively Non-Executive Directors. The committee's role is to advise the Board of Directors and oversee implementation of all Board decisions on all matters relating to risk. This includes the setting and monitoring of risk appetite, the effectiveness of the risk management framework ("RMF") and the soundness of the Cathay Pacific Group's risk culture.
- Risk Management Committee – an executive committee chaired by the Chief Executive Officer responsible for the design, delivery and direct oversight of the RMF and, through it, the management of all corporate risks within Cathay Pacific.
- Group Corporate Risk Department – headed by a Chief Risk Officer reporting to the Chief Executive Officer. This department has specific responsibility for developing, maintaining and ensuring the effectiveness of the RMF.

The following diagram provides an overview of the risk management governance of the Cathay Pacific Group:



\* It is recognised that Legal and Compliance sits between first and second lines; for practical purposes they are included in the first line.

The Board of Directors also acknowledges its responsibility to establish, maintain and review the effectiveness of the Cathay Pacific Group's internal control systems, the foundation of which is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board of Directors, and the effectiveness of management.

This responsibility is primarily fulfilled on its behalf by the Audit Committee, which assists the Board of Directors in discharging its responsibilities for internal control and other matters. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the Corporate Governance Code. On behalf of the Board of Directors, the Audit Committee and the Board Risk Committee (in relation to risk management) review annually the continued effectiveness of the Cathay Pacific Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

In relation to risks associated with day-to-day operation of Cathay Pacific, the Management Committee of Cathay Pacific Group meets monthly and is responsible for overseeing such operations. In addition, a number of other committees consisting of members of management have been established to assist and report to the Management Committee from time to time. These committees are typically established to cover specialist areas such as safety operations, sustainable development and data governance.

## Insurance

Cathay Pacific maintain various insurance policies and coverage for the business operations that it considers necessary and sufficient for its operations and customary for the aviation industry in which it operates in to safeguard against risks and unexpected events. Cathay Pacific's insurance policies are generally underwritten by reputable insurance providers, which are subject to standard deductibles, exclusions and limitations.

Cathay Pacific's airline customers are also required under applicable air transportation laws and regulations to carry key insurance coverage customary in the aviation industry. See "*Risks Relating to the Business and Operations of the Cathay Pacific Group – Insurance Risk*" above for more details of the risks associated with Cathay Pacific's insurance coverage.

## **Intellectual Property**

The Cathay Pacific Group conducts its business under the trade names of “Cathay Pacific” and “國泰航空” in Chinese. It has registered various trademarks in China and Hong Kong to ensure that it has the right to use the trade names and the registered trademarks. As of the date of this Offering Circular, the Cathay Pacific Group is not aware of any proceedings in respect of, and it has not received notice of any claim for infringement of, any intellectual property rights of any third party.

## **Legal Proceedings**

The Cathay Pacific Group may, from time to time, be involved in legal proceedings, including general commercial disputes, as part of its normal course of business. Each of these proceedings, in its view, immaterial in terms of their impact on the business, financial condition or results of operations of the Cathay Pacific Group.

As of 30 June 2020, Cathay Pacific remains the subject of antitrust proceedings in various jurisdictions. The outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but makes provisions based on relevant facts and circumstances in line with accounting policy as disclosed in the annual report of Cathay Pacific for the year ended 31 December 2019.

As of the date of this Offering Circular and save as disclosed in this Offering Circular, the Cathay Pacific Group is not aware of any legal proceeding, pending or threatened against the Cathay Pacific Group or its Board of Directors, which could be expected to have a material adverse effect on its business, financial conditions and results of operations.

## MANAGEMENT

The following table sets forth information regarding the Directors and Company Secretary of Cathay Pacific as of the date of this Offering Circular:

Name	Position
HEALY, Patrick .....	Executive Director
HUGHES, Gregory Thomas Forrest .....	Executive Director
LAM, Siu Por Ronald.....	Executive Director
TANG, Kin Wing Augustus.....	Executive Director
SHARPE, Rebecca Jane (formerly known as WALLACE, Rebecca Jane) .....	Executive Director
MURRAY, Martin James <sup>^</sup> .....	Non-Executive Director
LOW, Mei Shuen Michelle <sup>^^</sup> .....	Non-Executive Director
SONG, Zhiyong .....	Non-Executive Director
SWIRE, Merlin Bingham .....	Non-Executive Director
SWIRE, Samuel Compton.....	Non-Executive Director
XIAO, Feng.....	Non-Executive Director
ZHANG, Zhuo Ping .....	Non-Executive Director
ZHAO, Xiaohang .....	Non-Executive Director
CHAN, Bernard Charnwut (formerly known as CHAN, Chi Sze Bernard) .....	Independent Non-Executive Director
HARRISON, John Barrie .....	Independent Non-Executive Director
MILTON, Robert Aaron .....	Independent Non-Executive Director
TUNG, Lieh Cheung Andrew .....	Independent Non-Executive Director
CHOW, Koon Ying (Paul) .....	Company Secretary

<sup>^</sup> He resigned as an Executive Director of Cathay Pacific with effect from 25 January 2021 and will become a Non-Executive Director of Cathay Pacific with effect from 1 April 2021.

<sup>^^</sup> She will cease to be a Non-Executive Director of Cathay Pacific with effect from 1 April 2021.

The biographies of the Directors and Company Secretary of Cathay Pacific are set out as follows:

### Executive Directors

**HEALY, Patrick<sup>#</sup>**, aged 55, has been Chairman and a Director of Cathay Pacific since November 2019. He is also Chairman of Swire Coca-Cola Limited and a Director of John Swire & Sons (H.K.) Limited, Swire Properties Limited and Air China Limited. He joined the Swire group in 1988 and has worked with the group in Hong Kong, Germany and the Chinese mainland.

**HUGHES, Gregory Thomas Forrest<sup>#</sup>**, aged 59, has been Chief Operations and Service Delivery Officer and a Director of Cathay Pacific since June 2017. He is also a Director of Hong Kong Dragon Airlines Limited and Hong Kong Express Airways Limited and Chairman of AHK Air Hong Kong Limited. He was previously a

Director and Group Director Components & Engine Services of Hong Kong Aircraft Engineering Company Limited. He joined the Swire group in 1987 and has worked with the group in Hong Kong, Korea, Indonesia, Japan and Australia.

**LAM, Siu Por Ronald<sup>#</sup>**, aged 48, has been Chief Customer and Commercial Officer and a Director of Cathay Pacific since August 2019. He was Director and General Manager, Hong Kong Operations of Hong Kong Aircraft Engineering Company Limited from July 2013 to May 2017 and Director Commercial and Cargo of Cathay Pacific from June 2017 to July 2019. He is also Chairman of Hong Kong Express Airways Limited. He joined the Swire group in 1996 and has worked with Cathay Pacific in Hong Kong, Japan and Sri Lanka.

**SHARPE, Rebecca Jane<sup>#</sup>** (formerly known as WALLACE, Rebecca Jane), aged 49, has been Chief Financial Officer and a Director of Cathay Pacific since January 2021. She is also a Director of AHK Air Hong Kong Limited. She was a director and group director finance of Hong Kong Aircraft Engineering Company Limited and, before that, finance director of The China Navigation Company Pte. Limited. She joined the Swire group in 2008 and has worked with the group in Hong Kong, the Chinese mainland and Singapore.

**TANG, Kin Wing Augustus<sup>#</sup>**, aged 61, has been Chief Executive Officer and a Director of Cathay Pacific since August 2019. He was appointed Director Corporate Development of Cathay Pacific in January 2005 and was an Executive Director of Cathay Pacific from January 2007 to October 2008. He was a Director and Chief Executive Officer of Hong Kong Aircraft Engineering Company Limited from October 2008 and November 2008 respectively until August 2019. He is also a Director of John Swire & Sons (H.K.) Limited and Chairman of Hong Kong Dragon Airlines Limited. He joined the Swire group in 1982 and has worked with the group in Hong Kong, Malaysia and Japan.

#### **Non-Executive Directors**

**LOW, Mei Shuen Michelle<sup>#\*@</sup>**, aged 60, has been a Director of Cathay Pacific since October 2017. She is also Finance Director of Swire Pacific Limited and a Director of John Swire & Sons (H.K.) Limited and Swire Properties Limited. She joined the Swire group in 1987. She has resigned as a Director of Cathay Pacific and from these other positions with effect from 1 April 2021.

**MURRAY, Martin James<sup>#\*@</sup>**, aged 54, became a Director of Cathay Pacific in November 2011. He was appointed Chief Financial Officer (formerly Finance Director) and served as an Executive Director of Cathay Pacific from 15 November 2011 until 25 January 2021. He was also a Director of Hong Kong Dragon Airlines Limited and AHK Air Hong Kong Limited. He resigned from these positions with effect from 25 January 2021 and was appointed a Non-Executive Director of Cathay Pacific with effect from 1 April 2021. He was also appointed Finance Director of Swire Pacific Limited and a Director of Swire Properties Limited with effect from 1 April 2021. He joined the Swire group in 1995 and has worked with the group in Hong Kong, the United States, Singapore and Australia.

**SONG, Zhiyong**, aged 55, has been a Director of Cathay Pacific since March 2014 and Deputy Chairman since December 2020. He is Chairman and Secretary of the Communist Party Committee of Air China Limited and Chairman and Secretary of the Communist Party Group of China National Aviation Holding Corporation Limited.

**SWIRE, Merlin Bingham<sup>#</sup>**, aged 47, has been a Director of Cathay Pacific since June 2010. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited and Swire Properties Limited. He is also Deputy Chairman and a shareholder of John Swire & Sons Limited. He joined the Swire group in 1997 and has worked with the group in Hong Kong, Australia, the Chinese mainland and London. He is brother to Samuel Swire, a Non-Executive Director of Cathay Pacific.

**SWIRE, Samuel Compton<sup>#</sup>**, aged 40, has been a Director of Cathay Pacific since January 2015. He is also Chairman of The China Navigation Company Pte. Ltd. He is also a Director and shareholder of John Swire & Sons Limited and a Director of Swire Pacific Limited. He joined the Swire group in 2003 and has worked with the group in Hong Kong, Singapore, the Chinese mainland, Sri Lanka and London. He is brother to Merlin Swire, a Non-Executive Director of Cathay Pacific.

**XIAO, Feng<sup>\*@</sup>**, aged 52, has been a Director of Cathay Pacific since January 2017. He is Chief Financial Officer of Air China Limited.

**ZHANG, Zhuo Ping<sup>#</sup>**, aged 49, has been a Director of Cathay Pacific since April 2020. He is also a Director of John Swire & Sons (H.K.) Limited and Swire Pacific Limited and Chairman of John Swire & Sons (China) Limited. He spent his early career in investment banking. He was with the Swire group from 2002 to 2011, spending much of his time in the Chinese mainland, including as chief representative of John Swire & Sons (China) Limited from 2005 to 2008. He ceased to be employed by the Swire group in 2011, when he left to found a bioengineering company in Beijing.

**ZHAO, Xiaohang**, aged 59, has been a Director of Cathay Pacific since June 2011. He is Vice President of China National Aviation Holding Corporation Limited and Air China Limited.

### **Independent Non-Executive Directors**

**CHAN, Bernard Charnwut<sup>+</sup>** (formerly known as CHAN, Chi Sze Bernard), aged 56, has been a Director of Cathay Pacific since December 2018. He is President and an Executive Director of Asia Financial Holdings Limited and Chairman of its wholly owned subsidiary, Asia Insurance Company, Limited and an advisor to Bangkok Bank (China) Company Limited. He is also an Independent Non-Executive Director of Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited and Yau Lee Holdings Limited and a Director of Bumrungrad Hospital Public Company Limited. He is the Convenor of the Non-Official Members of the Executive Council and a former member of the Legislative Council of the Hong Kong Special Administrative Region.

**HARRISON, John Barrie<sup>\*\*@</sup>**, aged 64, has been a Director of Cathay Pacific since May 2015. He is an Independent Non-Executive Director of AIA Group Limited and Grosvenor Asia Pacific Limited. He was Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific from 2003 to 2009 and was Deputy Chairman of KPMG International from 2008 until his retirement from KPMG in September 2010.

**MILTON, Robert Aaron<sup>\*@@</sup>**, aged 60, has been a Director of Cathay Pacific since May 2019. He is Lead Independent Director of Air Lease Corporation. He held the position of President and Chief Executive Officer of Air Canada from August 1999 until December 2004. He was Chairman and Chief Executive Officer of ACE Aviation Holdings, Inc., a holding company for Air Canada and other aviation interests from 2004 until June 2012. He was formerly a Director of US Airways, Inc., AirAsia Berhad and TAP Portugal. He was Chairman of United Continental Holdings, Inc., holding company of United Airlines, from April 2016 to April 2018.

**TUNG, Lieh Cheung Andrew<sup>+++</sup>**, aged 56, has been a Director of Cathay Pacific since May 2015. He is a Director of QBN Management Limited and a Non-Executive Director of Orient Overseas (International) Limited. He is also an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

## Company Secretary

**CHOW, Koon Ying (Paul)**<sup>#</sup>, aged 49, has been Company Secretary of Cathay Pacific since January 2020. He joined Cathay Pacific as Group General Counsel on 1 July 2019 and before then, he was a partner of Davis Polk & Wardwell LLP.

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# Employee of the John Swire & Sons Limited group

+ Member of the Remuneration Committee

++ Chairman of the Remuneration Committee

\* Member of the Audit Committee

\*\* Chairman of the Audit Committee

@ Member of the Board Risk Committee

@@ Chairman of the Board Risk Committee

The business address of all Executive Directors and the Company Secretary is 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong.



## SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS

### Directors' and Chief Executives' Interests in Shares

As of 31 December 2020, the interests or short positions of the directors and chief executive of the Guarantor in the shares, underlying shares and debentures of the Guarantor or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) which were notified to the Guarantor and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

### Interests and Short Positions in Shares, Underlying Shares and Debentures of the Guarantor

As of 31 December 2020, as far as is known to the directors, the following persons had interests or short positions in the shares and underlying shares of the Guarantor and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Guarantor and the Stock Exchange pursuant to the Model Code:

Name	Capacity	No. of shares	Percentage of voting shares (%)
<b>Cathay Pacific Airways Limited</b>			
Michelle Low.....	Beneficial Owner	1,630	0.00003
Merlin Swire.....	Trust interest <sup>(a)</sup>	30,000	0.00047
<b>Air China Limited</b>			
Michelle Low.....	Beneficial Owner	40,000	0.00028

Note: As of 31 December 2020:

(a) All shares held by Merlin Swire under trust interest were held by him as one of the executors of a will and he did not have any beneficial interest in those shares.

Save as disclosed above, as of 31 December 2020, the directors are not aware of any other directors, supervisors and chief executives of the Guarantor or their associates who have interests or short positions in the shares, underlying shares or debentures of the Guarantor or any of its associated corporations (as defined in Part XV of SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Guarantor and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders and Other Persons' Interests in Shares

As of 31 December 2020, as far as is known to the directors, the following persons (other than the directors and chief executives of the Guarantor) had interests or short positions in the shares and underlying shares of the Guarantor as recorded in the register required to be kept under section 336 of the SFO:

Long position	No. of shares	Percentage of voting shares (%)	Type of interest (Note)
Air China Limited .....	4,827,269,423	74.99	Attributable interest <sup>(a)</sup>
China National Aviation Holding Corporation Limited.....	4,827,269,423	74.99	Attributable interest <sup>(b)</sup>

Swire Pacific Limited.....	4,827,269,423	74.99	Attributable interest (a)
John Swire & Sons Limited.....	4,827,269,423	74.99	Attributable interest (c)
Qatar Airways Group Q.C.S.C. ...	643,076,181	9.99	Beneficial interest (d)
The Financial Secretary Incorporated .....	416,666,666	6.47	Interest in controlled corporation (e)

Note: As of 31 December 2020:

- (a) Under Section 317 of the SFO, each of Air China, China National Aviation Company Limited (“CNAC”) and Swire Pacific, being a party to the Shareholders’ Agreement in relation to the Guarantor dated 8 June 2006, was deemed to be interested in a total of 4,827,269,423 shares of the Guarantor, comprising (i) 2,896,753,089 shares directly held by Swire Pacific; and (ii) 1,930,516,334 shares indirectly held by Air China and its subsidiaries CNAC, Super Supreme Company Limited and Total Transform Group Limited, comprising the following shares held by their wholly owned subsidiaries: 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.
- (b) China National Aviation Holding Corporation Limited was deemed to be interested in a total of 4,827,269,423 shares of the Guarantor, in which its subsidiary Air China is deemed interested.
- (c) John Swire & Sons Limited (“Swire”) and its wholly owned subsidiary John Swire & Sons (H.K.) Limited were deemed to be interested in a total of 4,827,269,423 shares of the Guarantor by virtue of the Swire group being interested in 55.20 per cent. of the equity of Swire Pacific and controlling 64.28 per cent. of the voting rights attached to shares in Swire Pacific.
- (d) Qatar Airways Group Q.C.S.C. held a total of 643,076,181 shares of the Guarantor as beneficial owner.
- (e) (i) Aviation 2020 Limited, a limited company wholly owned by the Financial Secretary Incorporated, did not hold any ordinary shares of the Guarantor; (ii) pursuant to a subscription agreement dated 9 June 2020 entered into between the Guarantor and Aviation 2020 Limited in relation to the issue of preference shares and warrants, the Guarantor issued 416,666,666 warrants to Aviation 2020 Limited on 12 August 2020, which entitle Aviation 2020 Limited to subscribe for up to 416,666,666 ordinary shares of the Guarantor; and (iii) if Aviation 2020 Limited chooses to exercise all warrants, it would hold approximately 6.08 per cent. of the ordinary shares of the Guarantor as enlarged by the issue of such shares.

Save as disclosed above, as of 31 December 2020, the directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Guarantor or any of its associated corporations (as defined in Part XV of SFO) as recorded in the register required to be kept under section 336 of the SFO.

## DIVIDENDS

Subject to the articles of association (the “**Articles of Association**”) of the Guarantor, the relevant laws of Hong Kong (including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and any special rights, privileges or restrictions for the time being attached to any class or classes or shares, the Guarantor may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no such dividend shall exceed the amount recommended by the Board of Directors.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, and all dividends (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

No dividend shall be payable except out of profits or reserves available for distribution, and without prejudice to any special rights, privileges or restrictions for the time being attached to any shares or any class of shares, no dividend or other moneys payable on or in respect of a share shall bear interest as against the Guarantor. Any dividend (including an interim dividend) may be declared and/or paid in such currency or currencies as the meeting at which the dividend is declared shall determine. The Board of Directors shall do all acts and things necessary or expedient to give effect to any such declaration including the conversion or reconversion of one or more currencies to another or others and, subject to the Articles of Association, the procedure and provisions for payment as they think fit.

The Board of Directors may, if they think fit, from time to time, declare and pay such interim dividend as appear to the Board of Directors to be justified by the position of the Guarantor. If at any time the share capital of the Guarantor is divided into different classes the Board of Directors may declare and pay such dividends in respect of those shares in the capital of the Guarantor which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Board of Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Board of Directors may also declare and pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the position of the Guarantor justifies the payment.

For the year ended 31 December 2017, the Guarantor declared an interim dividend of HK\$0.05 per share, representing a total distribution of HK\$197 million. The interim dividend paid was in lieu of a final dividend.

For the year ended 31 December 2018, the Guarantor declared a first and a second interim dividend of HK\$0.10 per share and HK\$0.20 per share, respectively, representing a total dividend of HK\$0.30 per share and a total distribution of HK\$1,180 million.

For the year ended 31 December 2019, the Guarantor declared a first interim dividend of HK\$0.18 per share, representing a total distribution of HK\$708 million. The Board of Directors decided not to declare a second interim dividend for the year ended 31 December 2019.

The Guarantor’s dividend policy is to distribute approximately half of its consolidated profit after tax, excluding non-cash exceptional items. The application of this policy and final declarations are however subject to consideration of other factors, such as the strength of the Guarantor’s own statement of financial position, profits, trading conditions and prevailing and forecast economic environment. The payment of dividends may also be limited by legal restrictions and by financing agreements. There can be no assurance that dividends of any amount will be declared or distributed in any year.

## DESCRIPTION OF SHARES

The following information is a description of the Shares, including summaries of material relevant provisions of the Articles of Association of the Guarantor and certain other information concerning the Guarantor. These summaries do not purport to complete and are qualified in their entirety by reference to the full Articles of Association of the Guarantor. Any provision of the Articles of Association may be varied by special resolution passed at a general meeting of shareholders of the Guarantor.

### General

The Guarantor was incorporated in Hong Kong under the Companies Ordinance, 1932, as a company limited by shares on 18 October 1948 as Cathay Pacific Airways Limited. The name of the Guarantor was by special resolution changed to Cathay Pacific Airways Limited 國泰航空有限公司 on 15 May 2013 and incorporated under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Ordinance**”).

### Issued Shares

As of 31 December 2020, 6,437,200,203 ordinary shares of the Guarantor were in issue (31 December 2019: 3,933,844,572 ordinary shares) and 195,000,000 Preference Shares of the Guarantor were in issue.

Each Preference Share entitles the holder thereof to receive dividends out of the distributable items of the Guarantor, in priority to the payment of any dividend to holders of ordinary shares. From the day immediately following the non-payment of any dividend which is payable to the preference shareholders, the Guarantor shall not (i) make any discretionary distribution or dividend in cash or otherwise on and will procure that no distribution or dividend in cash or otherwise is made on any ordinary shares or (ii) redeem, reduce, cancel, buy-back or acquire at its discretion for any consideration any ordinary shares. For more details on the Preference Shares of the Guarantor, see Article 10(A) of the Articles of Association.

### Share Capital

The Guarantor may, from time to time, by ordinary resolution increase its share capital by such sum divided into shares of such amounts as the resolution shall prescribe. Subject to the Ordinance, the Guarantor may, by the resolution increasing the capital, direct that the new shares or any of them shall be offered, in the first instance to all the holders for the time being of any class of shares in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Board of Directors, and Article 6 of the Articles of Association shall apply thereto.

The Guarantor may from time to time by ordinary resolution: (a) subdivide its shares or any of them into shares of smaller amount, provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Guarantor has power to attach to unissued or new shares; or (b) consolidate and divide its capital or any part thereof into shares of larger amount than its existing shares.

Subject to the provisions of the Ordinance, the Guarantor may by special resolution reduce its share capital in any manner.

### Issue of Shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other

special rights, or such restrictions, whether in regard to dividend, voting, repayment or redemption of share capital or otherwise, as the Guarantor may from time to time by ordinary resolution determine or, in the absence of any such determination or so far as the same may not make specific provision, as the Board of Directors may determine.

Subject to the provisions of the Ordinance, the Board of Directors may issue warrants (other than share warrants to bearer) to subscribe for any class of shares or securities of the Guarantor on such terms as they may from time to time determine.

Save as provided by contract or the Ordinance or the Articles of Association to the contrary, the Board of Directors may offer, allot, grant rights to subscribe for or to convert any security into any class of shares of the Guarantor or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally upon such terms and conditions, as they shall in their absolute discretion think fit.

### **Dividends**

Subject to the provisions of the Ordinance and any special rights, privileges or restrictions for the time being attached to any class or classes or shares, the Guarantor may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no such dividend shall exceed the amount recommended by the Board of Directors. See "*Dividends*" above for more details.

### **General Meetings**

The Guarantor shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held at such time and place as may be determined by the Board of Directors, and in accordance with the provisions of the Ordinance. All other general meetings shall be called extraordinary general meetings.

The Board of Directors may whenever they think fit and shall, on requisition in accordance with the Ordinance, convene an extraordinary general meeting.

If the Board of Directors considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The Board of Directors shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in at least one English language newspaper and one Chinese language newspaper in Hong Kong. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, the appointment of a proxy will be valid if it is received as required by the Articles of Association not less than 48 hours before the time appointed for holding the rearranged meeting. The Board of Directors may also postpone or move the rearranged meeting under Article 63 of the Articles of Association.

An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than twenty-one days' notice in writing and any other general meeting by not less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of the meeting and the general nature of the business to be dealt with at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Guarantor in general meeting, to such persons as are under the Articles of Association entitled to receive such notices from the Guarantor. There shall appear on every such notice with reasonable prominence a statement that a member entitled to

attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Guarantor.

Notwithstanding that a meeting of the Guarantor is called by shorter notice than that specified in the Articles of Association or required by the Ordinance, it shall be deemed to have been duly called if it is so agreed: (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority representing at least 95 per cent. of the total voting rights of holders of the shares giving that right.

The accidental omission to give notice of a meeting or (in case where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

### **Voting**

Subject to the rules prescribed by the Stock Exchange from time to time, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the provisions of the Ordinance, a poll may be demanded by: (a) the chairman of the meeting; (b) at least three members present in person or by proxy and entitled to vote at the meeting; or (c) any member or members present in person or by proxy and representing in the aggregate not less than five per cent. of the total voting rights of all members having the right to attend and vote at the meeting.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute books of the Guarantor shall be conclusive evidence of the fact without proof of the number of the votes recorded for or against such resolution.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded, and it may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

A poll demanded upon the election of a chairman or upon a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time (being not later than thirty days after the date of the demand) and place and in such manner as the chairman of the meeting shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was demanded.

In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote.

Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Guarantor duly convened and held. A written notice of confirmation of such resolution in writing sent by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of Article 76 of the Articles of Association. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.

## **Votes of Members**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every fully paid up share of which he is the holder.

On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Any person entitled under Article 46 of the Articles of Association to be registered as a shareholder may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided either that the Board of Directors shall have previously admitted his right to vote at such meeting in respect thereof or that not less than 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote he shall have satisfied the Board of Directors of his right to be registered as the holder of such shares.

A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so on his behalf and such person may, on a poll, vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be delivered at the Office, or at such other place as is specified in accordance with the Articles of Association for the deposit of instruments of proxy, not less than the last time at which a valid instrument of proxy could be so delivered.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting or poll at which the vote objected to is given or tendered, and every vote not disallowed at such meeting or poll shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

If any member is required under the Listing Rules of the Stock Exchange to abstain from voting on any particular resolution or to vote only for or only against any particular resolution, any vote cast by or on behalf of such member in contravention of such requirement shall not be counted.

## MARKET PRICE INFORMATION

The Shares have been listed on the Main Board of the Hong Kong Stock Exchange since 15 May 1986. The following table sets out the high, low and average closing prices and the average daily trading volume of the Shares for the periods indicated:

	Closing price			Daily average trading volume (000 's)
	High	Low (HK\$)	End of Period Average	
<b>2018<sup>1</sup></b>				
First Quarter.....	12.79	10.64	11.35	6,427
Second Quarter.....	12.07	10.75	11.34	4,061
Third Quarter.....	10.94	9.56	10.33	3,156
Fourth Quarter.....	10.02	8.64	9.46	2,444
<b>2019<sup>2</sup></b>				
First Quarter.....	12.04	9.55	10.95	4,157
Second Quarter.....	12.13	9.51	10.77	2,871
Third Quarter.....	10.68	8.32	9.37	4,782
Fourth Quarter.....	10.04	8.31	8.95	2,849
<b>2020<sup>2</sup></b>				
First Quarter.....	9.97	6.67	8.72	4,118
Second Quarter.....	8.18	6.52	7.44	6,526
Third Quarter.....	6.58	5.09	5.83	13,648
Fourth Quarter.....	7.77	5.26	6.55	10,316

Notes(s)

1. Source: FactSet
2. Source: Hong Kong Stock Exchange



## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds:*

The issue of the HK\$6,740,000,000 aggregate principal amount of 2.75 per cent. guaranteed convertible bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) of Cathay Pacific Finance III Limited (the “**Issuer**”) was authorised by written resolutions of the Directors of the Issuer dated 12 January 2021 and the guarantee of the Bonds and the right of conversion into Shares (as defined in Condition 6(a)(v) (*Meaning of “Shares”*)) were authorised by written resolutions of the Board of Directors of Cathay Pacific Airways Limited 國泰航空有限公司 (the “**Guarantor**”) on 8 January 2021. The Bonds are constituted by a trust deed (as amended, supplemented and/or restated from time to time, the “**Trust Deed**”) dated 5 February 2021 (the “**Issue Date**”) made between the Issuer, the Guarantor and Citicorp International Limited (the “**Trustee**”, which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The payment of all amounts in respect of the Bonds have been guaranteed (the “**Guarantee**”) by the Guarantor pursuant to the Trust Deed. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement dated 5 February 2021 (as amended, supplemented and/or restated from time to time, the “**Agency Agreement**”) relating to the Bonds made between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent (the “**Principal Agent**”), Citigroup Global Markets Europe AG as registrar (the “**Registrar**”) and the other paying, conversion and transfer agents appointed therein (each a “**Paying Agent**”, “**Conversion Agent**”, “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”). References to the “**Principal Agent**”, “**Registrar**”, “**Transfer Agent**” and “**Agents**” below are references to the principal agent, registrar, transfer agent and agents for the time being for the Bonds. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the principal office for the time being of the Principal Agent (being at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong), following prior written request and proof of holding to the satisfaction of the Principal Agent. The Bondholders (as defined below) are entitled to the benefit of and are bound by all provisions of the Trust Deed and are deemed to have notice of (i) all the provisions of the Trust Deed and (ii) the provisions of the Agency Agreement applicable to them.

### 1 Status and Guarantee

- (a) *Status*: The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
- (b) *Guarantee*: The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and (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 Guarantor, from time to time outstanding.

## 2 Form, Denomination and Title

- (a) *Form and Denomination:* The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples in excess thereof (the “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “Global Certificate”) deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). When the Bonds are represented by a Global Certificate, the Conditions are modified by certain provisions contained in the Global Certificate.*

- (b) *Title:* Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3 (*Transfer of Bonds; Issue of Certificates*). The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing (other than the endorsed form of transfer) on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered (or in the case of a joint holding, the first named thereof).

## 3 Transfers of Bonds; Issue of Certificates

- (a) *Register:* The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.
- (b) *Transfer:* Subject to Conditions 3(e) (*Closed Periods*) and 3(f) (*Regulations*) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Bond may not be transferred unless the principal amount of the Bond transferred and (where not all of the Bonds held by the holder are being transferred) the principal amount of the balance of the Bonds not so transferred, is an Authorised Denomination. Where not all Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of a Bond will be valid unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

- (c) *Delivery of New Certificates:* Each new Certificate to be issued upon a transfer or (if applicable) conversion of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the original Certificate and the form of transfer duly completed and signed and provision of any other evidence required by the Registrar or the relevant Agent as contemplated in

Condition 3(b) (*Transfer*), be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of definitive Certificates.*

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted or redeemed, a new Certificate in respect of the Bonds not so transferred, converted or redeemed will, within seven business days of delivery of the original Certificate to the Registrar or other relevant Agent and provision of any other evidence required by the Registrar or the relevant Agent as contemplated in Condition 3(b) (*Transfer*), be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted or redeemed (but free of charge to the holder and at the Issuer's or the Guarantor's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 (*Transfers of Bonds; Issue of Certificates*) and Condition 6 (*Conversion*), “**business day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

- (d) *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but (i) upon payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title and/or identity of the person making the application and (iii) subject to Condition 3(f) (*Regulations*).
- (e) *Closed Periods:* No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(b) (*Conversion Procedure*)) has been delivered with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(d) (*Redemption for Relevant Event*)) has been deposited in respect of such Bond pursuant to Condition 8(d) (*Redemption for Relevant Event*); (iv) during the period of seven days ending on (and including) any date of redemption pursuant to Conditions 8(b) (*Redemption for Taxation Reasons*) and 8(c) (*Redemption at the Option of the Issuer*); and (v) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(a) (*Principal and interest*)). Each such period is a “**Closed Period**”.
- (f) *Regulations:* All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds, initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and may be changed by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available at the specified office of the Registrar to any Bondholder following prior written request and proof of holding to the satisfaction of the Registrar.

#### 4 Negative Pledge

The Issuer will not, and the Guarantor has agreed in the Trust Deed that it will not, and that it will procure that the Issuer and the Principal Subsidiaries (as defined below) will not, so long as any Bond remains outstanding, 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.

In these Conditions:

“**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 Guarantor 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 Guarantor 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.

#### 5 Interest

The Bonds bear interest from and including 5 February 2021 at the rate of 2.75 per cent. per annum payable semi-annually in arrear in equal instalments of HK\$27,500 per Calculation Amount (as defined below) on 5 February and 5 August in each year (each an “**Interest Payment Date**”), beginning on 5 August 2021.

Each Bond will cease to bear interest (a) (subject to Condition 6(b)(iv) (*Interest Accrual*)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 6(b)(iv) (*Interest Accrual*) or (b) where such Bond is redeemed or repaid pursuant to Condition 8 (*Redemption, Purchase and Cancellation*) or Condition 10 (*Events of Default*), from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, it will continue to bear interest at 3 per cent. per annum above the rate aforesaid (both before and after judgment) until whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (y) the day seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per HK\$2,000,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a Hong Kong cent being rounded upwards).

## 6 Conversion

### (a) *Conversion Right*

- (i) *Conversion Period*: Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares (as defined in Condition 6(a)(v) (*Meaning of “Shares”*)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”. Subject to and upon compliance with, the provisions of this Condition, 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 (as defined in Condition 8(a) (*Maturity*)) (both days inclusive) (but, except as provided in Condition 6(a)(iv) (*Revival and/ or survival after Default*) and Condition 10 (*Events of Default*), 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 Condition 8(d) (*Redemption for Relevant Event*) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the “**Conversion Period**”).

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Guarantor is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(b)(i) (*Conversion Notice*)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted by such holder rounded down to the nearest whole number of shares.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 27 January 2021 which reduces the number of Shares outstanding, the Issuer (failing which, the Guarantor) will upon conversion of Bonds pay in cash in Hong Kong dollars of a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(a)(i) (*Conversion Period*), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(b)(i) (*Conversion Notice*)) after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.
- (iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$8.57 per Share, but will be subject to adjustment in the manner provided in Conditions 6(c) (*Adjustments to Conversion Price*) and 6(d) (*Adjustment upon Change of Control*).
- (iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(a)(i) (*Conversion Period*), if (a) the Issuer or the Guarantor shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 (*Events of Default*), or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(a) (*Maturity*) or the applicable date for redemption in accordance with Condition 8(d) (*Redemption for Relevant Event*), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and notwithstanding the provisions of Condition 6(a)(i) (*Conversion Period*), any Bond in respect of which the Certificate and Conversion Notice are delivered for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor.
- (vi) *No issue of Shares if Breach of Open Market Requirements*: The Guarantor is not obliged to issue Shares in satisfaction of the Conversion Right if to do so would result in a breach of the

requirements for an “open market” in the Shares as set out in Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) on the Issue Date (or such other successor rule(s) from time to time).

(b) *Conversion Procedure*

- (i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense at the specified office of any Conversion Agent from 9:00 a.m. to 3:00 p.m. on any business day during the Conversion Period a notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(b)(ii) (*Stamp Duty etc.*) have been so paid or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(d) (*Redemption for Relevant Event*) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(a)(iii) (*Revival and/or survival after Default*) and Condition 10 (*Events of Default*)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been delivered to that Conversion Agent during the hours specified above on the next business day following such day. Any Bondholder who delivers a Conversion Notice during a Closed Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the next business day after the end of the Closed Period, which (if all other conditions to the exchange have been fulfilled) will be the Conversion Date for such Bonds notwithstanding that such date may fall outside the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal. “**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) is open for securities dealing.

*So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, subject to the requirements of such clearing system, the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the delivery of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds to the relevant clearing system(s) for communication by it to the Principal Agent. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required.*

- (ii) *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue, documentary and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands and Hong Kong by the Issuer and the Guarantor in respect of the allotment

and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange on conversion) (the “**Taxes**”) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer (failing which, the Guarantor) will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities pursuant to this Condition 6(b)(ii) (*Stamp Duty etc.*) have been paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder is liable to pay or has paid any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(b)(ii) (*Stamp Duty etc.*).

- (iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date, the Guarantor will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice and the relevant Certificate have been delivered and amounts payable by the relevant Bondholder as required by sub-paragraphs (i) and (ii) have been paid, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Guarantor’s share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the “**CCASS**”) effective from time to time, take all necessary action to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Guarantor’s share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong) and notified to Bondholders in accordance with Condition 16 (*Notices*) or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(c) (*Adjustments to Conversion Price*) but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective the Guarantor shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as is, together with Shares to be issued on conversion of the Bonds, equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor’s register of members (the “**Registration Date**”).



The Shares issued upon exercise of 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.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Guarantor will calculate and pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

- (iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(b) (*Redemption for Taxation Reasons*) or Condition 8(c) (*Redemption at the Option of the Issuer*) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(c) *Adjustments to Conversion Price*

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows:

- (1) *Consolidation, Subdivision, Redesignation or Reclassification*: If and whenever there shall be an alteration to number of Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares in issue immediately before such alteration; and

B is the aggregate number of Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Guarantor shall issue any Shares credited as fully paid to the holders of Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account) (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares in issue immediately before such issue; and

B is the aggregate number of issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares, or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B is the aggregate number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued pursuant to such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) *Distributions:*

- (i) If and whenever the Guarantor shall pay or make any Distribution to Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(c)(2) (*Capitalisation of Profits or Reserves*) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Guarantor shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Shares (or shall grant any such rights in respect of existing securities so issued), in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights

calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (5) *Rights Issues of Other Securities*: If and whenever the Guarantor shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (6) *Issues at less than Current Market Price*: If and whenever the Guarantor shall issue (otherwise than as mentioned in Condition 6(c)(4) (*Rights Issues of Shares or Options over Shares*) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 6(c)(4) (*Rights Issues of Shares or Options over Shares*) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Guarantor of options, warrants or other rights to subscribe or purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* If and whenever the Guarantor or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(c)(4) (*Rights Issues of Shares or Options over Shares*), 6(c)(5) (*Rights Issues of Other Securities*) or 6(c)(6) (*Issues at less than Current Market Price*)), or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to Condition 15 (*Further Issues*)) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares to be issued by the Guarantor upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

- (8) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(c)(7) (*Other Issues at less than Current Market Price*) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Guarantor for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank consider appropriate (if at all) for any previous adjustment under this Condition 6(c)(8) (*Modification of Rights of Conversion etc.*) or Condition 6(c)(7) (*Other Issues at less than Current Market Price*).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders*: If and whenever the Guarantor or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(c)(2) (*Capitalisations of Profits or Reserves*), 6(c)(3) (*Distributions*), 6(c)(4) (*Rights Issues of Shares or Options over Shares*), 6(c)(5) (*Rights Issues of Other Securities*), 6(c)(6) (*Issues at less than Current Market Price*) or 6(c)(7) (*Other Issues at less than Current Market Price*), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

- (10) *Other events*: If the Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6(c) (*Adjustments to Conversion Price*) (even if the relevant circumstance is specifically excluded from the operation of Conditions 6(c)(1) (*Consolidation, Subdivision, Redesignation or Reclassification*) to 6(c)(9) (*Other Offers to Shareholders*) (inclusive)), the Issuer or the Guarantor shall at its own expense request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment pursuant to this Condition 6(c) (*Adjustments to Conversion Price*) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6(c) (*Adjustments to Conversion Price*) as may be advised by an Independent Investment Bank to be in its opinion appropriate to give the intended result.
- (11) *Definitions*: For the purposes of these Conditions:

“**Closing Price**” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange for such day.

“**Current Market Price**” means, in respect of a Share at a particular time on a particular date, the average of the Closing Prices quoted by the Hong Kong Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on (and including) the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (a) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotation on each date on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be reduced by an amount equal to the Fair Market Value of that dividend per Share; or
- (b) if the Shares to be issued in such circumstances rank for the dividend in question, the quotation on each date on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be reduced by an amount equal to the Fair Market Value of that dividend per Share.

**“Distribution”** means in respect of a Share:

- (a) any distribution of assets in specie by the Guarantor for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(c)(2)(i) and a Scrip Dividend adjusted for under Condition 6(c)(2)(ii)); and
- (b) any cash dividend or distribution (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Guarantor for any financial period (whenever paid and however described),

and *provided further that* a purchase or redemption of Shares by or on behalf of the Guarantor (or a purchase of Shares by or on behalf of a Subsidiary of the Guarantor) shall not constitute a Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds 105 per cent. of the Current Market Price of a Share either (i) on that date, or (ii) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (i) or (ii), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares so purchased or redeemed.

In making any calculation relevant to this definition, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves or a dilutive capital raising event, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Guarantor.

**“Fair Market Value”** means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend determined as at the date of announcement of such dividend (in which case no determination by an Independent Investment Bank would be required); (ii) the fair market value of any other cash amount shall be equal to such cash amount (in which case no determination by an Independent Investment Bank would be required); and (iii) where securities are or will be publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such securities shall equal the arithmetic mean of the daily closing prices of such securities during the period of five Trading Days commencing on the first such Trading Day (or, if later, the first such Trading Day such securities are publicly traded) or such shorter period as such securities are publicly traded.

**“Independent Investment Bank”** means an independent investment bank of international repute (acting as an expert) selected and appointed by the Issuer or the Guarantor at its cost, and notified in writing to the Trustee and the Principal Agent. If the Issuer or Guarantor fails to appoint an



Independent Investment Bank when required by these Conditions, the Trustee may in its absolute discretion (but shall not be obliged to), select the Independent Investment Bank.

“**Relevant Cash Dividend**” means the aggregate cash dividend or distribution declared by the Guarantor, including any cash dividend in respect of which there is any Scrip Dividend (which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend).

“**Relevant Page**” means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters page or such other information service provider that displays the relevant information.

“**Scrip Dividend**” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(c)(3) (*Distributions*) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(c)(2)(ii)).

“**Trading Day**” means a day when the Hong Kong Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest one Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders, the Trustee and the Principal Agent in accordance with Condition 16 (*Notices*) as soon as practicable after the determination thereof.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Guarantor and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Guarantor, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders’ interest in the Guarantor’s equity caused by such events or circumstances.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands and Hong Kong.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing

provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

Notwithstanding anything to the contrary in these Conditions, no adjustment will be made to the Conversion Price in respect of (i) any issuance of Shares upon exercise of any of the 416,666,666 warrants issued by the Guarantor to Aviation 2020 Limited on 12 August 2020 or (ii) any payment of dividend or other distribution in respect of, or redemption by the Guarantor of, the 195,000,000 preference shares of HK\$100 each in the capital of the Guarantor (the “**Preference Shares**”) issued to Aviation 2020 Limited on 12 August 2020.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Guarantor or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Hong Kong Stock Exchange and applicable laws and duly adopted by the Guarantor) (“**Share Scheme Shares/Options**”) unless any grant or issue of Share Scheme Shares/Options would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 3 per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 3 per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining any adjustment of the Conversion Price pursuant to this Condition 6 (*Conversion*).

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation, subdivision or reclassification of the Shares as referred to in Condition 6(c)(1) (*Consolidation, Subdivision, Redesignation or Reclassification*) above or where there has been a manifest error in the calculation of the Conversion Price. The Issuer may at any time and for a specified period of time only, following notice being given to the Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee, reduce the Conversion Price.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price under Condition 6(c) (*Adjustments to Conversion Price*) shall be determined by the Issuer and Guarantor (and, where applicable, an Independent Investment Bank), and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

(d) *Adjustment upon Change of Control*

If a Change of Control (as defined in Condition 8(h) (*Definitions*)) shall occur, the Issuer shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 16 (*Notices*) 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:

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

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 Condition 6(d) (*Adjustment upon Change of Control*) is applicable;

“**CP**” means 30.0 per cent. 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 Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(d) (*Adjustment upon Change of Control*) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the 15th day following the last day of the Closed Period.

(e) *Undertakings*

The Guarantor has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or the approval of the Trustee:

- (i) it will use reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange;
- (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for any Taxes specified in Condition 6(b)(ii) (*Stamp Duty etc.*));
- (iii) it shall ensure that all Shares delivered on the conversion of the Bonds will be (a) duly and validly issued as fully paid, (b) issued free from any other pre-emptive or other similar rights, and (c) free and clear of all liens, claims, charges, security, encumbrances or like interests;
- (iv) it will not take any action that would reduce the Conversion Price below a level that is prescribed by the Listing Rules or applicable laws and regulations from time to time (if any);
- (v) it shall procure that no securities (howsoever described and whether issued by the Guarantor or any of its Subsidiaries or otherwise procured by the Guarantor or any of its Subsidiaries to be issued) (i) issued without rights to convert into or exchange or subscribe for Shares shall subsequently be granted such rights at a consideration per Share which is less than the Current Market Price per Share at close of business on the Trading Day last preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise to an adjustment

of the Conversion Price; and (ii) are converted into or exchanged by or on behalf of the Guarantor or any of its Subsidiaries for Shares and that no rights or warrants to subscribe for or purchase Shares are permitted by or on behalf of the Guarantor or any of its Subsidiaries to be exercised, otherwise in each case than in accordance with their terms of issue (except to the extent that any modification of the terms of issue either is taken into account by an adjustment to the Conversion Price or is such that it does not require to be taken into account by an adjustment to the Conversion Price). Nothing in this Condition 6(e)(v) shall prevent the issue of any equity share capital (including Shares) pursuant to any share option scheme(s) adopted or to be adopted by the Guarantor from time to time in compliance with Listing Rules;

- (vi) it will not modify the rights attaching to the Shares with respect to voting, dividends or liquidation nor issue any other class of ordinary share capital carrying any rights which are more favourable than the rights attaching to Shares but so that nothing in this Condition 6(e)(vi) shall prevent (i) the offer or grant of options for the subscription of or the issue of equity share capital to pursuant to any share option scheme(s) adopted or to be adopted by the Issuer or the Guarantor from time to time in compliance with the Listing Rules, or (ii) a consolidation, re-classification, re-designation or subdivision of the Shares or the conversion of any Shares into stock or vice versa, or (iii) a modification to the rights attaching to the Shares which is not, in the opinion of the Trustee (relying on advice from an Independent Investment Bank, which the Trustee shall be entitled to rely on conclusively and shall not be liable to any person for such reliance), materially prejudicial to the interests of the Bondholders or (iv) the conversion of Shares into, or the issue of any Shares in, uncertificated form (or the conversion of Shares in uncertificated form to certificated form) or (v) the amendment of the articles of association of the Guarantor to enable title to securities of the Guarantor (including Shares) to be evidenced and transferred without a written instrument or (vi) any other alteration to the articles of association of the Guarantor made in connection with the matters described in this Condition 6(e)(vi) or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Shares) dealt with under such procedures) or (vii) any issue of equity share capital which results in an adjustment of the Conversion Price;
- (vii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made (and for the avoidance of doubt, nothing in this paragraph (vii) shall restrict the Guarantor from repurchasing any Shares on the Hong Kong Stock Exchange in accordance with the Listing Rules and applicable law or from repurchasing or redeeming any of the Preference Shares in accordance with their terms);
- (viii) if an offer is made to all (or as nearly as may be practicable all) Shareholders, or all (or as nearly as may be practicable all) the Shareholders other than the offeror and/or any associate or associates of the offeror to acquire all or a majority of the issued equity share capital of the Guarantor, or if any person proposes a scheme with regard to such acquisition, give notice of such offer or scheme to the Bondholders at the same time as any notice therefor is sent by the Guarantor to its Shareholders, provided that such notice shall comply with applicable laws, regulations and the Listing Rules;

- (ix) unless so required by applicable law or regulation or the articles of association of the Guarantor or in order to establish entitlements to a dividend or other right attaching to the Shares or other entitlements of the Shareholders, not close its register of Shareholders or take any other action which prevents the transfer of its Shares generally and ensure that the Bonds may be converted legally and the Shares issued on their conversion may (subject to any limitation imposed by law, regulations or the relevant listing rules) be transferred (as between transferor and transferee though not as against the Guarantor) at all times while the register is closed or such other action is effective, nor take any action which prevents the conversion of the Bonds or the issue of Shares in respect of them or the registration of Shares issued on the conversion of the Bonds otherwise than in accordance with these Conditions; and
- (x) it will use reasonable endeavours to list and thereafter maintain the listing of the Bonds on the Hong Kong Stock Exchange and if the Issuer is unable to maintain such listing or if the maintenance of such listing is unduly onerous, to use reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange and will forthwith give notice to the Bondholders and the Trustee in accordance with Condition 16 (*Notices*) below of the listing or delisting of the Bonds by any such stock exchange.

The Guarantor shall not be prohibited from purchasing its Shares to the full extent permitted by law.

In this Condition 6(e) (*Undertakings*), “**equity share capital**” means the share capital of the Guarantor excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

- (f) *Notice of Change in Conversion Price*

The Issuer shall give notice to the Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee and the Principal Agent of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

## 7 Payments

- (a) *Principal and interest:* Payment of principal, premium (if any) and interest due other than on an Interest Payment Date will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the “**Interest Record Date**”). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

*So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, such payments will be made to the holder of appearing in the register of holders of the Bonds maintained by the Registrar at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date.*

- (b) *Registered Accounts:* For the purposes of this Condition, a Bondholder’s registered account means the Hong Kong dollar account maintained by or on behalf of it, details of which appear on the Register at the close of business on the business day (as defined below) prior to the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.
- (c) *Fiscal Laws:* All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of

Condition 9 (*Taxation*) and (ii) if applicable, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

- (d) *Payment Initiation:* Payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.
- (e) *Delay In Payment:* Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).
- (f) *Business Day:* In this Condition, “**business day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.
- (g) *Rounding:* When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded up to the nearest unit.

## **8 Redemption, Purchase and Cancellation**

- (a) *Maturity:* Unless previously redeemed, converted or purchased and cancelled as provided herein, each Bond will be redeemed by the Issuer at its principal amount together with accrued and unpaid interest thereon on 5 February 2026 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(b) (*Redemption for Taxation Reasons*) or 8(c) (*Redemption at the Option of the Issuer*) below (but without prejudice to Condition 10 (*Events of Default*)).
- (b) *Redemption for Taxation Reasons*
  - (i) 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 Condition 16 (*Notices*), 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 or referred to in Condition 9 (*Taxation*) or the Guarantor 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 a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction 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 Guarantor 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 Guarantor would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Principal Agent and the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, two directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to rely upon and accept such certificate and opinion (without further investigation or enquiry) as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

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 the tax redemption date, provided that redemption under this Condition 8(b)(i) may not occur within seven days of the end of a Closed Period, but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

- (ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(b)(i), each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 (*Taxation*) 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 (*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(b)(ii), the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the date fixed by the Issuer for the redemption of the Bonds pursuant to this Condition 8(b) (*Redemption for Taxation Reasons*). A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

(c) *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 Condition 16 (*Notices*), 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 (which shall for this purpose include any further bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith).

- (d) *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. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, specifying the number of Bonds to be redeemed and the Relevant Event that has occurred ("**Relevant Event Redemption Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16 (*Notices*). The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 16 (*Notices*) and to the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(d) (*Redemption for Relevant Event*) and shall give brief details of the Relevant Event.

None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with Condition 8(d) (*Redemption for Relevant Event*) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 8(d) (*Redemption for Relevant Event*) and will not be responsible to Bondholders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 8(d) (*Redemption for Relevant Event*) and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

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.
- (e) *Purchase*: The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Bonds at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.
- (f) *Cancellation*: All Bonds which are redeemed will forthwith be cancelled. All Bonds so cancelled and the Bonds purchased and cancelled pursuant to paragraph (f) above shall be forwarded to or to the order of the Registrar and cannot be reissued or resold.



- (g) *Redemption Notices:* All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and accrued interest payable (if any), (v) the date for redemption, (vi) the manner in which redemption will be effected and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable hereunder.

- (h) *Definitions:* For the purposes of this Condition 8 (*Redemption, Purchase and Cancellation*):

“**Change of Control**” means the occurrence of one or more of the following events:

- (A) the Permitted Holders (or Persons who are Controlled by the Permitted Holders), in aggregate, cease to have Control of the Guarantor;
- (B) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’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 Guarantor or the successor entity; or
- (C) the Guarantor ceases to hold (directly or indirectly) 100 per cent. of the issued shares of the Issuer.

“**Control**” 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.

“**Permitted Holders**” means 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.

a “**Person**” 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).

“**Voting Rights**” means 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).

## 9 Taxation

All payments of principal, premium and interest in respect of the Bonds by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would otherwise have been receivable in respect of the Bonds, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Bond:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Bond by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Bond; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a business day (as defined in Condition 7(f) (*Business Day*)); or
- (c) by or on behalf of a holder of such Bond who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used herein:

“**Tax Jurisdiction**” means the Cayman Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax; and

the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Agent, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 16 (*Notices*).

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 10 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing:

- (a) the Issuer fails to pay the principal of or premium or interest on any of the Bonds within seven days in the case of principal or premium or fourteen days in the case of interest from the due date for payment;
- (b) the Issuer or the Guarantor defaults in the performance or observance of, or compliance with, any of its other obligations set out in the Bonds or the Trust Deed and such default continues for a period of 30 days after notice of such default has been given to the Issuer and, if applicable, the Guarantor by the Trustee;
- (c) the Guarantor fails to deliver any Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for a period of seven days;
- (d)
  - (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any Principal Subsidiary, becomes payable prior to its stated maturity following a default by the Issuer, the Guarantor or such Principal Subsidiary; or
  - (ii) the Issuer, the Guarantor or any Principal Subsidiary, defaults in the payment of any Indebtedness for Borrowed Money at the maturity thereof or when otherwise due or at the expiration of any originally applicable grace period therefor; or
  - (iii) the Issuer, the Guarantor or any Principal Subsidiary, fails to pay when due or at the expiration of any originally applicable grace period, any amount payable by it under any guarantee or indemnity in respect of any Indebtedness for Borrowed Money of any other person,

provided that no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money to which all such events relate exceeds U.S.\$30,000,000 (or its equivalent in any other currency); or

- (e) a distress or execution or other legal process is levied or enforced or sued out upon or against any material part of the undertaking, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 90 days of having been so levied, enforced or sued out; or
- (f) an encumbrancer takes possession or (other than such appointment as permitted under paragraph (j) below) an administrative or other receiver, manager or other similar officer is appointed of, or an attachment order is issued in respect of, the whole or any material part of the undertaking, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 90 days of having taken possession or having been appointed or issued; or
- (g) the Issuer, the Guarantor or any Principal Subsidiary is unable to pay its debts as they fall due or takes any proceeding under any law for a readjustment or deferment of all of its obligations or any material part of them or makes or enters into a general assignment or any arrangement or composition with or for the benefit of its creditors (other than any such arrangement or composition as permitted under paragraph (j) below); or
- (h) the Issuer, the Guarantor or any Principal Subsidiary disposes of or attempts to dispose of all or substantially all of its assets or undertakings (whether by a single transaction or a number of transactions, related or otherwise) except (i) for valuable consideration and on an arm's length basis or (ii) where such assets and undertakings are transferred to or otherwise vested in, or proposed to be transferred to or otherwise vested in, the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (i) an order of a court of competent jurisdiction is made or an effective resolution passed for the winding up or dissolution or administration of the Issuer, the Guarantor or any Principal Subsidiary or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or the Issuer, the Guarantor or any Principal Subsidiary stops or threatens to stop payment (within, if applicable, the meaning of the bankruptcy law of any appropriate jurisdiction) of all or a material part of its debts or applies for or consents to the appointment of an administrative or other receiver, manager, administrator or other similar officer over the whole or a substantial part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary except (in each such case) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by an Extraordinary Resolution, or (2) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries pursuant to a merger of such Principal Subsidiary with the Guarantor or such other Subsidiary or by way of a voluntary winding up or dissolution where there are surplus assets in such Principal Subsidiary and such surplus assets attributable to the Guarantor and/or such other Subsidiary are distributed to the Guarantor and/or such other Subsidiary; or
- (j) proceedings are initiated against the Issuer, the Guarantor or any Principal Subsidiary under any applicable liquidation, insolvency, reorganisation or other similar law and such proceedings are not discharged or stayed within a period of 90 days; or
- (k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

the Trustee in its sole and absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by

an Extraordinary Resolution, shall (subject in either case to being indemnified and/or secured and/or prefunded by the holders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at the principal amount, together with accrued interest (if any) to (but excluding) the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6 (*Conversion*)).

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and the Trustee and the Agents need not do anything to ascertain whether an Event of Default has occurred or is continuing and will not be responsible to Bondholders or any other person for any loss arising from any failure by it to do so, and unless the Trustee or any Agent has received written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

For the purposes of these Conditions:

**“Indebtedness for Borrowed Money”** means any indebtedness for or in respect of money borrowed or raised (including obligations under finance leases) evidenced by any agreement or other instrument, excluding trade credit and trade payables entered into in the ordinary course of business; provided, for the purposes of determining the amount of Indebtedness for Borrowed Money outstanding at any relevant time, the amount included as Indebtedness for Borrowed Money in respect of finance leases shall be the net amount from time to time properly characterised as “obligations under finance leases” in accordance with generally accepted accounting principles and practices in Hong Kong.

**“Principal Subsidiary”** at any time shall mean a Subsidiary of the Guarantor:

- (i) as to which one or more of the following conditions is satisfied:
  - (a) its net profits for each of the three financial years preceding the relevant time or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net profits for each of the three financial years preceding the relevant time attributable to the Guarantor (in each case before taxation and extraordinary items) expressed as a percentage of the consolidated net profits (before taxation and extraordinary items but after deducting non-controlling interests in Subsidiaries) of the Guarantor and its Subsidiaries for each of the three corresponding financial years preceding the relevant time, are as an average at least five per cent., all as calculated by reference to the audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor for each of the three financial years ending on or prior to the relevant time and the audited consolidated financial statements of the Guarantor and its Subsidiaries for each of the three financial years ending on or prior to the relevant time; provided, however, that:
    - (A) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the then latest audited financial statements of the Guarantor for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be adjusted to consolidate the latest audited financial statements of the Subsidiary in such financial statements;
    - (B) if, in the case of any Subsidiary of the Guarantor which itself has Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net

assets and consolidated net profits shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the management; and

- (C) if the financial statements of any Subsidiary of the Guarantor (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Guarantor, the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements of such Subsidiary (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or
- (b) its net assets or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting non-controlling interests in Subsidiaries) represent five per cent. or more of the consolidated net assets (after deducting non-controlling interests in Subsidiaries) of the Guarantor and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest audited consolidated financial statements of the Guarantor and its Subsidiaries; provided, however, that:
  - (A) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the then latest audited financial statements of the Guarantor for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be adjusted to consolidate the latest audited financial statements of the Subsidiary in such financial statements;
  - (B) if, in the case of any Subsidiary of the Guarantor which itself has Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose by management; and
  - (C) if the financial statements of any Subsidiary of the Guarantor (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Guarantor, the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements of such Subsidiary (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or
- (ii) to which is transferred the whole or substantially the whole of the assets and undertakings of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary. With effect from such transfer the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Subsidiary of the Guarantor to which the assets and undertakings are so transferred shall become a Principal Subsidiary.

A certificate signed by one Authorised Signatory (as defined in the Trust Deed) of the Guarantor as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error. Such certificate may, if requested by the Guarantor, be accompanied by a report from the auditors of the Guarantor addressed to the Directors of the

Guarantor as to the proper extraction of figures used by the Directors of the Guarantor in determining a Principal Subsidiary as to mathematical accuracy of the calculations.

“**Subsidiary**” means any subsidiary within the meaning of Section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

## **11 Prescription**

The Bonds will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor.

## **12 Enforcement**

The Trustee may, in its sole and absolute discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Bonds and the Trust Deed, but it will not be bound to take any such actions and/or steps and/or to institute any such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders, (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction and (iii) such action is not contrary to any applicable laws or regulations. No Bondholder will be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

## **13 Meetings of Bondholders, Modification and Waiver**

- (a) *Meetings*: The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the amount of principal, any premium or interest or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of interest, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (v) to modify or cancel the Guarantee or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting and whether or not they voted at the meeting at which such resolution was passed. The Trust Deed provides that (i) a written resolution signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of Bonds outstanding (which may be contained in one document or in several documents in like form each signed by or on behalf of one or more Bondholders) or (ii) consents given by way of electronic consent through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of

the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds outstanding, shall, in any such case, be as valid and effective as a duly passed Extraordinary Resolution.

- (b) *Modification and Waiver:* The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or error which is, in the opinion of the Trustee, proven or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom the Guarantor, to the Bondholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).
- (c) *Directions from Bondholders:* None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee will not be required to expend its own funds in following any such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or pre-funding is assured to it. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed or these Conditions.
- (d) *Certificates/Reports:* The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

#### **14 Replacement of Certificates**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### **15 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Bondholders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount, the date of the first payment of interest thereon, the issue date, the issue price and the first date on which Conversion Rights may be exercised and so that the same shall be consolidated and form a single series with the outstanding Bonds.

## **16 Notices**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) and the second day after being so mailed, as the case may be.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions.*

## **17 Agents**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided: (a) there will at all times be a Principal Paying Agent and a Registrar and (b) the Registrar shall maintain the Register outside Hong Kong and the United Kingdom.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Bondholders in accordance with Condition 16 (*Notices*).

In acting under the Agency Agreement, the Paying Agents, the Registrar and the Transfer Agent act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee, and do not assume any obligation to, or relationship of agency or trust with, any Bondholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **18 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking actions or proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Guarantor without accounting for any profit.

In addition, nothing in these Conditions, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any Agent, or any of its directors, officers, employees or agents, to claim from or to otherwise take any action against the Issuer or the Guarantor, in respect of any costs, charges, fees, expenses, indemnity payments or liabilities incurred and payable by the Issuer and/or the Guarantor to such party pursuant to or in connection with the Trust Deed, the Agency Agreement and/or the Bonds.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor, and any other person appointed by the Issuer or the Guarantor in relation to the Bonds, of the duties and obligations on their part expressed in respect of the same and, unless a Responsible Officer of the Trustee has



express notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any of the Agents shall have any obligation to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default, a Relevant Event or any other event or circumstances has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement or these Conditions and shall not be liable to the Issuer, the Guarantor, the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer or the Guarantor, and the Trustee shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee in respect thereof.

## **19 Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20 Governing Law and Submission to Jurisdiction**

- (a) *Governing law:* The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) *Submission to jurisdiction:*
  - (i) The Issuer agrees, for the exclusive benefit of the Trustee and the Bondholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds (including a dispute relating to any non-contractual obligations arising out of or in connection with the Bonds) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Bonds (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Bonds) may be brought in such courts.
  - (ii) The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.
  - (iii) Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (c) *Process Agent:* Each of the Issuer and the Guarantor appoints John Swire & Sons Limited at its registered office at Swire House, 59 Buckingham Gate, London SW1E 6AJ, England as its agent for service of process, and undertakes that, in the event of John Swire & Sons Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

- (d) *Other documents and the Guarantor:* The Issuer and, where applicable, the Guarantor have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## TAXATION

*The following summary of certain Cayman Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.*

### CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal or redemption premium on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest, principal or redemption premium to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duty is payable in respect of the issue of the Bonds. An instrument of transfer in respect of a Security is stampable if executed in or brought into the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Island, we may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and
- in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, (i) on or in respect of our shares, debentures or other obligations, or (ii) by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (2018 Revision).

### HONG KONG

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 27 January 2021 (the “Subscription Agreement”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and each of the Joint Lead Managers has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

	<b>Principal amount of the Bonds to be subscribed</b>
	<i>(HK\$)</i>
BNP Paribas Securities (Asia) Limited .....	1,685,000,000
BOCI Asia Limited.....	1,685,000,000
The Hongkong and Shanghai Banking Corporation Limited .....	1,685,000,000
Morgan Stanley & Co. International plc .....	1,685,000,000
Total.....	6,740,000,000

The Subscription Agreement provides that the Issuer (failing whom the Guarantor) will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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 New Shares issued on conversion of the Bonds and any issuance of Shares upon exercise of any of the 416,666,666 warrants issued by the Guarantor to Aviation 2020 Limited on 12 August 2020.

Swire Pacific Limited (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 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 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.

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.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer, the Guarantor and their respective subsidiaries (the "**Group**") for which they have received, or will receive, fees and expenses. Such Banking Services or Transactions may involve interests that differ from those of the Group.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their affiliates, or affiliates of the Issuer or the Guarantor, may purchase the Bonds as agent for other customers or for their own account and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Shares or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Joint Lead Managers and their affiliates holding long and/or short positions in the Bonds and/or Shares, in baskets of securities or indices including the Bonds and/or Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such

investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the securities and instruments of the Group and/or persons and entities with relationships with the Group (including without limitation, the Bonds, swaps and other financial instruments entered into for hedging purposes) which could adversely affect the trading price and liquidity of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Guarantor.

## **Selling Restrictions**

### ***General***

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any of their affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

### ***United States***

The Bonds, the Guarantee and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each of the Joint Managers has represented, warranted and agreed that it has not offered or sold, and agrees that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Guarantee or the Shares to be issued upon conversion of the Shares. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

### ***Hong Kong***

Each of the Joint Lead Managers has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***United Kingdom***

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### ***Prohibition of Sales to EEA Retail Investors***

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.



### ***Prohibition of Sales to UK Retail Investors***

Each Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

### ***Japan***

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

### ***The PRC***

Each of the Joint Lead Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

### ***Singapore***

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275 (1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

### ***The Cayman Islands***

Each of the Joint Lead Managers has represented, warranted and agreed that the offer to sell the Bonds is private and not intended for the public and, further that each of the Joint Lead Managers has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to offer or sell the Bonds.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM**

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

### **MEETINGS**

For the purposes of any meeting of Bondholders, the registered holder of the Bonds represented by the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the Bonds for which the Global Certificate is issued.

### **CANCELLATION**

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

### **TRUSTEE'S POWERS**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

### **CONVERSION**

Subject to the requirements of Euroclear and Clearstream or any other clearing system (an "Alternative Clearing System") as shall have been selected by the Issuer and approved by the Trustee, the Principal Agent and the Registrar on behalf of which the Bonds evidenced by the Global Certificate may be held, the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to, or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Terms and Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

### **PAYMENT**

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, inter alia, to pay interest in respect of the Bonds from the Issue Date at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate.

Payments of principal, premium and interest in respect of Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. Such payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day immediately prior to the date for such payment, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

## **NOTICES**

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions.

## **BONDHOLDER’S REDEMPTION**

The Bondholder’s redemption option in Condition 8(d) (*Redemption for Relevant Event*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

## **REDEMPTION AT THE OPTION OF THE ISSUER**

The options of the Issuer provided for in Condition 8(b) (*Redemption for Taxation Reasons*) and Condition 8(c) (*Redemption at the Option of the Issuer*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Trustee and the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

## **BONDHOLDER’S TAX OPTION**

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by depositing at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent within the time limits set out in the Terms and Conditions.

## **EXCHANGE OF BONDS REPRESENTED BY GLOBAL CERTIFICATES**

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or the Alternative Clearing System through which the Bonds are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

## **TRANSFERS**

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or such Alternative Clearing System) and their respective direct and indirect participants.

## **GENERAL INFORMATION**

### **LEGAL ENTITY IDENTIFIER**

The Legal Entity Identifier (LEI) of the Issuer is 549300K30Y0MI5T0HV31.

### **AUTHORISATIONS**

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds. The issue of the Bonds have been authorized by (i) the board resolutions of the Issuer dated 12 January 2021, and (ii) the board resolutions of the Guarantor dated 8 January 2021.

### **LITIGATION**

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Bonds.

### **NO MATERIAL ADVERSE CHANGE**

There has been no adverse change or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 30 June 2020 that is material in the context of the issue of the Bonds.

### **DOCUMENTS AVAILABLE**

For so long as any of the Bonds is outstanding, copies of the Trust Deed and the Agency Agreement may be inspected by Bondholders free of charge at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (except public holidays) at the principal office of the Principal Agent (being at the date of this Offering Circular at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Principal Agent.

For so long as any of the Bonds is outstanding, copies of the following documents may be inspected at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (except public holidays) at the registered office of the Issuer at 33rd Floor, One Pacific Place, 88 Queensway, Hong Kong following prior written request and proof of holding to the satisfaction of the Issuer:

- (i) audited consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2018 and 2019 which include the company-level statement of financial position of the Guarantor as of 31 December 2018 and 2019 (the Guarantor currently prepares audited consolidated financial statements on an annual basis and does not prepare annual company-level financial statements other than the statement of financial position which is included in the audited consolidated financial statements); and
- (ii) the most recently published audited consolidated annual financial statements of the Guarantor and the most recently published unaudited condensed interim financial information of the Guarantor from time to time (at the date of this Offering Circular, the Issuer does not publish any

audited or unaudited financial statements and the Guarantor currently publishes unaudited condensed interim financial information for the first six months of each financial year).

## **CLEARING SYSTEMS AND SETTLEMENT**

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Bonds is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Bonds .....	XS2287867563	228786756

Only Bonds evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

## **LISTING OF THE BONDS**

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the correctness of any statements made on opinions or reports contained in this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

**THE ISSUER**

**Cathay Pacific Finance III Limited**  
c/o  
Cathay Pacific Airways Limited  
33rd Floor, One Pacific Place, 88 Queensway, Hong Kong

**THE GUARANTOR**

**Cathay Pacific Airways Limited**  
33rd Floor, One Pacific Place, 88 Queensway, Hong Kong

**TRUSTEE**

**Citicorp International Limited**  
20/F, Citi Tower,  
One Bay East, 83 Hoi Bun Road,  
Kwun Tong, Kowloon,  
Hong Kong

**PRINCIPAL AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**  
c/o Citibank, N.A., Dublin Branch  
1 North Wall Quay  
Dublin 1  
Ireland

**REGISTRAR**

**Citigroup Global Markets Europe AG**  
Reuterweg 16  
60323 Frankfurt  
Germany

**LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR**

*As to Hong Kong law and English law*

**Linklaters**  
11/F Alexandra House  
Chater Road, Central  
Hong Kong

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**  
26th Floor, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

**LEGAL ADVISERS TO THE JOINT LEAD MANAGERS**

*As to English law*

**Allen & Overy**  
9th Floor, Three Exchange Square  
Central  
Hong Kong

**LEGAL ADVISERS TO THE TRUSTEE**

**Allen & Overy**  
50 Collyer Quay  
#09-01 OUE Bayfront  
Singapore 049321

**AUDITOR**

**KPMG**  
8th Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong