



Following a drop in market price in early February to a level close to HK\$10 during which we did not note any significant announcement published by the Company, the price of the Shares rose again in early March. On 12th March 2025, the Company announced its 2024 annual results, reporting revenue of approximately HK\$104.4 billion and a profit attributable to ordinary Shareholders of approximately HK\$9.6 billion for the year, as well as declaring a second interim dividend of HK\$0.49 per ordinary Share. Subsequently, prices of the Shares fluctuated between HK\$10.30 and HK\$10.90 in the remainder of March 2025 and closed at HK\$10.36 on 31st March 2025. The ex-dividend date of the second interim dividend was 1st April 2025.

On 2nd April 2025 (U.S. time), the U.S. Government announced the implementation of trade tariffs on imports from a variety of foreign countries, particularly China. Prices of the Shares declined by approximately 10.6% on a cumulative basis in the following two trading days. The decline was broadly consistent with the selloff in the Hong Kong stock market, where the Hang Seng Index decreased by approximately 14.5% during those two trading days. The Share Price reached the lowest point during the Review Period at HK\$8.72 on 9th April 2025.

In the second quarter of 2025, negotiations between the U.S. Government and its major trading partners regarding trade tariffs remained ongoing. During this period, prices of the Shares gradually recovered, rising significantly in early July and closed at HK\$12.01 on 5th August 2025.

On 6th August 2025, the Company announced its 2025 interim results, reporting revenue of approximately HK\$54.3 billion and a profit attributable to ordinary Shareholders of approximately HK\$3.7 billion for the first half of 2025, as well as declaring a first interim dividend of HK\$0.20 per ordinary Share, with an ex-dividend date of 3rd September 2025. Following publication of the Company's 2025 interim results, the price of the Shares dropped by approximately 9.7% and closed at HK\$10.85 on the same day. The Shares subsequently traded within a narrow range between HK\$10.00 and HK\$11.00, until a general upward trend starting in mid-October 2025. The Shares closed at HK\$11.23 on the Last Trading Day.

On 5th November 2025, the Company announced the Share Buy-back. The prices of the Shares increased by approximately 4.0% and closed at HK\$11.73 on the following trading day. Subsequently, the Share price has traded in range of between HK\$11.60 and HK\$12.30, before the publication of the November Traffic Figures Announcement. Following the publication of the November Traffic Figures Announcement on 22nd December 2025, which disclosed, among others, that the Group's expected results of the full year of 2025 to exceed that in 2024, price of the Shares increased by approximately 7.2% and closed at HK\$12.88 on 23rd December 2025. The closing price of the Shares subsequently moved in a narrow range of between HK\$12.43 and HK\$13.09 and closed at HK\$12.56 on the Latest Practicable Date.

We note that the Buy-back Price of HK\$10.8374 is higher than the closing prices of the Shares for 165 trading days during the Review Period in 2025, especially during the second quarter of 2025 when the prices of the Shares were negatively affected by the abovementioned



announcement of trade tariffs by the U.S. Government, before gradually recovering during the same quarter. On the other hand, during the period from 3rd September 2025 (the ex-dividend date of the Company's 2025 interim dividend) to the Last Trading Day, the period before the Announcement that reflects the latest published financial information of the Group and the effect of interim dividend payment, the average closing price of the Shares was approximately HK\$10.72, or approximately 1.1% lower than the Buy-back Price, which we do not consider a material difference from the Buy-back Price. We note the Buy-back Price represents an approximately 14.8% discount to the average closing price of the Shares of approximately HK\$12.72 during the period from 23rd December 2025 (the day after the publication of the November Traffic Figures Announcement) to the Latest Practicable Date, the period that reflects the latest news regarding the Group's expectation of the full-year results of 2025. Please also refer to the section below headed "6. Analysis of comparable transactions" regarding our analysis of the discounts in this transaction and other share buy-back transactions in the market.

We further note that on 6th January 2026 (before trading hours), Air China announced that it had entered into a share placing agreement with a placing agent to place 108,080,000 Shares, or approximately 1.6% of the issued Shares (the "**Placing**"), at the price of HK\$12.22 per share, and the Placing was completed as of the Latest Practicable Date. On the Latest Practicable Date, the Buy-back Price represents an approximately 13.7% discount to the closing price of the Shares of HK\$12.56. In our opinion, such discount represents a favourable factor to the Independent Shareholders.

**(ii) Trading liquidity**

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volumes of the Shares to the issued Shares, public float and "de facto" public float ("**free float**", excluding the Shares held by Swire Pacific, Air China and Qatar Airways) of the Company during the Review Period:

	Monthly total trading volumes of the Shares (Note 1)	Percentage of the monthly total trading volumes of the Shares to the issued Shares (Note 2)	Percentage of the monthly total trading volumes of the Shares to public float of the Company (Note 3)	Percentage of the monthly total trading volumes of the Shares to free float of the Company (Note 4)
<b>2025</b>				
January	163,210,119	2.5%	10.1%	16.8%
February	164,782,993	2.6%	10.2%	17.0%
March	292,267,306	4.5%	18.1%	30.2%
April	205,343,986	3.2%	12.7%	21.2%





	Monthly total trading volumes of the Shares (Note 1)	Percentage of the monthly total trading volumes of the Shares to the issued Shares (Note 2)	Percentage of the monthly total trading volumes of the Shares to public float of the Company (Note 3)	Percentage of the monthly total trading volumes of the Shares to free float of the Company (Note 4)
May	177,219,155	2.8%	11.0%	18.3%
June	142,142,927	2.2%	8.8%	14.7%
July	180,868,335	2.8%	11.2%	18.7%
August	298,977,048	4.5%	16.2%	24.8%
September	130,391,265	1.9%	6.9%	10.5%
October	151,628,449	2.3%	8.0%	12.2%
November	162,067,265	2.4%	8.6%	13.0%
December	116,423,106	1.7%	6.1%	9.3%
From 1st January to the Latest Practicable Date	159,180,673	2.4%	7.9%	11.7%

*Notes:*

- (1) Source: Bloomberg and website of the Stock Exchange.
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the issued Shares at the end of each month or at the Latest Practicable Date, as applicable.
- (3) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) (in this case, refers to Shareholders other than Swire Pacific and Air China) at the end of each month or at the Latest Practicable Date, as applicable.
- (4) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the free float (in this case, refers to Shareholders other than Swire Pacific, Air China and Qatar Airways) at the end of each month or at the Latest Practicable Date, as applicable. The exclusion of the Shares held by Qatar Airways from the calculation of "free float", despite such shares being counted as public float, is based on the fact that Qatar Airways has not actively traded the Shares since it first attained a shareholding of approximately 9.99% of the issued Shares in 2018.

As shown in the table above, the monthly trading volumes of the Shares in 2025 represented approximately 1.7% to 4.5% of the issued Shares, equivalent to approximately 6.1% to 18.1% of the Shares constituting the public float of the Company or approximately 9.3% to 30.2% of the Shares constituting the free float of the Company. Broadly speaking, bearing in mind that Swire Pacific, Air China and Qatar Airways do not actively trade their holdings, the Shares have been reasonably actively traded during the Review Period, with an average daily trading volume of approximately 9.3 million Shares, representing approximately 0.1% of the issued Shares and approximately 0.5% and 0.7% of the public float and the free float of the Company respectively as at the Latest Practicable Date.



We note that Qatar Airways has not actively traded any of its Shares in the market since 2018. While we regard the Shares as reasonably actively traded as discussed above, the 643,076,181 Shares held by Qatar Airways, equivalent to approximately 9.57% of the issued Shares as at the Latest Practicable Date, represent approximately 69 times of the average daily trading volume of the Shares during the Review Period. It follows that if Qatar Airways were to decide to sell its entire holding of the Shares via on-market transactions, it would likely require a long period of time. Given a transaction of this size, such on-market disposal, even if conducted carefully, would, in our view, be likely to create a substantial downward pressure on the market price of the Shares, and potentially a considerable disturbance to the trading of the Shares. A potentially disorderly market would not be in the interests of the Company and the Independent Shareholders as a whole. On this basis, we concur with the Company's view that the Share Buy-back would achieve an orderly exit for Qatar Airways and minimise any potential significant market volatility which may be caused by the disposal of Qatar Airways' Shares in the market.

*(iii) Comparisons of value*

Set out below are comparisons of the Buy-back Price of HK\$10.8374 for each Buy-back Share against the simple average closing prices of the Shares, as quoted on the Stock Exchange, and the VWAP of the Shares, as sourced from Bloomberg, for periods of the last 20 trading days prior to and including the Last Trading Day and 3rd November 2025.

Number of trading days	Simple average closing prices (HK\$)	Premium/ (Discount) over/(to) the Buy-back Price %	VWAP (HK\$)	Premium/ (Discount) over/(to) the Buy-back Price %
<u>Prior to and including the</u>				
<u>Last Trading Day</u>				
On the Last Trading Day	11.28	(3.9%)	11.22	(3.4%)
For the last 5 trading days	11.19	(3.2%)	11.18	(3.1%)
For the last 10 trading days	11.14	(2.7%)	11.12	(2.5%)
For the last 20 trading days	10.91	(0.7%)	10.89	(0.5%)
<u>Prior to and including</u>				
<u>3rd November 2025</u>				
For the last 5 trading days	11.15	(2.8%)	11.17	(3.0%)





Based on the table above, the Buy-back Price of HK\$10.8374 is lower than the simple average closing prices of the Shares on the Last Trading Day and for the last 5, 10 and 20 trading days with discounts of approximately 0.7% to 3.9%. On a VWAP basis, the size of the discount or premium for the corresponding periods remains broadly consistent. The Buy-back Price represents a discount of approximately 13.7% to the closing price of the Shares of HK\$12.56 on the Latest Practicable Date.

In our opinion, prices of the Shares based on average up to the last 20 trading days adequately reflect the prevailing market and commercial conditions and the Group's most recent operating performance as set out in its 2025 interim report and various traffic figure updates since then. As shown in the table above, the Buy-back Price represents slight discounts to the average market prices of the Shares, which we consider to be a moderately favourable factor to the Independent Shareholders. Our further analysis on the Buy-back Price and the off-market buy-back transaction precedents in Hong Kong are set out in the section below headed "6. Analysis of comparable transactions".

## 6. Analysis of comparable transactions

Unlike on-market share buy-backs which have become fairly standard in Hong Kong, off-market share buy-backs (from a single seller) are less common. We have compared the Share Buy-back with the off-market share buy-back transactions of companies listed on the Main Board of the Stock Exchange announced and completed between 1st January 2015 and the date immediately prior to the Latest Practicable Date, with a total cash consideration of not less than HK\$500 million (the "**Buy-back Precedents**"). In our view, the Buy-back Precedents represent an exhaustive list that we were able to identify from the website of the Stock Exchange, based on the above selection criteria.

The table below illustrates the premiums or discounts represented by the respective per share buy-back price compared to the respective simple average closing prices per share on the last trading day and for the last 5, 10 and 20 trading days:

Date of the announcement	Company (stock code)	Total cash consideration (HK\$ million)	Premiums/(discounts) of the per share buy-back price over/(to) the simple average closing prices per share			
			on the last trading day	for the last 5 trading days	for the last 10 trading days	for the last 20 trading days
6th February 2017	Consun Pharmaceutical Group Limited (1681.HK)	561	1.8%	2.0%	1.0%	0.6%
4th May 2018	Sun Hung Kai & Co. Limited (86.HK)	689	(1.0%)	(1.7%)	(1.6%)	(2.9%)
23rd January 2019	Dah Sing Financial Holdings Limited (440.HK)	592	(1.5%)	(1.5%)	(1.1%)	(0.6%)



Date of the announcement	Company (stock code)	Total cash consideration (HK\$ million)	Premiums/(discounts) of the per share buy-back price over/(to) the simple average closing prices per share			
			on the last trading day	for the last 5 trading days	for the last 10 trading days	for the last 20 trading days
13th December 2021	3SBio Inc. (1530.HK) ("3SBio") (Note 1)	855	0.0%	0.6%	1.0%	0.1%
28th January 2022	The Bank of East Asia, Limited (23.HK) ("BEA") (Note 2)	2,904	(7.2%)	(6.9%)	(6.0%)	(3.3%)
		<i>Maximum</i>	1.8%	2.0%	1.0%	0.6%
		<i>Minimum</i>	(7.2%)	(6.9%)	(6.0%)	(3.3%)
		<i>Average</i>	(1.6%)	(1.5%)	(1.3%)	(1.2%)
		<i>Median</i>	(1.0%)	(1.5%)	(1.1%)	(0.6%)
	The Company	6,969	(3.9%)	(3.2%)	(2.7%)	(0.7%)

Source: Bloomberg and website of the Stock Exchange

Notes:

- (1) In the case of 3SBio, the total cash consideration comprised the amounts paid by 3SBio and a holding company of a trust of 3SBio's share award scheme, both at the same buy-back price for each buy-back share and with the same vendor. The aggregate cash consideration was satisfied by the internally generated funds of, and/or external financing obtained by, 3SBio.
- (2) In the case of BEA, the buy-back price for each buy-back share of BEA was based on the higher of (a) HK\$11.19; and (b) the lower of: (i) 95% of the volume weighted average price per share of BEA for the five trading days immediately following the date of its off-market share buy-back announcement and (ii) HK\$11.78. The above calculation was based on the final buy-back price of HK\$11.78 per buy-back share, calculated based on the formula above.
- (3) The analysis above is based on market prices of the relevant shares up to and including the last trading day prior to the publication of the respective off-market share buy-back announcement.
- (4) Unadjusted share prices have been used in the above analysis.
- (5) Certain percentage figures included in the above analysis have been subject to rounding adjustments.

Based on the table above, the average and median discounts of the Buy-back Precedents to their respective simple average closing prices on the last trading day, and for last 5, 10 and 20 trading days range from approximately 1.2% to 1.6% and approximately 0.6% to 1.5% respectively. The Buy-back Price of HK\$10.8374 reflects in discounts of approximately 0.7% to 3.9% to the simple average closing prices of the Shares for periods up to the last 20 trading days, higher than most of the average and median discounts, and well within the corresponding range, of the Buy-back Precedents.





## 7. Financial impact

Upon completion of the Share Buy-back, the Consideration will be directly deducted from equity, with a corresponding deduction from the Group's liquid funds and/or increase in the Group's borrowings.

### *Earnings*

As stated in the letter from the Board, the consideration of the Share Buy-back will be financed by a combination of the Company's internal resources and existing credit lines at completion. Assuming that the Share Buy-back had taken place on 1st January 2024, that the Buy-back Shares had been bought back in full, the Share Buy-back would have resulted in an increase in the Group's basic earnings per Share of approximately 11.1%, based on the audited consolidated statement of profit or loss of the Group for the year ended 31st December 2024.

Should the forgone interest income or the additional interest charges arising from the use of liquid funds or borrowings to finance the Share Buy-back be taken into consideration, we have analysed the estimated financial effects of the Share Buy-back on the Group before and upon completion of the Share Buy-back. These analyses, which are for illustrative purposes only, are based on the Group's most recent full year financial performance and position, and on the assumptions that the Share Buy-back will be fully financed (i) by the Group's liquid funds ("**Scenario 1**") and/or (ii) by borrowings ("**Scenario 2**").

The following table sets out the estimated financial effects of the Share Buy-back on the basic earnings per Share for the year ended 31st December 2024 and upon completion of the Share Buy-back under both Scenario 1 and Scenario 2, assuming that the Share Buy-back had taken place on 1st January 2024.

		For the year ended 31st December 2024 (Note 1)	Upon completion under Scenario 1	Upon completion under Scenario 2
Profit attributable to ordinary Shareholders (HK\$ million)	A	9,607	9,245 (Note 2)	9,182 (Note 3)
Weighted average number of ordinary Shares in issue in 2024 (million)	B	6,438	5,795 (Note 4)	5,795 (Note 4)
Basic earnings per ordinary Share (HK cents)	A/B	149.2	159.5	158.4



*Notes:*

- (1) Extracted from the annual report of the Group for the year ended 31st December 2024.
- (2) Based on the reported profit attributable to ordinary Shareholders of approximately HK\$9,607 million, minus the forgone interest income generated from the Group's liquid funds of approximately HK\$362 million (being the total consideration of the Share Buy-back of approximately HK\$6,969 million times the implied average rate of finance income generated from the Group's liquid funds of approximately 5.2%, based on the 2024 reported income from liquid funds of approximately HK\$776 million divided by the 2024 average liquid funds of approximately HK\$14,968 million, which is the average of the Group's liquid funds as at the end of December 2023, June 2024 and December 2024, being approximately HK\$15,530 million, HK\$18,839 million and HK\$10,534 million respectively), assuming the Consideration will be fully financed by the Group's liquid funds.
- (3) Based on the reported profit attributable to ordinary Shareholders of approximately HK\$9,607 million, minus the interest charges incurred from the Group's drawdown of incremental borrowings of approximately HK\$425 million (being the total consideration of the Share Buy-back of approximately HK\$6,969 million times the implied average rate of finance charges incurred from the Group's borrowings of approximately 6.1%, based on the 2024 reported finance charges incurred for the bank loans and overdrafts and other borrowings of approximately HK\$2,441 million divided by the 2024 average bank and other borrowings of approximately HK\$40,134 million, which is the average of the Group's bank and other borrowings as at the end of December 2023, June 2024 and December 2024, being approximately HK\$39,295 million, HK\$40,511 million and HK\$40,597 million respectively), assuming the Consideration will be fully financed by the Group's borrowings.
- (4) Based on the weighted average number of 6,438,120,562 ordinary Shares in issue in 2024, minus the 643,076,181 Buy-back Shares under the Share Buy-back.

Based on the above assumptions and for illustrative purposes only, the Share Buy-back would have resulted in estimated enhancement in basic earnings per ordinary Share by approximately 6.9% and 6.2% from approximately HK149.2 cents to approximately HK159.5 cents and HK158.4 cents in 2024 under Scenario 1 and 2 respectively.

***Funds attributable to the Shareholders***

The following table sets out the estimated financial effects of the Share Buy-back on the funds attributable to the Shareholders and net asset value per Share as at 30th June 2025 and upon completion of the Share Buy-back, assuming the Share Buy-back had taken place on 30th June 2025:

		As at 30th June 2025 (Note 1)	Upon completion of the Share Buy-back
Funds attributable to the Shareholders (HK\$ million)	A	51,654	44,685 (Note 2)
Number of ordinary Shares in issue (million)	B	6,439	5,796 (Note 3)
Net asset value per Share (HK\$)	A/B	8.02	7.71





*Notes:*

- (1) Extracted from the interim report of the Group for the six months ended 30th June 2025.
- (2) Based on the reported funds attributable to the Shareholders of approximately HK\$51,654 million, minus the payment of the total consideration of the Share Buy-back of approximately HK\$6,969 million.
- (3) Based on the 6,439,409,250 ordinary Shares in issue as at 30 June 2025, minus the 643,076,181 Buy-back Shares under the Share Buy-back.

Based on the above assumptions and for illustrative purposes only, the Share Buy-back would have resulted in an estimated reduction in net asset value per Share by approximately 3.9% from approximately HK\$8.02 to approximately HK\$7.71 (before taking into account the transaction costs associated with the Share Buy-back). This is mainly due to the Buy-back Price of HK\$10.8374 per Share being higher than the attributable Shareholders' funds of approximately HK\$8.02 per Share. We consider the above reduction in net asset value per Share to be acceptable given that, in our opinion, the Group's valuation is tied more to its earnings than its asset base and bearing in mind the increase in basic earnings per Share and the other non-financial benefits of the Share Buy-back set out above.

**Gearing**

The following table sets out the estimated financial effects of the Share Buy-back on the gearing ratio of the Group as at 30th June 2025 and upon completion of the Share Buy-back, assuming the Share Buy-back had taken place on 30th June 2025:

		As at 30th June 2025 (Note 1)	Upon completion of the Share Buy-back
Net borrowings (HK\$ million)	A	56,342	63,311 (Note 2)
Net borrowings (excluding leases without assets transfer components) (HK\$ million)	B	44,820	51,789 (Note 3)
Funds attributable to the Shareholders (HK\$ million)	C	51,654	44,685 (Note 4)
Net debt/equity ratio	A/C	1.09	1.42
Adjusted net debt ratio (excluding leases without assets transfer components)	B/C	0.87	1.16

*Notes:*

- (1) Extracted from the interim report of the Group for the six months ended 30th June 2025.



- (2) Based on the reported net borrowings of approximately HK\$56,342 million, adding the use of liquid funds and/or incremental borrowings of approximately HK\$6,969 million for financing the total consideration of the Share Buy-back.
- (3) Based on the reported net borrowings (excluding leases without assets transfer components) of approximately HK\$44,820 million, adding the use of liquid funds and/or incremental borrowings of approximately HK\$6,969 million for financing the total consideration of the Share Buy-back.
- (4) Based on the reported funds attributable to the Shareholders of approximately HK\$51,654 million, minus the reduction in share capital and reserves of approximately HK\$6,969 million upon the completion of the Share Buy-back.

Based on the above assumptions and for illustrative purposes only, the Share Buy-back would have resulted in increases in net debt/equity ratio and adjusted net debt/equity ratio (excluding leases without assets transfer components) as at the end of June 2025, to approximately 1.42 times and 1.16 times respectively (before taking into account the transaction costs associated with the Share Buy-back). Nevertheless, the above net debt/equity ratios are still well below the Group's borrowing covenants of 2.0 times.

#### *Working capital*

The Group has been generating substantial net cash inflows from operating activities in the past two years, amounting to approximately HK\$26,408 million and HK\$23,541 million in 2023 and 2024, and approximately HK\$11,153 million in the first half of 2025, respectively. In August 2024, the Group announced new investment commitments of more than HK\$100 billion over the next seven years following the Three-Runway System's commencement at the HKIA. In this respect, we note that as at 30th June 2025, the Group has outstanding capital commitments totalling approximately HK\$115.8 billion, representing mainly expected investment on the expansion and modernisation of its aircraft fleet and related equipment. In order to examine the sufficiency of the Group's future liquidity and cash flow, we have obtained and discussed with the management of the Group the future cash flow projections of the Group, which take into account the effect of the Share Buy-back, and the expected financial performance and future capital expenditure requirements of the Group. We note that the Group is expected to continue generating substantial cash inflows from its operations and to maintain a reasonable level of liquidity and its net debt/equity ratio below the Group's borrowing covenants of 2.0 times. As disclosed in the Announcement, the Company's capital management objectives are to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, whilst retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

Based on the above, and the balance of available unrestricted liquidity to the Group of approximately HK\$21.5 billion as at 30th June 2025, comprising mainly liquid funds of approximately HK\$8.9 billion and committed undrawn facilities of approximately HK\$12.6 billion, we concur with the view of the management that barring unforeseen circumstances, the Share Buy-back will not materially affect the Group's gearing and working capital required for present and anticipated business levels for passenger services and cargo services.





## 8. Change in shareholdings

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Share Buy-back (excluding treasury Shares), assuming that there is no other change in the shareholdings of the Company before completion of the Share Buy-back, as disclosed in the letter from the Board:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Share Buy-back (excluding treasury Shares)	
	Number of Shares	% of total issued Shares %	Number of Shares	% of total issued Shares %
<b>Qatar Airways and parties acting in concert with it</b>				
Qatar Airways ( <i>Note 1</i> )	643,076,181	9.57	—	—
HSBC Life (International) Limited	19,000	0.00028	19,000	0.00031
<b>Independent Shareholders</b>				
Swire Pacific ( <i>Notes 2 and 3</i> )	2,896,753,089	43.09	2,896,753,089	47.65
Air China ( <i>Note 2</i> )	1,822,436,334	27.11	1,822,436,334	29.98
	4,719,189,423	70.20	4,719,189,423	77.63
Other Independent Shareholders	1,360,571,907	20.24	1,360,571,907	22.38
<b>Total</b>	<b>6,722,856,511</b>	<b>100.00</b>	<b>6,079,780,330</b>	<b>100.00</b>
<b>Public float</b>	<b>2,003,667,088</b>	<b>29.80</b>	<b>1,360,590,907</b>	<b>22.38</b>

*Notes: As at the Latest Practicable Date:*

- (1) Qatar Airways owns a total of 643,076,181 Shares as beneficial owner.
- (2) Under Section 317 of the SFO, each of Air China, China National Aviation Company Limited and Swire Pacific, being a party to the shareholders' agreement in relation to the Company dated 8 June 2006, is deemed to be interested in a total of 4,719,189,423 Shares, comprising:
  - a. 2,896,753,089 Shares directly held by Swire Pacific;
  - b. 1,822,436,334 Shares indirectly held by Air China and its subsidiaries.
- (3) 144,837,650 Shares are subject to the Securities Lending Agreement.
- (4) All percentages in the above table are approximations and subject to rounding.



Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Company and held as treasury Shares. The shareholding of all other Shareholders in the issued Shares (excluding treasury Shares, if any) will be proportionally increased. Based on the above table, the shareholding of Swire Pacific and Air China in the Company would increase to approximately 47.65% and 29.98% respectively, while the holdings of other Independent Shareholders would increase from approximately 20.24% to approximately 22.38%, immediately after completion of the Share Buy-back.

Based on the above, the increase in shareholding of Swire Pacific will exceed the 2% “creeper” threshold under Rule 26.1 of the Takeovers Code, while the shareholding of Air China will increase to approximately 29.98% (i.e. below the 30% “trigger” threshold under Rule 26.1 of the Takeovers Code). On 8th January 2026, the Executive granted the MGO Waiver, waiving any obligation of Swire Pacific to make a mandatory general offer for all the Shares upon completion of the Share Buy-back.

The public float of the Company would decrease from approximately 29.80% (which includes the Shares currently held by Qatar Airways) as at the Latest Practicable Date to approximately 22.38% immediately after completion of the Share Buy-back, which falls below the minimum prescribed percentage of 25% required under the Listing Rules. Against this background, the Company has applied to, and the Stock Exchange has granted, the Public Float Waiver. We concur with the Company’s view that the reduction in the public float of the Company is not expected to have a material impact on the market liquidity in the Shares as Qatar Airways has not actively traded any of its Shares in the market since 2018. The Shares constituting the free float of the Company (excluding the Shares held by Swire Pacific, Air China and Qatar Airways) will be the same, being 1,360,590,907 Shares immediately before and after the completion of the Share Buy-back. The Shares have been reasonably actively traded on the Stock Exchange as analysed in the section above headed “5. Analysis of historical share price performance and trading volume”.

Based on our discussion with the management of the Group, the principal amount of the outstanding Bonds of approximately HK\$30 million as at the Latest Practicable Date can be expected to be converted into 4,043,126 Shares based on the adjusted conversion price of HK\$7.42 per Share. The treasury Shares to be held by the Company after completion of the Share Buy-back may potentially be applied for the abovementioned upon exercise of the conversion rights of the outstanding Bonds. We concur that holding the Buy-back Shares as the treasury Shares following the Share Buy-back would provide the Company with flexibility in managing its capital structure and addressing the liquidity of the Shares when necessary.

## **DISCUSSION**

Qatar Airways first acquired shares of the Company in 2017, and subsequently increased its stake to approximately 9.99% of the issued Shares in 2018. Since then, Qatar Airways has not changed its shareholding in the Company based on public disclosure, except for its participation in the rights issue of the Company as part of the recapitalisation proposal in 2020. The Company was approached by Qatar Airways concerning an intention to dispose of its





Shares. Having considered the benefits of an orderly exit and the potentially undesirable results if the Shares held by Qatar Airways were to be disposed without the Company's involvement, we concur with the Directors that the Share Buy-back would achieve a satisfactory commercial and management outcome for this situation.

The buy-back of a 9.57% interest reduces the public float of the Company as a holding of this size technically counts as a holding by "the public". However, as a practical matter, Qatar Airways' Shares have not been traded in the market since 2018. The Stock Exchange has granted a waiver regarding the public float as discussed above. Consequently, we do not consider the technical reduction of the public float to be a significant factor in our opinion set out below.

The increase in shareholding of Swire Pacific in the Company will technically trigger an obligation for them to make a mandatory general offer for all the Shares upon completion of the Share Buy-back. On 8th January 2026, the Executive granted the MGO Waiver, waiving such obligation.

Under the Companies Ordinance, the Company may not enter into a contingent purchase contract relating to the Shares prior to obtaining the requisite approval from its shareholders. Accordingly, the Deed of Undertaking was signed by Qatar Airways on 5th November 2025 in favour of the Company. If the requisite approval is obtained from the Independent Shareholders at the EGM, the Company intends to execute the Buy-back Deed as soon as reasonably practicable.

Pursuant to the Buy-Back Deed, the Company will buy back all the approximately 643 million Shares held by Qatar Airways, representing approximately 9.57% of the issued Shares as at the Latest Practicable Date, at a price of HK\$10.8374 per Buy-back Share, which was determined by reference to a discount of 3% to the five trading day VWAP per Share up to and including 3rd November 2025. The above level of discount is in line with the Buy-back Precedents, as discussed in Section 6 above. The determination of the Buy-back Price based on a discount to the five trading day average market prices smooths any daily price fluctuation while taking into account the most recent market prices of the Shares. On this basis, we consider the Buy-back Price to be fair and reasonable. The Buy-back Price represented a discount of approximately 13.7% to the closing price of the Shares of HK\$12.56 on the Latest Practicable Date.

The Consideration of approximately HK\$7.0 billion is to be financed by the Company's internal resources and existing credit lines at completion, which would have the effect of increasing the Group's gearing. We have reviewed the cash flow projections of the Group, on which basis that the Group is expected to maintain a reasonable level of liquidity and its net debt/equity ratio below the Group's borrowing covenants of 2.0 times. It is stated in the letter from the Board that the Group will have cash levels sufficient to fund its operations following completion of the Share Buy-back.



On the basis discussed in Section 7 above, the Share Buy-back is expected to increase basic earnings per Share by approximately 6 to 7%, based on the Company's 2024 full-year results and assuming the Share Buy-back had taken place at the beginning of 2024. We consider the potential increase in earnings per Share to be a significant benefit of the Share Buy-back. The Share Buy-back would result in a slight reduction in net asset value per Share, which we consider to be acceptable, bearing in mind that in our opinion the Company is not principally valued by reference to net assets per Share.

The Share Buy-back requires approval from at least three fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM. In this connection we note that Swire Pacific and Air China have irrevocably undertaken to have the IU Shares voted in favour of the resolution at the EGM to approve the Buy-back Deed and the Share Buy-back. The IU Shares held by them represent approximately 75.2% of the Shares eligible to be voted at the EGM.

## OPINION

Having taken into account the above principal factors and reasons, we consider that the Share Buy-back is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Independent Shareholders.

Although the Share price (and so the discount/premium on the Share Buy-back) may change in the period up to the EGM, within a reasonable range, we consider the advantage as regards the increase in basic earnings per Share holds good and is also an important justification for the Share Buy-back.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**M. N. Sabine**  
Chairman

*Mr. M. N. Sabine is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over forty years of experience in the corporate finance industry.*