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14th January 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

POSSIBLE OFF-MARKET SHARE BUY-BACK

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Buy-back. Details of the Share Buy-back are set out in the circular of the Company dated 14th January 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5th November 2025, Qatar Airways executed the Deed of Undertaking in favour of the Company, pursuant to which Qatar Airways has irrevocably undertaken to the Company to execute the Buy-back Deed in relation to an off-market share buy-back by the Company of the 643,076,181 Shares owned by Qatar Airways, representing approximately 9.57% of the issued Shares as at the Latest Practicable Date, at the Buy-back Price of HK$10.8374 for each Buy-back Share and at a total consideration of approximately HK$7.0 billion. Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Company and held as treasury Shares.

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

The Company has consulted the Executive on the Takeovers Code and the Share Buy-backs Code implications of the Share Buy-back. The Executive has confirmed that Swire Pacific and Air China (and the Air China Subsidiaries) will be considered as "disinterested shareholders" under Rule 2 of the Share Buy-backs Code and may vote at the EGM in relation to the Share Buy-back. On 8th January 2026, the Executive has granted the MGO Waiver, waiving the obligation on the part of Swire Pacific under the Takeovers Code to make a mandatory general offer for all the Shares upon completion of the Share Buy-back.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Bernard Chan, Lily Cheng, Christoph Mueller and Wang Xiao Bin, has been formed to advise the Independent Shareholders on (i) whether the Share Buy-back is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back. Each of the non-executive Directors, who has been nominated by either Swire Pacific or Air China (each an IU Shareholder), will not form part of the Independent Board Committee. With the approval of the Independent Board Committee, we, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we have acted as the independent financial adviser to the Company in relation to private independent opinions on certain transactions. The past engagements were limited to providing independent advisory services to the Company, for which Somerley Capital Limited received normal professional fees. Accordingly, we do not consider the above engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser in this case. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Company, Swire Pacific, Air China, Qatar Airways, their respective substantial shareholders, subsidiaries and associates, or any party acting, or presumed to be acting with any of them that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees paid or payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any fees or benefits from the Company, Swire Pacific, Air China, Qatar Airways, their respective substantial shareholders, subsidiaries or associates, or any party acting, or presumed to be acting with any of them.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Company and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have reviewed (i) the Deed of Undertaking and the draft Buy-back Deed (agreed form), (ii) the annual reports of the Company for the years ended 31st December 2024 and 2023, (iii) the interim report of the Company for the six months ended 30th June 2025, and (iv) relevant information as set out in the Circular, including the Directors' statements set out in the section headed "Material Change" in Appendix I to the Circular. We have also reviewed the share price performance and trading liquidity of the Shares since the beginning of 2025. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Company, Swire Pacific, Air China, Qatar Airways, their respective substantial shareholders, subsidiaries or associates, or any party acting or presumed to be acting in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all information and representations contained or referred to in the Circular were true, accurate and complete up to the time of the EGM. Shareholders will be informed as soon as possible if we become aware of any material change to such information and representations.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Share Buy-back, we have taken into account the following principal factors and reasons:

1. Information on the Group and Qatar Airways

The Group

The Company is incorporated in Hong Kong with limited liability. The Shares are listed on the Main Board of the Stock Exchange (Stock Code: 293) and the Company had a market capitalisation of approximately HK$84.4 billion as at the Latest Practicable Date.

As at the Latest Practicable Date, Swire Pacific and Air China held 2,896,753,089 and 1,822,436,334 Shares (representing approximately 43.09% and 27.11% of the issued Shares, respectively) and they were deemed to be interested in approximately 70.20% of the issued Shares.

As a leading premium travel lifestyle brand based in Hong Kong, the Group offers products and services mainly through its (i) premium full-service airline Cathay Pacific, (ii) cargo business Cathay Cargo, (iii) low-cost airline Hong Kong Express Airways Limited ("**HK Express**"), and (iv) service provider Lifestyle. Other businesses of the Group include catering, laundry, ground-handling and cargo terminal companies. As at 30th June 2025, the Group had 234 owned and leased aircraft, offering scheduled services to more than 100 destinations worldwide. Furthermore, the Group serves an additional 155 destinations through codeshare agreements.

The aviation industry, including the Group, encountered significant challenges during the COVID-19 pandemic and the consequential travel restrictions and quarantine requirements imposed worldwide. Under these circumstances, the Company completed a HK$39.0 billion recapitalisation proposal in 2020, comprised of: (i) the issuance of preference shares and warrants to Aviation 2020 Limited; (ii) a rights issue; and (iii) a bridge loan facility extended by Aviation 2020 Limited.

In 2023 and 2024, the Hong Kong aviation industry witnessed a sustained recovery from the pandemic, during which the Group recorded substantial net profits attributable to ordinary Shareholders of approximately HK$9.1 billion and HK$9.6 billion respectively. In 2024, the Group transported over 28 million passengers, reflecting an approximately 30.7% year-on-year increase, and handled over 1.5 million tonnes of cargo, up by approximately 11% from 2023.

Against the background of the Group's improving performance, the Company redeemed and cancelled all its preference shares, with the principal amount of HK$19.5 billion, by July 2024. In September 2024, the Company repurchased its outstanding warrants at a consideration of approximately HK$1.5 billion. In late 2024 and early 2025, the Company repurchased part of its convertible bonds due 2026 (i.e. the Bonds) with a principal amount of approximately HK$4.6 billion.

In 2025, the Group continues to demonstrate steady and positive development. On 6 August 2025, the Company announced the acquisition of 14 Boeing 777-9 aircraft, to enable future growth and progressively replace a portion of the Company's existing fleet of long-haul widebody aircraft. In the first eleven months of 2025, Cathay Pacific and HK Express recorded approximately 27.0% and 30.4% year-on-year increases in passengers carried respectively, while Cathay Cargo recorded approximately 9.8% year-on-year increase in cargo carried.

Qatar Airways

As the national flag carrier of Qatar, Qatar Airways is a company organised under the laws of the State of Qatar and it primarily operates passenger and cargo air transport services to over 170 global destinations from its base at Hamad International Airport in Doha. Both Qatar Airways and the Company are members of the "oneworld" global alliance.

In 2017, Qatar Airways acquired an approximately 9.61% of the then issued Shares from Kingboard Chemical Holdings Limited (now known as Kingboard Holdings Limited), a company listed on the Main Board of the Stock Exchange, for approximately HK$5.2 billion in cash. Subsequently, Qatar Airways acquired additional Shares, and participated in the rights issue of the Company in 2020 as described above. As at the Latest Practicable Date, Qatar Airways held 643,076,181 Shares, representing approximately 9.57% of the issued Shares.

2. Financial information of the Group

Financial performance

The following table sets out a summary of the consolidated statements of profit or loss of the Group for the three years ended 31st December 2022, 2023 and 2024, and for the six months ended 30th June 2024 and 2025, as extracted from the Company's 2023 and 2024 annual reports and 2025 interim report:

	For the six months ended 30th June		For the year ended 31st December		
	2025	**2024**	**2024**	**2023**	**2022**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited and restated)*
Total revenue	**54,309**	**49,604**	**104,371**	**94,485**	**51,036**
Operating expenses	(48,383)	(43,697)	(91,194)	(81,486)	(47,565)
Operating profit before non-recurring items	5,926	5,907	13,177	12,999	3,471
Non-recurring items *(Note)*	–	109	751	2,126	–
Operating profit after non-recurring items	5,926	6,016	13,928	15,125	3,471
Profit/(loss) for the period/year	3,651	3,613	9,888	9,790	(6,622)
Profit/(loss) for the period/year attributable to ordinary Shareholders	**3,651**	**3,372**	**9,607**	**9,067**	**(7,237)**
Earnings/(loss) per ordinary Share					
Basic *(HK cents)*	**56.7**	**52.4**	**149.2**	**140.8**	**(112.4)**
Diluted *(HK cents)*	**54.8**	**47.0**	**133.2**	**125.8**	**(112.4)**
Dividends per ordinary Share *(HK cents)*	**20.0**	**20.0**	**69.0**	**43.0**	**Nil**

Note: Non-recurring items in 2023 and 2024 were mainly related to gains on deemed partial disposals of the Group's associates, being Air China and Air China Cargo Co., Ltd. ("**Air China Cargo**"), as a result of Air China and Air China Cargo issuing new shares to investors on certain occasions in 2023 and 2024.

Recovering from the negative impact of COVID-19 and the removal of travel restrictions and quarantine requirements in Hong Kong in early 2023, the revenue of the Group showed a substantial increase in 2023, and a further growth in 2024. Total revenue of the Group in 2024 rose by approximately 10.5% annually to approximately HK$104.4 billion, which was mainly driven by elevated cargo demand, higher passenger volumes and cargo capacity, lower fuel prices and higher cost efficiencies. The increase in total revenue was partially offset by the continued normalization of passenger yields, as flight supply expanded to meet anticipated market demand and substantially recovered from the adverse impact of COVID-19 on air transport. In the first half of 2025, total revenue of the Group rose further by approximately 9.5% year-on-year to approximately HK$54.3 billion, mainly attributable to higher capacity and traffic and partially offset by reduction in passenger and cargo yields.

Operating expenses of the Group mainly comprise (i) staff costs, (ii) landing, parking and route expenses, (iii) fuel expenses, including hedging gains or losses, and (iv) aircraft maintenance, depreciation and rentals. Operating expenses were much lower in 2022 due to the negative impact of COVID-19 on air transport but increased from operating more flights in 2023 and 2024. In the first half of 2025, operating expenses of the Group increased by approximately 10.7% year-on-year, largely in line with the growth in total revenue.

After the substantial losses incurred during the pandemic, the Group turned around to a profit attributable to ordinary Shareholders in 2023 of approximately HK$9.1 billion, and recorded a further increase to approximately HK$9.6 billion in 2024. The increase in profit during the past two years was mainly due to the significant increase in total revenue, improvement in operating profit and the turnaround from sharing of losses of associates to the sharing of profits of associates in 2024. The difference between profit or loss attributable to ordinary Shareholders and the profit or loss during the above periods under review mainly represented dividends attributable to holders of the Company's preference shares, which were fully redeemed in 2024. In the first half of 2025, the Group continued to record a steady profit growth. Profit attributable to ordinary Shareholders increased by approximately 8.3% year-on-year to approximately HK$3.7 billion.

On 22nd December 2025, the Company published the November Traffic Figures Announcement, disclosing that (i) the Group's expected results of the second half of 2025 exceeding the results of the first half of 2025; and (ii) the Group's expected results of the full year of 2025 exceeding the results of the full year of 2024 (collectively, the "**Statement**"). As stated in the same announcement, the Group projected a strong second-half financial result driven by increased capacity, solid passenger load factors and resilient cargo demand, partially offset by losses made by HK Express mainly due to negatively impacted travel demand to Japan. It was also stated in the November Traffic Figures Announcement that results from the Group's associates are expected to improve in the second half of 2025 as compared to the first half, and that the Group's second-half results included a non-recurring gain of approximately HK$0.9 billion on a supplier settlement agreement. The Statement constitutes a profit forecast under Rule 10 of the Takeovers Code and has been reported on by us and the auditors of the Company in accordance with Rule 10 of the Takeovers Code, the relevant reports of which are set out in Appendix III and IV to the Circular respectively.

As set out in its 2024 annual report, the Company's dividend policy is to distribute approximately half of its consolidated profit after tax, excluding non-cash exceptional items, subject to consideration of various factors, such as the Company's own profitability and financial position, trading conditions and the prevailing and forecast economic environment. Following the return to profitability in 2023 and 2024, the Company declared dividends of HK$0.43 and HK$0.69 per ordinary Share for the financial years 2023 and 2024 respectively. On 6th August 2025, the first interim dividend of HK$0.20 per ordinary Share was declared, totalling approximately HK$1.3 billion. The Shares have been traded ex-dividend from 3rd September 2025, and the interim dividend was paid on 9th October 2025 to the ordinary Shareholders.

Financial position

The following table sets out a summary of the consolidated statements of financial position of the Group as at 31st December 2022, 2023 and 2024 and as at 30th June 2025, as extracted from the Company's 2023 and 2024 annual reports and 2025 interim report:

	As at 30th June	**As at 31st December**		
	2025	**2024**	**2023**	**2022**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	*(audited)*	*(audited)*	*(audited and restated)*
Property, plant and equipment	116,085	116,457	116,088	118,855
Intangible assets	14,375	14,420	14,539	14,800
Investments in associates	16,497	16,371	16,046	16,492
Trade and other receivables	7,895	7,326	6,252	6,921
Liquid funds	8,912	10,534	15,530	18,277
Other assets	6,538	6,136	5,660	5,569
Total assets	**170,302**	**171,244**	**174,115**	**180,914**
Interest-bearing liabilities	65,254	68,475	68,294	77,106
Trade and other payables	18,503	18,477	17,238	11,199
Contract liabilities	21,080	18,562	15,475	13,819
Other liabilities	13,804	13,223	13,075	14,981
Total liabilities	**118,641**	**118,737**	**114,082**	**117,105**

	As at 30th June 2025 HK$ million (unaudited)	As at 31st December 2024 HK$ million (audited)	2023 HK$ million (audited)	2022 HK$ million (audited and restated)
Share capital	28,841	28,841	28,828	48,322
Reserves	22,813	23,659	31,198	15,481
Funds attributable to the shareholders of the Group	**51,654**	**52,500**	**60,026**	**63,803**
Non-controlling interests	7	7	7	6
Total equity	**51,661**	**52,507**	**60,033**	**63,809**

Property, plant and equipment of the Group, mainly representing aircraft and related equipment, constituted a majority of the Group's total assets. The Group's liquid funds of approximately HK$8.9 billion as at 30th June 2025 mainly consisted of funds with investment managers of approximately HK$3.8 billion, cash and cash equivalents of approximately HK$3.3 billion and short-term deposits maturing beyond three months when placed of approximately HK$1.8 billion.

As at 30th June 2025, the Group had interest-bearing liabilities of approximately HK$65.3 billion, comprising (i) loans and other borrowings of approximately HK$37.3 billion, which includes the liability component of the remaining Bonds, and (ii) lease liabilities of approximately HK$28.0 billion, mainly in respect of aircraft and related equipment, other equipment and buildings. As at the Latest Practicable Date, the Bonds remaining outstanding had a principal amount of approximately HK$30 million, convertible into approximately 4.0 million shares.

As at 30th June 2025, funds attributable to the shareholders of the Group were approximately HK$51.7 billion, or approximately HK$8.02 per Share based on the 6,439,409,250 Shares in issue as at the end of June 2025.

As at 30th June 2025, the Group recorded net borrowings, calculated as the interest-bearing liabilities minus liquid funds, of approximately HK$56.3 billion. The net debt/equity ratio, calculated as the net borrowings divided by the funds attributable to the shareholders of the Group, and the adjusted net debt/equity ratio (excluding leases without assets transfer components) decreased to approximately 1.09 times and 0.87 times, respectively, as at 30th June 2025. As at 30th June 2025, the Group had available unrestricted liquidity of approximately HK$21.5 billion, comprising mainly liquid funds of approximately HK$8.9 billion and committed undrawn facilities of approximately HK$12.6 billion.

As set out in the section headed "Indebtedness" in Appendix I to the Circular, as at 31st October 2025, the Group had (i) loans and other borrowings of approximately HK$31.9 billion, and (b) lease liabilities of approximately HK$26.9 billion.

Cash flows

The following table sets out a summary of the consolidated statements of cash flows of the Group for the three years ended 31st December 2022, 2023 and 2024, and for the six months ended 30th June 2025, as extracted from the Company's 2023 and 2024 annual reports and 2025 interim report:

	For the six months ended 30th June		**For the year ended 31st December**		
	2025	**2024**	**2024**	**2023**	**2022**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Net cash inflow from operating activities	11,153	10,613	23,541	26,408	17,836
Net cash outflow from investing activities	(4,267)	(4,082)	(6,082)	(2,668)	(2,760)
Net cash outflow from financing activities	(9,130)	(4,779)	(19,384)	(23,178)	(16,236)

The Group recorded healthy net cash inflow from operating activities in recent financial years to fund its investing and financing activities, with over HK$20 billion of net cash inflow in years 2023 and 2024, and over HK$11 billion of net cash inflow in the first half of 2025, due to the improvements in business operations and financial performance as discussed above. Net cash outflow from investing activities increased by approximately 128.0% and 4.5% year-on-year to approximately HK$6.1 billion and HK$4.3 billion in 2024 and the first half of 2025 respectively, mainly related to the acquisition of aircraft and related equipment. As discussed in the section above headed "1. Information on the Group and Qatar Airways", the Company has been repaying various indebtedness raised during the pandemic, including the redemption of preference shares and repurchase of warrants and a part of the Bonds, and has resumed the distribution of dividends to ordinary Shareholders, which caused an elevated level of net cash outflow from financing activities during the above periods.

Prospects

According to the press releases (the "**Press Releases**") published by Airport Authority Hong Kong regarding Hong Kong International Airport ("**HKIA**"), air traffic at HKIA experienced a robust growth in 2024, with passenger numbers increased by approximately 34.3% year-on-year to approximately 53.1 million, while total cargo throughput registered an annual growth of approximately 14.0% to approximately 4.9 million tonnes. In the first eleven months of 2025, air traffic at HKIA continued to grow steadily, the passenger volume and cargo throughout further increased to over 55 million and 4.6 million tonnes, representing increases of approximately 15.3% and 2.7% year-on-year, respectively. The increases were facilitated by the completion and opening of the Three-runway System at HKIA in late 2024 and the increases in transfer/transit passengers and visitors.

As announced on 21st January 2025, the Group has successfully rebuilt its passenger and cargo businesses over the past two years, reaching 100% of pre-pandemic flight levels from January 2025. As mentioned in the Company's 2025 interim report, as at 30th June 2025, the Group offers scheduled services to more than 100 destinations worldwide, and will continue to add more flights and destinations for its customers, in addition to introducing more customer experience enhancements.

The Group is exposed to a wide range of risks, some of which are beyond the Group's control, including the risk arising from the global geopolitical events that may lead to, among others, closure or restriction of access to airspace or airports, increase in the price of commodities and volatility in the global economy and financial markets. Ongoing trade conflicts may also post challenges and uncertainties for the Group's cargo business in the near term. These in turn may affect the financial performance of the Group.

Nevertheless, the management of the Group remain confident in and committed to the development of the Hong Kong international aviation hub, demonstrated by the Group's investments totalling over HK$100 billion into its fleet, cabin and lounge products, and digital leadership. According to the Press Releases, when fully operational, the Three-runway System will expand handling capacity at HKIA to serve 120 million passengers and handle 10 million tonnes of cargo annually in about 10 years. This represents more than a two-fold increase from the 53.1 million passengers served and the 4.9 million tonnes of cargo handled in 2024. In terms of air cargo, HKIA has consistently been named the world's busiest cargo airport since 2010. The Hong Kong Government and Airport Authority Hong Kong have been considering adopting various initiatives to consolidate HKIA's cargo transport leading position. For example, Airport Authority Hong Kong has been working closely with the world's leading international express service providers to develop and launch new hub facilities at HKIA, and with PRC authorities/partners to develop the air-to-sea intermodal cargo transshipment mode, such as HKIA Logistics Park in Dongguan, which was launched in December 2023. As the flag carrier of Hong Kong, Cathay Pacific, HK Express and Cathay Cargo are expected to benefit from the growth potential and opportunities brought by the Three-runway System and the co-operation with other cities of the Greater Bay Area as discussed above.

3. Reasons for and benefits of the Share Buy-back

It was disclosed in the Announcement that the Company was approached by Qatar Airways informing the Company of an intention to dispose of its shareholding in the Company, being approximately 643,076,181 Shares or approximately 9.57% of the issued Shares as at the Latest Practicable Date. When considering the Share Buy-back, the Board has taken into account the benefits of an orderly exit and avoiding the potentially undesirable results if the Shares held by Qatar Airways were to be disposed without the Company's involvement. Such alternatives may include the selling of such substantial stake by Qatar Airways to one or more third parties. It would be unclear as to whether such third party(ies) would hold the Shares for long-term investment purpose or for short-term speculation, which may lead to unwanted volatility in the market prices of the Shares.

Another alternative would be for Qatar Airways to sell its Shares on-market on the Stock Exchange. Given the substantial size of Qatar Airways' Shares valued at approximately HK$7.0 billion based on the Buy-back Price, such on-market disposal may create substantial downward pressure on the market prices of the Shares, as further analysed in the section below headed "5. Analysis of historical share price performance and trading volume".

We consider the Share Buy-back to be a strategic move by the Company to avoid the potentially undesirable results explained above. At the same time, it creates an opportunity to acquire the Shares at a small discount to recent market prices and to enhance earnings per Share, as further analysed in this letter.

4. Principal terms of the Deed of Undertaking and the Buy-back Deed

Set out below is a summary of the principal terms of the Deed of Undertaking and the Buy-back Deed (agreed form). Further details of the Deed of Undertaking and the Buy-back Deed are set out in the letter from the Board.

The Deed of Undertaking

Subject Matter

Qatar Airways (as the Seller) has irrevocably undertaken to the Company (as the Purchaser) that it shall, subject to (a) the publication of the Announcement within three business days of the date of the Deed of Undertaking; and (b) the approval of the Buy-back Deed and the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM, duly execute the Buy-back Deed as soon as reasonably practicable after the conclusion of the EGM.

The Deed of Undertaking shall terminate at 5:00 p.m. on 4th May 2026 or on such other date as may be agreed between Qatar Airways and the Company.

The Buy-back Deed (agreed form)

Subject Matter

Qatar Airways (as the Seller) agrees to sell or procure the sale of, and the Company (as the Purchaser) agrees to buy back, the Buy-back Shares (being an aggregate of 643,076,181 Shares), representing approximately 9.57% of the issued Shares as at the Latest Practicable

Date and all of the Shares currently owned by Qatar Airways in the Company, respectively. Upon completion of the Share Buy-back, Qatar Airways will not own any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The consideration for the Share Buy-back was determined following commercial arms' length negotiations between the Company and Qatar Airways taking into account the prevailing market conditions. The Buy-back Price for each Buy-back Share (being HK$10.8374 for each Buy-back Share) was determined between the Company and Qatar Airways by reference to the volume weighted average price ("**VWAP**") per Share for the five trading days up to and including 3rd November 2025 less a 3% discount. The consideration will be settled in cash by the Company from its internal resources and existing credit lines at completion.

The total consideration for the Share Buy-back is HK$6,969,273,804. Other than the consideration for the Share Buy-back, the Company has not paid, and will not pay, any consideration or benefit in any form to Qatar Airways and/or any parties acting in concert with it in connection with the Share Buy-back.

Conditions

The Company will enter into the Buy-back Deed only if it is approved by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM duly convened and held in accordance with the Company's Articles of Association, the Share Buy-backs Code and the Companies Ordinance. It is the Company's intention to execute the Buy-back Deed as soon as reasonably practicable following the conclusion of the EGM if the requisite approval from the Independent Shareholders has been obtained.

The completion of the Share Buy-back will be subject to and conditional upon the prior and continued satisfaction (or, where applicable, waiver) of the following conditions:

(a) the approval by the Executive of the Share Buy-back pursuant to the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

(b) the Executive granting a waiver to Swire Pacific and Air China waiving any obligation on the part of Swire Pacific, Air China or the Air China Subsidiaries under Note 6(b) to Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the Shares upon completion of the Share Buy-back; and

(c) each of the warranties set out in the Buy-back Deed remaining true and accurate in all material respects.

The above conditions (a) and (b) cannot be waived by any party. Either Qatar Airways or the Company may waive condition (c) above, in each case with respect to the warranties given by the other.

If any of the conditions are not satisfied or (where applicable) waived on or before 5:00 p.m. on the Long Stop Date, either Qatar Airways or the Company may, in its/their sole discretion, terminate the Buy-back Deed.

As at the Latest Practicable Date, the condition (b) above has been satisfied. None of the other conditions have been satisfied as at the Latest Practicable Date.

Completion

Subject to the prior and continued satisfaction (or waiver) of the conditions, completion of the Share Buy-back shall take place on the third business day immediately following the date on which the last of the conditions set out in the conditions (a) to (c) above is satisfied or such other date as the Company and Qatar Airways may agree.

The Company intends to hold the Buy-back Shares as treasury Shares following completion of the Share Buy-back. The Company's decision to hold the Buy-back Shares in treasury is to provide flexibility to, but not a commitment on, the Company to cancel, sell or transfer such Shares.

Irrevocable Undertakings

On 5th November 2025 and as amended and restated on 5th January 2026 for the Air China Irrevocable Undertaking, each of Swire Pacific and Air China (collectively, the IU Shareholders) executed an Irrevocable Undertaking, pursuant to which, subject to the granting of the MGO Waiver (if required), the IU Shareholders have irrevocably undertaken to the Company to cast, and/or to procure the casting of, all votes in respect of the IU Shares (totalling approximately 4,574.4 million Shares, or approximately 68.0% of the issued Shares as at the Latest Practicable Date, or approximately 75.2% of the Shares eligible to be voted at the EGM) held by them in favour of the resolution at the EGM to approve the Buy-back Deed and the Share Buy-back.

Our comments

The total consideration of the Share Buy-back, being approximately HK$7.0 billion, is expected to be financed by the Company's internal resources and existing credit lines at completion. While this is not insubstantial compared to the available unrestricted liquidity of the Group of approximately HK$21.5 billion as at 30th June 2025, it is stated in the letter from the Board that the Group will have cash sufficient to fund its operations following completion of the Share Buy-back. Please also refer to the section below headed "7. Financial Impact" for our further analysis of impact of the Share Buy-back on the earnings, net assets, gearing and working capital of the Group.

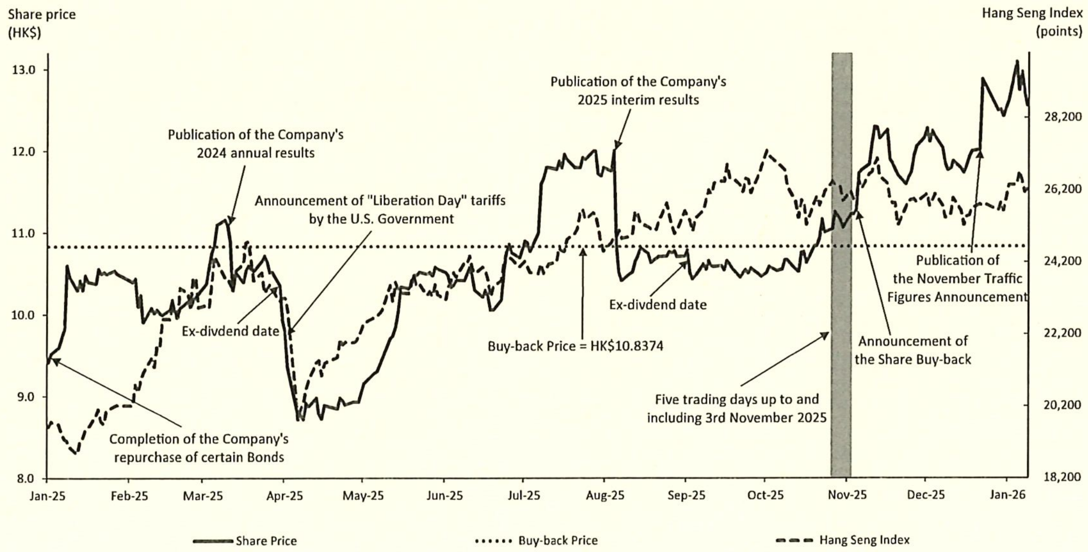
We note that the Buy-back Price was determined based on a 3% discount to the VWAP per Share for the five trading days up to and including 3rd November 2025, two trading days prior to the publication of the Announcement. The use of the VWAP of the Shares for the five trading days smooths daily fluctuations in the market price of the Shares. We also note from the announcement of the Company dated 30th August 2024 regarding the Company's repurchase of warrants that the repurchase price in that case was also determined based on, among others, 5-trading-day VWAP of the Shares before the date of the relevant agreement.

Please refer to the sections below headed "5. Analysis of historical share price performance and trading volume" and "6. Analysis of comparable transactions" for our analysis on the reasonableness of the Buy-back Price.

5. Analysis of historical share price performance and trading volume

(i) Historical share price performance

Set out below is the movement of the daily closing prices of the Shares as quoted on the Stock Exchange during the period from the beginning of 2025 to the Latest Practicable Date (the "**Review Period**"), and compares such prices to the movements of the Hang Seng Index during the Review Period. We consider the Review Period to be of a sufficient duration, as it covers the period when market prices of the Shares had reflected the most recently published audited annual results and unaudited interim results of the Group.



Source: website of the Stock Exchange and Bloomberg

During the Review Period, the market price of the Shares largely followed the trend of the Hang Seng Index (except for the movements as described below), and had been trading within a price range of HK$8.72 to HK$13.09. On 2nd January 2025, the Company announced the completion of its repurchase of part of the Bonds. The closing price of the Shares increased by approximately 7.8% from HK$9.83 to HK$10.60 on 9th January 2025, the day that the Company held an analyst briefing regarding the Group's strategy, operating performance highlights and outlook.