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Blue Skyview Company Limited
藍色天景有限公司

(incorporated with limited liability under the laws of the British Virgin Islands)

US\$683,000,000 7.125 Per Cent. Senior Perpetual Securities
(the “Perpetual Securities”)
(Stock Code: 5364)

UPDATE ANNOUNCEMENT
AND
CONTINUED SUSPENSION OF TRADING

This is an announcement made by Blue Skyview Company Limited (the “**Company**”).

Reference is made to the announcements of the Company made on (i) 24 April 2022 in respect of the winding up petition filed by a creditor with the High Court of Hong Kong (“**Hong Kong Court**”) on 4 March 2022 against HKA (the “**Winding Up Petition**”); (ii) 10 June 2022 in respect of the proposed HKA Restructuring; (iii) 12 July 2022 in respect of the Winding Up Petition and the HKA Restructuring; (iv) 8 September 2022 in respect of the Winding Up Petition and the HKA Restructuring; (v) 27 September 2022 in respect of the publication of the Practice Statement Letter in respect of the Proposed UK Plan; (vi) 13 October 2022 in respect of the publication of the supplemental PSL; and (vii) 31 October 2022, 17 November 2022, 28 November 2022, 5 December 2022, 14 December 2022, 22 December 2022 and 24 March 2023 in respect of the status of the proceedings of the Proposed Hong Kong Scheme and the Proposed UK Plan (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms in this section shall have the same meanings as defined in the Announcements.

Capitalised terms not otherwise defined in this announcement shall have the same meaning given to them in the terms and conditions (the “**Terms and Conditions**”) of the Perpetual Securities and the explanatory statement in relation to the Proposed Hong Kong Scheme and the Proposed UK Plan distributed by HKA to certain of its creditors on 28 October 2022 (the “**Explanatory Statement**”), as supplemented by the first supplement to the Explanatory Statement dated 17 November 2022 and the the second supplement to the Explanatory Statement dated 25 November 2022 (the “**Second Supplement**”).

Updates on the Restructuring Effective Date of the Proposed Hong Kong Scheme and the Proposed UK Plan

The Company is given to understand from HKA that, on 19 April 2023, a notice (the “**Notice of Expected RED**”) has been given in accordance with Clause 6.2 of the Proposed Hong Kong Scheme and Clause 5.2 of the Proposed UK Plan to creditors who are subject to the Proposed Hong Kong Scheme and the Proposed UK Plan respectively, to the effect that HKA expects

the Restructuring Effective Date to occur on Wednesday, 26 April 2023. The Company will issue further notice in relation to the actual occurrence of such date in accordance with the Proposed Hong Kong Scheme and the Proposed UK Plan.

A copy of the Notice of Expected RED is available at: <https://projects.morrowsodali.com/honair>.

Entry in to the Supplemental Fiscal Agency Agreement and Supplemental Deed of Guarantee

On 19 April 2023, HKA and the Company entered into the Supplemental Fiscal Agency Agreement with, amongst others, The Bank of New York Mellon, London Branch as the Fiscal Agent. HKA also expects to enter into the Supplemental Deed of Guarantee on 26 April 2023. Both documents are substantially in the form appended to the Explanatory Statement.

With effect and from the Restructuring Effective Date, the Terms and Conditions will be amended. The proposed amendments were explained in the Explanatory Statement and summarised in the term sheet attached to this announcement at Appendix 1 (the “**Term Sheet**”). In summary, the amendments include:

- i. the reduction in outstanding principal amount of the Perpetual Securities from US\$683,000,000 to US\$100,000,000;
- ii. replacement of the existing provisions for distribution with:
 - (A) During the Initial Period (as defined in the Term Sheet) no distribution;
 - (B) a non-discretionary Performance-linked Distribution Amount (as defined in the Term Sheet) during the Performance-linked Distribution Period (as defined in the Term Sheet); and
 - (C) upon the end of the Performance-linked Distribution Period, annual distributions payable solely at the election of the Company; and
- iii. removal of and release of Hong Kong Airlines International Holdings Limited and HKA Group Company Limited as guarantors in respect of the Perpetual Securities.

Copies of all available documents in connection with the Proposed Hong Kong Scheme and the Proposed UK Plan and other relevant information are available at: <https://projects.morrowsodali.com/honair>.

The Company will make further announcement(s) in respect of the development of the Proposed Hong Kong Scheme and the Proposed UK Plan, including the Restructuring Effective Date, as and when appropriate in accordance with the Listing Rules.

Trading in the Perpetual Securities on The Stock Exchange of Hong Kong Limited has been suspended with effect from 1:00 p.m. on 3 December 2019 and will remain suspended until further notice(s).

In the event any holder of the Perpetual Securities has any questions relating to this announcement, please contact acctrd@hkairlines.com.

By Order of the Board
Blue Skyview Company Limited
Sun Jianfeng
Director

Hong Kong, 20 April 2023

As at the date of this announcement, the sole director of the Issuer is Sun Jianfeng.

APPENDIX 1

TERM SHEET

<i>Issuer</i>	Blue Skyview Company Limited
<i>Guarantor</i>	Hong Kong Airlines Limited (“HKA”)
<i>The Restructuring Effective Date</i>	April 26, 2023
<i>Principal Amount</i>	US\$100,000,000
<i>Maturity</i>	None
<i>Fiscal Agent</i>	Bank of New York Mellon, London Branch
<i>Security and status</i>	Unsecured and unsubordinated.
<i>Performance-linked Distribution Commencement Date</i>	April 26, 2027
<i>First Reset Date</i>	April 26, 2036
<i>Reset Date</i>	means the First Reset Date and each day falling every three calendar years after the First Reset Date;
<i>Distributions</i>	<p>i. During the Initial Period, the Perpetual Securities do not confer any right to receive distributions.</p> <p>“Initial Period” means the period from (and including) the Restructuring Effective Date to (but excluding) the Performance-linked Distribution Commencement Date.</p> <p>ii. During the Performance-linked Distribution Period, the Perpetual Securities confer rights to receive distributions. During the Performance-linked Distribution Period, the distributions (if payable) will be payable annually in arrear on each Performance-linked Distribution Payment Date and will not be discretionary. See “<i>Performance-linked Distribution Amounts</i>” below for further details.</p> <p>“Performance-linked Distribution Period” means the period from (and including) the Performance-linked Distribution Commencement Date to (but excluding) the First Reset Date.</p> <p>“Performance-linked Distribution Payment Date” means, for any relevant financial year during the Performance-linked Distribution Period, July, 31 of the calendar year following such relevant financial year, with the first Performance-linked Distribution Payment Date being July 31, 2028 in respect of the relevant financial year ending on December 31, 2027 and the last Performance-linked Distribution Payment Date being July 31, 2036 in respect of the relevant financial year ending on December</p>

	<p>31, 2035.</p> <p>iii. During each Reset Distribution Period, the Perpetual Securities confer rights to receive distributions (the “Reset Distributions”) solely at the Issuer’s option. During each Reset Distribution Period, the distributions will be payable annually in arrear on each Reset Distribution Payment Date and will be calculated based on the 3-year US\$ treasury bond plus a margin of 2% (the “Relevant Reset Distribution Rate”).</p> <p>During each Reset Distribution Period: a) the Issuer shall have no obligation to pay any distribution (including any Arrears of Distributions and any Additional Distributions Amounts) on any distribution payment date if it validly elects not to do so and b) deferral of any distribution payment will not constitute a default.</p> <p>Restrictions on the Issuer and the Guarantor’s ability to pay discretionary dividends or distributions, at any time when any distribution is deferred.</p> <p>There will be <u>no</u> automatic increases of the Relevant Reset Distribution Rate.</p> <p>Reset Distribution Period means the period from (and including) the First Reset Date, to (but excluding) the Reset Date falling immediately after the First Reset Date, and from (and including) each Reset Date falling after the First Reset Date to (but excluding) the immediately following Reset Date.</p> <p>“Reset Distribution Payment Date” means April, 26 in each year commencing on April 26, 2037.</p>		
Performance-linked Distribution Amounts	During the Performance-linked Distribution Period, distributions in the following amounts will be paid, on an annual basis, to holders of the Perpetual Securities, if the following Pro-forma EBITDA Targets are met for the relevant financial year (each a “ Performance-linked Base Distribution Amount ”):		
	Relevant financial year	Pro-forma EBITDA Target (HK\$)	Performance-linked Base Distribution Amount (US\$)
	Financial Year ending December 31, 2027	1,006,000,000	1,594,000
	Financial Year ending December, 31 2028	1,393,000,000	4,355,000
	Financial Year ending December 31, 2029	1,843,000,000	7,729,000
	Financial Year ending December 31, 2030	2,310,000,000	10,810,000

	<table><tr><td>Financial Year ending December 31, 2031</td><td>2,355,000,000</td><td>12,989,000</td></tr><tr><td>Financial Year ending December 31, 2032</td><td>2,401,000,000</td><td>13,041,000</td></tr><tr><td>Financial Year ending December 31, 2033</td><td>2,448,000,000</td><td>13,361,000</td></tr><tr><td>Financial Year ending December 31, 2034</td><td>2,496,000,000</td><td>13,679,000</td></tr><tr><td>Financial Year ending December 31, 2035</td><td>2,545,000,000</td><td>13,997,000</td></tr></table>	Financial Year ending December 31, 2031	2,355,000,000	12,989,000	Financial Year ending December 31, 2032	2,401,000,000	13,041,000	Financial Year ending December 31, 2033	2,448,000,000	13,361,000	Financial Year ending December 31, 2034	2,496,000,000	13,679,000	Financial Year ending December 31, 2035	2,545,000,000	13,997,000
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Financial Year ending December 31, 2035	2,545,000,000	13,997,000														
	<p>“Pro-forma EBITDA” means, in respect of a financial year in relation to HKA and its subsidiaries (together, the “Group”):</p> <p>a) the earnings before interest, taxes, depreciation and amortization as disclosed in the audited consolidated financial statements for HKA and its subsidiaries (on a consolidated basis) for that financial year prepared in accordance with HKFRS and in compliance with the Hong Kong Companies Ordinance; <i>less</i></p> <p>b) any rental costs, interests and/or expenses charged by a lessor of any right-of-use or leased assets used by HKA and/or its subsidiaries for that financial year.</p> <p>If the Pro-forma EBITDA for a relevant financial year exceeds the Pro-forma EBITDA Target for that relevant financial year by 10% or more, the applicable Performance-linked Base Distribution Amount for that relevant financial year will increase by 10% only (the “Performance-linked Additional Distribution Amount” and together with the Performance-linked Base Distribution Amount for that relevant financial year (if any), the “Performance-linked Distribution Amount”).</p>															
<i>Redemption at the option of the Issuer</i>	At any time, the Issuer may, at its option, on any one or more occasions, redeem the Perpetual Securities, in whole or in part, at (i) 90% of their principal amount in respect of any redemption not falling during a Reset Distribution Period; or (ii) 90% of their principal amount plus any Reset Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amounts) in respect of any redemption falling during a Reset Distribution Period.															
<i>Open Market Repurchase</i>	The Issuer, Guarantor or any of their respective Subsidiaries will be permitted to make open market purchases of the Perpetual Securities.															

<i>Limitation on winding up rights</i>	The right to institute proceedings for Winding-Up of the Issuer and/or the Guarantor is limited to circumstances where payment has become due on the Perpetual Securities and where such remedy is available under applicable bankruptcy and insolvency laws. In the case of any Reset Distribution, such Reset Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with the relevant condition.
<i>Proceeding for winding up</i>	If (i) a final and effective court order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor, or (ii) the Issuer shall not make payment in respect of the Perpetual Securities for a period of 14 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Perpetual Securities and the Guarantee, and any Perpetual Noteholder may institute proceedings for the Winding-Up of the Issuer and the Guarantor and/or prove and/or claim in the Winding-Up of the Issuer and/or the Guarantor for payment of the Restructured Notes at 100 per cent of the principal amount of the Securities then outstanding, together with any Perpetual Notes Default Cash Payment, any Performance- linked Distribution Amount that is due and payable but unpaid, and any Reset Distribution, Arrears of Distributions and any Additional Distribution Amounts accrued to the day prior to the commencement of the Winding Up.
<i>Covenants</i>	Condition 4(a) (<i>Covenants – Negative Pledge</i>), Condition 4(b) (<i>Covenants – Limitation of Indebtedness</i>) and Condition 4(c)(ii) (<i>Provision of Financial Statements and Reports</i>) will be removed.
<i>Governing Law / Jurisdiction</i>	English law / Hong Kong courts have exclusive jurisdiction.
<i>General</i>	Unless otherwise noted above or as the context otherwise requires, the terms of the Perpetual Securities shall not be amended, subject to (i) consequential deletion of redundant provisions for consistency with other amended terms and (ii) appropriate adjustments to reflect the fact that the Perpetual Securities will constitute a restructured debt.