

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary offering circular (the “**Offering Circular**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined in the attached offering circular) as a result of such access.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached offering circular, you shall be deemed to represent to DBS Bank Ltd., SPDB International Capital Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, CLSA Singapore Pte Ltd, Bank of China Limited, Singapore Branch, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank Corporation Singapore Branch, China Everbright Securities (HK) Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch and Standard Chartered Bank (Singapore) Limited (collectively, the “**Joint Lead Managers**”) that (1) you and any customers you represent are not, and the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls the Joint Lead Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Issuer will provide a hard copy version to you upon request.

Restrictions: The attached document is in preliminary form and is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the instruction in the attached Offering Circular is not complete and may be changed.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute, in the United States or elsewhere, a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (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 are 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).

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information contained in this Preliminary Offering Circular is subject to completion and amendment in the final Offering Circular. This Preliminary Offering Circular is not an offer to sell securities nor is it soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this document, to purchase or subscribe for any securities.

**PRELIMINARY OFFERING CIRCULAR DATED 7 JULY 2021
SUBJECT TO COMPLETION**

STRICTLY CONFIDENTIAL

Eastern Air Overseas (Hong Kong) Corporation Limited
(incorporated with limited liability in Hong Kong)

SGD[●] [●] per cent. Credit Enhanced Bonds due [●]

with an irrevocable Standby Letter of Credit provided by

Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch

(incorporated with in the People's Republic of China with limited liability)

Issue Price: [●] per cent.

Eastern Air Overseas (Hong Kong) Corporation Limited (the “Company” or the “Issuer”) proposes to issue the SGD[●] [●] per cent. Credit Enhanced Bonds due [●] (the “Bonds”). Payments of principal, premium (if any) and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the “Standby Letter of Credit” or the “SBLC”) denominated in Singapore dollars issued by Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch (the “LC Bank”).

The Bonds will bear interest from and including [●] 2021 (the “Issue Date”) at the rate of [●] per cent. per annum. Interest will be payable semi-annually in arrear on [●] and [●] in each year (each an “Interest Payment Date”). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”)), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. Payments on the Bonds will be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong and the PRC (as defined below) or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law to the extent described under “Terms and Conditions of the Bonds — Taxation”.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling in or nearest to [●]. 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 to the Bondholders (which notice shall be irrevocable and shall be copied to the Trustee (as defined in the Terms and Conditions) and the Principal Paying Agent (as defined in the Terms and Conditions)), at their principal amount together with interest accrued up to but excluding the date specified in such notice for redemption of the Bonds, in the event of certain changes affecting taxes of Hong Kong or the PRC. See “Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for taxation reasons”. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), a Bondholder will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount together with interest accrued up to but excluding the Put Date. See “Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Change of Control”.

The Bonds will constitute direct, unconditional, unsubordinated and, subject to Condition 4(a) of the Terms and Conditions, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

The Issuer will undertake that it will or will procure China Eastern Air Holding Company Limited to (i) within 10 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the “NDRC”) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) (the “NDRC Circular”) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “NDRC Post-issue Filing”) and (ii) comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing. For consequences of non-registration, see “Risk Factors — Risks Relating to the Bonds — Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds”. China Eastern Air Holding Company Limited has registered the issuance of the Bonds with the NDRC and has obtained a certificate from the NDRC on 16 April 2021 evidencing such registration which, as at the date of this Offering Circular, remain in full force and effect.

Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained herein. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group (as defined herein), any of their subsidiaries, their associated companies or the Bonds. There is currently no public market for the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

The Bonds will be issued in the denomination of SGD250,000.

The Bonds are expected to be rated “A1” by Moody’s Investors Service, Inc. (“Moody’s”). The credit ratings accorded to the Bonds are not a recommendation to purchase, hold or sell the Bonds in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies in the future.

The Bonds will be evidenced by beneficial interests in a global certificate (the “Global Certificate”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issuer Date 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. Except in the limited circumstances set out in the Global Certificate, individual certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate. See “Summary of Provisions relating to the Bonds in Global Form” beginning on page 91.

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (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 are 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).

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd.	SPDB International	ICBC Singapore	CLSA	
<i>Joint Bookrunners and Joint Lead Managers</i>				
Bank of China	Bank of Communications	CCB Singapore	Everbright Securities International	China Industrial Securities International
China Securities International	CMBC Capital	Haitong International	SPD Bank	Standard Chartered Bank

Offering Circular dated [●] 2021

IMPORTANT NOTICE

The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Offering Circular misleading.

In addition, the Issuer confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Group (which term shall mean the Issuer and its subsidiaries (if any) taken as a whole), the Standby Letter of Credit and the Bonds, which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws), (ii) the statements (other than those relating to the LC Bank) contained in this Offering Circular as of the date hereof, and any other material approved by the Issuer for use in connection with the offering of the Bonds, are true and accurate in every material respect and not misleading, (iii) the Issuer has taken all reasonable care in the compilation and reproduction of the statements included in this Offering Circular relating to the LC Bank, which are based on, or derived or extracted from, among other sources, publicly available information which the Issuer believes to be accurate and reliable in all material respects and not misleading; (iv) the opinions and intentions expressed in this Offering Circular as at the date hereof with regard to the Issuer and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (v) there are no other facts in relation to the Issuer, the Group, the LC Bank, the Standby Letter of Credit and the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading in any material respect, (vi) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, (vii) the statistical, industry and market-related data and forward-looking statements, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects, and represent each of their good faith estimates that are made on the basis of data so derived from such sources, and (viii) this Offering Circular as at the date hereof does not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading. The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer to sell or the solicitation of an offer of, or an invitation by or on behalf of DBS Bank Ltd., SPDB International Capital Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, CLSA Singapore Pte Ltd, Bank of China Limited, Singapore Branch, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank Corporation Singapore Branch, China Everbright Securities (HK) Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch and Standard Chartered Bank (Singapore) Limited (together, the “**Joint Lead Managers**”) or the Issuer to subscribe for or buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer, sale or delivery of Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular comes must inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. In particular, there are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People’s Republic of China, Hong Kong, Singapore and Japan and to persons connected therewith. For a description of certain further

restrictions on offers, sales and resales of Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, each of the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions), the Agents (as defined in the Terms and Conditions), the Pre-funding Account Bank (as defined in the Terms and Conditions), the LC Proceeds Account Bank (as defined in the Terms and Conditions) or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group, the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them to subscribe for or purchase any Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular, each investor is deemed to have agreed to these restrictions.

None of the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise,

representation or warranty by the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The Bonds are expected to be assigned a rating of “A1” by Moody’s. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, any of its subsidiaries, its associated companies, the Group or the Bonds.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved in investing in the Bonds. See “*Risk Factors*” below for a discussion of certain factors to be considered in connection with an investment in the Bonds.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT LEAD MANAGER (OR PERSONS ACTING ON ITS BEHALF) APPOINTED AS THE STABILISATION MANAGER (THE “STABILISATION MANAGERS”) 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, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGERS) WILL UNDERTAKE STABILISATION ACTION. 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 BE ENDED 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 EACH STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These 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, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. 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 respective affiliates, or affiliates of the Issuer 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.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Group and the terms of the offering and the Bonds, including the merits and risks involved.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank 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. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made in connection with the Issuer, the Group or the issue and offering of Bonds. Each of the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank and the LC Bank 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, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Group for so long as any Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank, the LC Proceeds Account Bank or the LC Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

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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 are 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 Issuer has prepared audited financial statements as at and for the years ended 31 December 2019 and 2020. These audited financial statements of the Issuer are included in this Offering Circular and are audited by Ernst & Young. The financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and in compliance with the Hong Kong Companies Ordinance. See “*Index to Financial Statements*” and “*Summary Financial Information — Selected Financial Information*”.

The “*Summary Financial Information — Selected Financial Information*” contained in this Offering Circular does not constitute the Company’s statutory annual financial statements for any of the financial years ended 31 December 2019 and 2020 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.
- The Company’s auditor has reported on these financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer or the Group. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer has included EBITDA because it believes that it is a useful supplement to cash flow data providing a measure of its performance and ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare EBITDA of the Issuer Group to EBITDA presented by other companies because not all companies use the same definition.

Unless otherwise indicated, all references in this Offering Circular to “**U.S.**” and “**United States**” are to the United States of America, all references in this Offering Circular to “**China**”, “**Mainland**”, “**mainland China**”, “**Mainland of China**” or the “**PRC**” are to the People’s Republic of China and for the purpose of this Offering Circular only, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan, and all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China.

Unless otherwise specified or the context requires, references herein to “**Singapore dollars**”, “**SGD**” or “**S\$**” are to the lawful currency of the Republic of Singapore, references herein to

“**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC, references herein to “**Hong Kong dollars**”, “**HK dollars**”, “**HK\$**”, or “**HKD**” are to the lawful currency of Hong Kong, and references herein to “**U.S. dollars**”, “**U.S.\$**” or “**USD**” are to the lawful currency of the United States of America, references herein to “**Euro**” are to the lawful currency of the member states of the European Union, references herein to “**KRW**” or “**South Korean won**” are to the lawful currency of the Republic of Korea.

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 rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

The Issuer has made forward-looking statements in this Offering Circular regarding, among other things, the financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Issuer's current expectations about future events and speak only as at the date they are made. The Issuer undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements are, by their nature, subject to inherent risks and uncertainties, some of which are beyond the Issuer's control, and are based on assumptions and analyses made by the Issuer in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors which the Issuer believes are appropriate in particular circumstances. These forward-looking statements include, without limitation, statements relating to:

- the impact of changes in the policies of the Civil Aviation Administration of China, or the "CAAC", regarding route rights;
- the impact of the CAAC policies regarding the restructuring of the airline industry in China;
- the impact of macroeconomic fluctuations (including the fluctuations of oil prices, interest and exchange rates);
- certain statements with respect to trends in prices, demand, volumes, operations, relationship, margins, risk management, overall market trends and exchange rates;
- the Issuer's business development plans, including, without limitation, related financing and schedule;
- the Issuer's strategic plan;
- the Issuer's marketing plans;
- the impact of unusual events on the Issuer's business and operations.

All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". The words or phrases "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Issuer or its management, are intended to identify "forward-looking statements". All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. Accordingly, you are cautioned that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement, including, without limitation:

- changes in political, economic, legal and social conditions in the PRC and Hong Kong;
- any changes in the regulatory or taxation policies of the CAAC or any regulator or government agency in a jurisdiction where the Issuer provides services;
- fluctuations of interest rates and foreign exchange rates;

- the effects of competition on the demand for and price of the Issuer’s services;
- the availability and cost of aviation fuel, including but not limited to pricing trends and risks associated with fuel hedging;
- any significant depreciation of Renminbi or Hong Kong dollars against U.S. dollars, Singapore dollars or South Korean won, the currencies in which the majority of the Issuer’s purchases and borrowings are denominated;
- the Issuer’s ability to obtain adequate financing, including any required external debt and acceptable bank guarantees; and
- general economic conditions in markets where the Issuer operates.

TABLE OF CONTENTS

	Page
DEFINITIONS	1
SUMMARY	2
SUMMARY OF THE BONDS	9
SUMMARY FINANCIAL INFORMATION	15
SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS	17
RISK FACTORS	19
USE OF PROCEEDS	42
CAPITALISATION AND INDEBTEDNESS	43
DESCRIPTION OF THE COMPANY'S BUSINESS	44
DIRECTORS AND MANAGEMENT	58
DESCRIPTION OF THE LC BANK	61
TERMS AND CONDITIONS	69
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	91
TAXATION	94
SUBSCRIPTION AND SALE	102
GENERAL INFORMATION	107
INDEX TO FINANCIAL STATEMENTS	F-1
APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT	APPIX-1

DEFINITIONS

Board	means the board of directors of the Company
CAAC	means the Civil Aviation Administration of China
CEA Holding	means 中國東方航空集團有限公司 (China Eastern Air Holding Company Limited), the controlling shareholder of the Parent
Company or Issuer	means Eastern Air Overseas (Hong Kong) Corporation Limited
Directors	means the directors of the Company
EIT Law	means the Enterprise Income Tax Law of China
Hong Kong Companies Ordinance	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited
IATA	means the International Air Transport Association
MOFCOM	means the Ministry of Commerce of China
Parent	means 中國東方航空股份有限公司 (China Eastern Airlines Corporation Limited), the sole shareholder of the Company
Parent Group	means the Parent and its subsidiaries and associates
PBOC	means the People's Bank of China
SAFE	means the State Administration of Foreign Exchange of China
SASAC	means the State-owned Assets Supervision and Administration Commission of China or its local counterparts
SOE	means an enterprise directly and majority owned by the SASAC

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Company is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 1614655). It was incorporated in Hong Kong on 10 June 2011. Its registered office is 22/F., Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. The Company is a wholly-owned subsidiary of the Parent.

The Company is principally engaged in the trading of aviation fuel and treasury activities. Particularly, the Company is the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent, the Company's only shareholder. The Parent is the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres as of January 2021 according to the International Civil Aviation Organization. In the foreseeable future, the unique role of the Company will not be substituted by the Parent's other subsidiaries. The strategic significance of Company is expected to be further consolidated in the future.

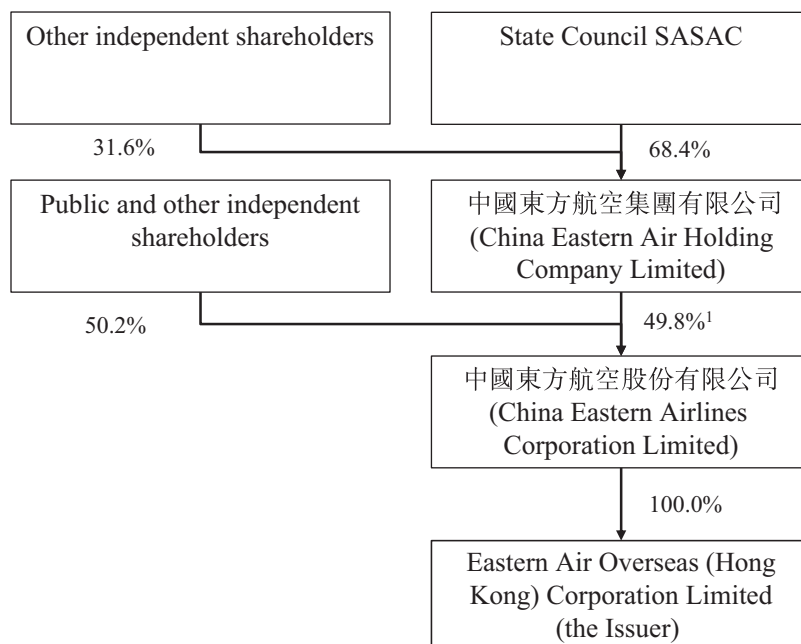
The Company's revenues derived from procurement of aviation fuel for the Parent, which amounted to approximately RMB4,428.6 million, RMB4,517.5 million, RMB1,280.6 million for each of the year ended 31 December 2018, 2019 and 2020.

The Company primarily buys and resells fuel to the Parent. In order to fulfil the demand of the Parent, the Company has a diverse group of aviation fuel suppliers ranging from large oil companies to specialised regional suppliers. The Company utilises these suppliers and third parties for the delivery and storage of fuel and do not own any pipelines, tanks or fuel delivery equipment.

CORPORATE STRUCTURE

As at the date of this Offering Circular, the total issued share capital of the Company is HK\$280,000,000, divided into 280,000,000 ordinary shares, all of which were held by the Parent. No part of the equity securities of the Company 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.

The corporate structure of the Company as at 31 December 2020 was as follows:



Note:

- 5,072,922,927 A shares of the Parent were held directly by CEA Holding, representing approximately 31.0 per cent. of the total issued shares of the Parent as at 31 December 2020; and 457,317,073 A shares of the Parent were held directly by 东航金控有限公司 (CES Finance Holding Co., Limited), a wholly-owned subsidiary of CEA Holding (“**CES Finance**”), representing approximately 2.8 per cent. of the total issued shares of the Parent as at 31 December 2020. 东航国际控股 (香港) 有限公司 (CES Global Holdings (Hong Kong) Limited), a wholly-owned subsidiary of CES Finance (“**CES Global**”), directly held 2,626,240,000 H shares of the Parent in the capacity of beneficial owner through Hong Kong Securities Clearing Company Ltd., representing approximately 16.0 per cent. of the total issued shares of the Parent as at 31 December 2020, and CEA Holding indirectly owned the entire interest of CES Global through CES Finance. Therefore, CEA Holding is deemed to be interested in the 457,317,073 A shares of the Parent held directly by CES Finance and 2,626,240,000 H shares of the Parent held directly by CES Global, representing approximately 2.8 per cent. and 16.0 per cent. of the total issued shares of the Parent as at 31 December 2020, respectively.

COMPETITIVE STRENGTHS

The Company believes that its achievements have been possible because of its competitive strengths as summarised below:

A primary overseas aviation fuel provider and the sole overseas finance and investment platform with strong support from the Parent

The description of support from China Eastern Airlines Corporation Limited in this section is on the support given to the Company’s business operations and should not be read as any indication that China Eastern Airlines Corporation Limited or its subsidiaries (other than the Company) will have any financial obligations under the Bonds. See “Risk Factors — Risks Relating to the Bonds — Neither China Eastern Airlines Corporation Limited nor its subsidiaries (other than the Company) has payment or other obligations under the Bonds.”

The Parent is a central SOE and the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres as of January 2021 according to the International Civil Aviation Organization.

In each of the years ended 31 December 2018, 2019 and 2020, the Company's revenue derived from the sale of aviation fuel to the Parent accounted for 13.1 per cent., 13.2 per cent. and 9.3 per cent. of the total aircraft fuel costs of the Parent. Moreover, the Company serves as the sole overseas platform for the Parent's global development strategy, by acting as the primary procurement arm of overseas aviation fuel for the Parent, the sole overseas financing and liquidity management platform of the Parent, shouldering the responsibility to provide liquidity and cash flow support of foreign funds, and optimize the debt structure and lower the overall financing costs for the Parent's overseas business. On behalf of the Parent, the Company also serves as the sole investment platform for overseas investments such as Jetstar Hong Kong, which was the first investment of the Parent to establish an overseas low-cost passenger/cargo airline.

As an indispensable overseas platform of the Parent, the Company received constant financial support since its incorporation. For example, in 2015 the Parent injected HKD250 million into the Company as share capital in order to expand the Company's overseas investment and financing business, with the total issued share capital of the Company increased to HKD280 million. Separately, the Parent has also fuelled the Company's growth by providing guarantee for the Company's offshore bond issuances. At the extraordinary general meeting of the Parent held on 15 January 2015, the Parent resolved that the maximum limit of the balance of the guarantee provided by the Parent to the Company for financing and operation support shall be increased from RMB8 billion to RMB12 billion. At the annual general meeting of the Parent on 15 June 2016, in order to fully utilise the Company as an offshore financing platform, the Parent further resolved to increase the guarantee limit to RMB24 billion. The term of this joint liability guarantee is the same as those of the bonds, loans and trade financing facilities of the Company, all of which will not exceed a maximum term of 10 years. As at the date of this Offering Circular, the amount of guarantee actually provided to the Company thereunder is approximately RMB2.0 billion. The Company believes that it is well positioned to better execute its business plan and to more directly benefit from the Parent's strength and growth.

Well positioned to benefit from the continued high growth of China's international civil aviation market

The Company believes that, based on the established market position and geographic location of the Parent, it is well-positioned to continue to take advantage of the opportunities presented by China's international civil aviation market growth. In recent years, the trending of outbound tourism galvanised the market of international airline services. According to CAAC, in 2019, the total civil aviation traffic volume, and cargo and mail traffic volume in China reached 129.3 billion tonne-kilometres and 26.3 billion tonne-kilometres, respectively, with an average annual growth rate since 2016 of 10.3 per cent. and 5.8 per cent., respectively. Leveraging on the growth of the aviation market in China, in 2020, the Parent had also expanded its aviation network to cover over 170 countries and/or regions around the world with approximately 1,036 destinations. In terms of the international passenger transported by the Parent, for each of the years ended 31 December 2018, 2019 and 2020, the revenue passenger kilometre of the Parent was 67,290.3 million, 73,811.8 million and 10,609.3 million, respectively; and the passenger volume of the Parent was 16.1 million, 17.6 million and 2.2 million, respectively. For each of the years ended 31 December 2018, 2019 and 2020, the Parent's total passenger traffic volume amounted to 201,486 million, 221,779 million and 107,273 million, respectively. In terms of the international cargo transported by the Parent, for each of the years ended 31 December 2018, 2019 and 2020, the revenue cargo ton kilometre of the Parent was 1,667.1 million tonne-kilometres, 1,991.3 million tonne-kilometres and 1,416.3 million tonne-kilometres, respectively; and the cargo volume of the Parent was 240.0 million kilograms, 279.4 million kilograms and 163.2 million kilograms, respectively. In 2020, the Parent's market share in China in terms of total traffic volume reached 17.8%. Additionally, leveraging on the SkyTeam Alliance platform, the Parent Group also entered into

strategic cooperation with various reputable international airlines including Delta Air Lines, Inc. and Air France KLM, and strengthened its cooperation with non-member airlines of the SkyTeam Alliance such as Qantas Airways Ltd and Japan Airlines Co., Ltd, so as to develop an efficient and convenient flight network covering all parts of China and connecting all parts of the world. As of January 2021, the Parent had become the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres according to the International Civil Aviation Organization.

Notwithstanding the continuing COVID-19 impact, in the first quarter of 2021, the Parent's total traffic volume amounted to 2,996 million tonne-kilometres, representing a year-on-year increase of 14.86%; number of passengers carried amounted to 17,635,500, representing a year-on-year increase of 28.56%. In 2020, the total civil aviation traffic volume and cargo and mail traffic volume in China were 79.9 billion tonne-kilometres and 24.0 billion tonne-kilometres, respectively. Capitalising on the strategy to place dual focus on both domestic and international market and relying on a market backed by large population and great potential to level up the flights per capita, China aviation industry is estimated to thrive in the post-COVID-19 era. Being the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent, the Company believes it is well positioned to capitalise on the growth of China's international civil aviation market and further expand its operations in its aviation fuel trading and entrusted loan business.

Healthy financial and liquidity position and diversified sources of funding

Notwithstanding COVID-19's impact, the Company's financial and liquidity position has remained stable and healthy. For each of the years ended 31 December 2018, 2019 and 2020, the Company's EBITDA (defined as the aggregation of profit before income tax, interest expenses and depreciation and amortisation) was approximately RMB656 million, RMB315 million and RMB183 million, respectively; and the Company's EBITDA margin (defined as EBITDA divided by revenue) was approximately 14.8%, 7.0% and 14.3%, respectively; and the Company's EBITDA interest coverage ratio (defined as EBITDA/interest expenses) was 2.0, 1.6 and 1.3, respectively. The Company's debt-to-asset ratio (defined as total debt (comprising interest-bearing bank borrowings and bonds payable) divided by total assets) as at 31 December 2018, 2019 and 2020 was 59.5 per cent., 36.5 per cent. and 24.9 per cent., respectively. The Company's outstanding funding has been obtained from a number of different sources, including funds generated from operation, commercial bank lending, bridge loans, and debt securities issued into the capital markets. In particular, the Company has successfully issued offshore bonds in an amount of RMB8.0 billion, SGD500 million and KRW300 billion, respectively. The Company also maintains a solid relationship with many reputable banks, including Citibank, ICBC, Standard Chartered, the Export-Import Bank of China, Agricultural Bank of China and Bank of China (Hong Kong). As at the date of this Offering Circular, the Company has U.S.\$550 million unutilised bank facilities. Accordingly, the Company has established, and intends to maintain, a diversified portfolio of funding to support its operations and future growth.

Innovative overseas financing platform of the Parent

The Company believes the May 2016 Repurchase made the Company the first member of a central SOE group in the aviation industry that ever adopted the modified Dutch auction procedure to repurchase bonds. Such innovative exercise provided the Company with more flexibility to manage its financial operations and served as a useful precedent for its peers with similar overseas financing functions.

Experienced management team

The Company's management team has on average over 10 years of extensive experience in aviation industry. Many members of the Company's management team have previously served and/or are currently serving as senior officials within the Parent Group. The Company believes that its management team's extensive experience in the aviation fuel industry and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise, and contribute to the sustainable growth of the Company. For details of management of the Company, see "*Directors and Management*" section in this Offering Circular.

STRATEGIES

In addition to pursuing the above competitive strengths, the Company's core strategies are to continue to adopt the following strategies:

Continue to fulfil its role as the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent

The Company has been, and strives to continue to fulfil its role as the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent. As a key component of the Parent's business in the aviation industry, the operation results of the Company could substantially affect the financial performance of the Parent. In 2019, setting aside the adjustment in factors such as fuel surcharge, if the average price of aviation fuel had increased or decreased by 5 per cent., aviation fuel costs of the Parent Group would have increased or decreased by approximately RMB1,710 million. Therefore, the Company will work closely with the special working group designated by the Parent to track and analyse the trend of fuel prices in order to timely and efficiently hedge the risk of aviation fuel price fluctuation. Moreover, the Company will also continue to cooperate with the relevant companies within the Parent Group to extend loans and explore other financing opportunities in favour of the Parent so that it can maintain a robust liquidity condition and be well-positioned to benefit from the opportunities at the resumption of air travel demand and revival of the aviation market in the PRC.

Maintain and improve margin for aviation fuel procurement

The Company will continue to focus on aviation fuel procurement as its core business activity, and intends to maintain and improve margin for its aviation fuel procurement activities by lowering the cost of purchase. Entering into term contracts with reliable suppliers will enable the Company to secure a steady supply of aviation fuel and lock in fixed price when the market price is low. Being the aviation fuel provider to the Parent, the Company envisages a larger demand for aviation fuel by the Parent and the China market in general. By leveraging on increasing purchase volume, the Company will be able to lower its purchase costs on a per-unit basis, thereby increasing its margins. The Company aims to maintain low purchase cost and maintain and improve margin in the future.

Form joint ventures and make strategic investments

In 2012, the Company, as a joint venture partner with Jetstar International Group Holdings Co., Limited, a wholly-owned Hong Kong-based subsidiary of Qantas, invested in Jetstar Hong Kong Airways, which was the first attempt of the Parent to establish an overseas low-cost passenger/cargo airline, aiming at the low-cost aviation service market with great growth potential.

Going forward, the Company may, either itself or through direct and indirect subsidiaries and associated companies, conduct major acquisitions on behalf of the Parent Group as a whole. The Company will continuously work to identify opportunities for its growth and the Parent's growth.

Adhere to prudent financial policy with stringent risk control and enhanced financial management

The Company plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Company has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Company focuses on its sustainable, healthy and rapid development and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Company will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure. The Company strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Continue to build a professional management team

The Company believes that its experienced management team has been a key factor in contributing to its success. The Company will continue to build a professional management team with well-educated and experienced personnel in order to continue to improve the efficiency of its operations and achieve its strategic goals through the Company's management team.

RECENT DEVELOPMENT

COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organisation that an unknown, new virus was causing pneumonia-like illness, namely COVID-19, in the city of Wuhan in the Hubei Province. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries imposing extensive business and travel restrictions with a view to containing the pandemic.

According to the report published by the IATA in February 2021, global passenger traffic volume in 2020 dropped by 65.9 per cent. as compared to 2019. The global aviation industry experienced a historic loss. According to relevant statistics from the Civil Aviation Administration of China, passenger traffic volume in 2020 dropped by 36.7 per cent. as compared to 2019. In 2020, the Parent Group's aircraft fuel cost was recorded RMB13,840 million, representing a decrease of 59.52 per cent. from 2019, which was primarily attributable to the decrease in the Parent Group's fuel consumption by 38.49 per cent. As a result of the decrease in demand for aviation fuel from the Parent Group, the Company's revenue from sale of aviation fuel dropped significantly by 71.7 per cent. from RMB4,517.5 million for the year ended 31 December 2019 to RMB1,280.6 million for the year ended 31 December 2020.

The global outbreak of COVID-19 may continue to affect the Company's industry and lead to shrunk market demand for aviation fuel and increased costs in procuring supplies, which would have a material adverse effect on the Company's business, financial condition and results of operations. See

“Risk Factors — Risks Relating to the Company – Any adverse public health developments, including SARS, Ebola, avian flu, influenza A (H1N1) or COVID-19, or the occurrence of natural disasters may, among other things, lead to travel restrictions and reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Company’s products and have a material adverse effect on its financial condition and results of operations”.

Nevertheless, it is noted that at present, COVID-19 prevention and control in China have achieved positive outcomes, and China was the only major economy that achieved positive growth in 2020. Since 2021, as the international oil price has gradually rebounded, the domestic epidemic has been gradually brought under control, and the macro economy has maintained a good momentum of recovery, the Company will seize the favourable opportunities, leverage on the restoration of the aviation industry in China, continue to deepen the cooperation with the Parent Group, and continuously improve its business, financial condition and results of operations.

Financial Information as at and for the Five Months Ended 31 May 2021

For the five months ended 31 May 2021, the Company’s revenue, gross profit and profit before tax decreased significantly as compared with the corresponding period in 2020, which is primarily attributable to the fact that the COVID-19 impact as mentioned above continued during the first five months of 2021 for the Parent Group’s international flights.

SUMMARY OF THE BONDS

The following is a summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Unless otherwise defined in this Offering Circular, words and expressions defined in the Conditions shall have the same meanings in this summary.

Issuer	Eastern Air Overseas (Hong Kong) Corporation Limited.
The Bonds	SGD[●] [●] per cent. credit enhanced bonds due [●].
Issue Price	[●] per cent.
Issue Date	[●] 2021.
Maturity Date	[●].
LC Bank	Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch.
Status of the Bonds*	The Bonds will constitute direct, unsubordinated, unconditional and, subject to Condition 4(a) of the Conditions, unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations.
Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “ Demand ”) stating that (i) the Issuer has failed to comply with Condition 2(c) of the Conditions in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with Condition 2(c) of the Conditions or (ii) an Event of Default (as defined in the Conditions) has occurred and the

* China Eastern Airlines Corporation Limited has not and will not provide any credit support on this transaction.

Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 of the Conditions or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and/or any other amounts expressed to be payable by it in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

The aggregate liability of the LC Bank under the Standby Letter of Credit shall not in any circumstances exceed SGD[●] being an amount representing the aggregate principal amount of the Bonds being SGD[●], plus interest and premium (if any) payable in accordance with Condition 5 of the Conditions, plus an additional amount intended to cover fees, expenses and any other amounts payable by the Issuer in connection with the Bonds, the Trust Deed and/or the Agency Agreement. Multiple drawings and partial payments under the Standby Letter of Credit are permitted, and each such drawing shall reduce the total amount available for drawing under the Standby Letter of Credit by an amount equal to such drawing. Such drawings on the Standby Letter of Credit will be payable in Singapore dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The Standby Letter of Credit will take effect from the Issue Date and expire at 6:00 p.m. (Hong Kong time) on [●].

Pre-funding

In order to provide for the payment of any amount in respect of the Bonds (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (as defined in the Conditions) falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under the Conditions:

- (a) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account (as defined in the Conditions); and
- (b) deliver to the Trustee and the Principal Paying Agent (A) a Payment and Solvency Certificate (as defined in the Conditions) signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer, and (B) a

copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 11:00 a.m. (Hong Kong time) on the second Business Day preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall by no later than 5:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount, and the Trustee has received the Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account), provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT. Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in Singapore dollars specified in the Demand to the LC Proceeds Account.

Negative Pledge

The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Conditions.

Events of Default

The Bonds will contain certain events of default provisions as further described in Condition 9 of the Conditions, including without limitation, certain events of default in respect of the LC Bank. If an Event of Default (as defined in the Conditions) occurs, the Trustee at its discretion may,

and if so requested in writing by holders of at least 25 per cent. of the principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Conditions), shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong and the PRC or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law, as further described in Condition 8 of the Conditions. In such event, the Issuer will, subject to the limited exceptions specified in the Conditions, increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling in or nearest to the Maturity Date.

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 to the Bondholders (which notice shall be irrevocable and shall be copied to the Trustee and the Principal Paying Agent), at their principal amount, together with interest accrued up to but excluding the date specified in such notice for redemption of the Bonds in the event of certain changes affecting taxes of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), as further described in Condition 6(b) of the Conditions.

Redemption for Change of Control

At any time following the occurrence of a Change of Control (as defined in Conditions), a Bondholder will have

the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Date (as defined in Conditions) at 101 per cent. of their principal amount, together with interest accrued up to but excluding the Put Date. See Condition 6(c) of the Conditions.

Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for making and completing the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. See Condition 16 of the Conditions. Any further bonds forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by the Trust Deed or a deed supplemental to the Trust Deed. Such further bonds may only be issued if a further, or supplemental, or replacement, or amended standby letter of credit is issued by the LC Bank meeting the requirements set out in Condition 16 of the Conditions and if certain other conditions as set out in Condition 16 of the Conditions are satisfied.

Currency and Denomination

The Bonds are issued in the denomination of SGD250,000.

Clearing Systems

The Bonds will be represented by interests in a Global Certificate, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date 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, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Governing Law

English law.

Jurisdiction

The courts of Hong Kong.

Trustee

DB Trustees (Hong Kong) Limited.

**Principal Paying Agent, Registrar
and Transfer Agent**

Deutsche Bank AG, Hong Kong Branch.

**LC Proceeds Account Bank and
Pre-funding Account Bank**

Deutsche Bank AG, Hong Kong Branch.

Ratings

The Bonds are expected to be rated A1 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agencies. Prospective investors should evaluate each rating independently of any other rating of the Bonds or other securities of the Issuer.

Listing

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

Use of Proceeds

See section entitled "*Use of Proceeds*".

Selling Restrictions

The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".

ISIN

XS2343214040.

Common Code

234321404.

Legal Entity Identifier

300300FPZCH0LT8BJ154.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information of the Issuer as at and for the periods indicated.

Selected Financial Information of the Issuer

The summary audited financial information as at and for the years ended 31 December 2019 and 2020 set forth below is derived from the Issuer's audited financial statements for the year ended 31 December 2020 and the summary audited financial information as at and for the year ended 31 December 2018 set forth below is derived from the Issuer's audited financial statements for the year ended 31 December 2019, each prepared in accordance with HKFRS and in compliance with the Hong Kong Companies Ordinance (which have been audited by Ernst & Young, certified public accountants, and are included elsewhere in this Offering Circular) and should be read in conjunction with such audited financial statements and the notes thereto.

Statement of Profit or Loss and Other Comprehensive Income (prepared and presented in accordance with Hong Kong Financial Reporting Standards)

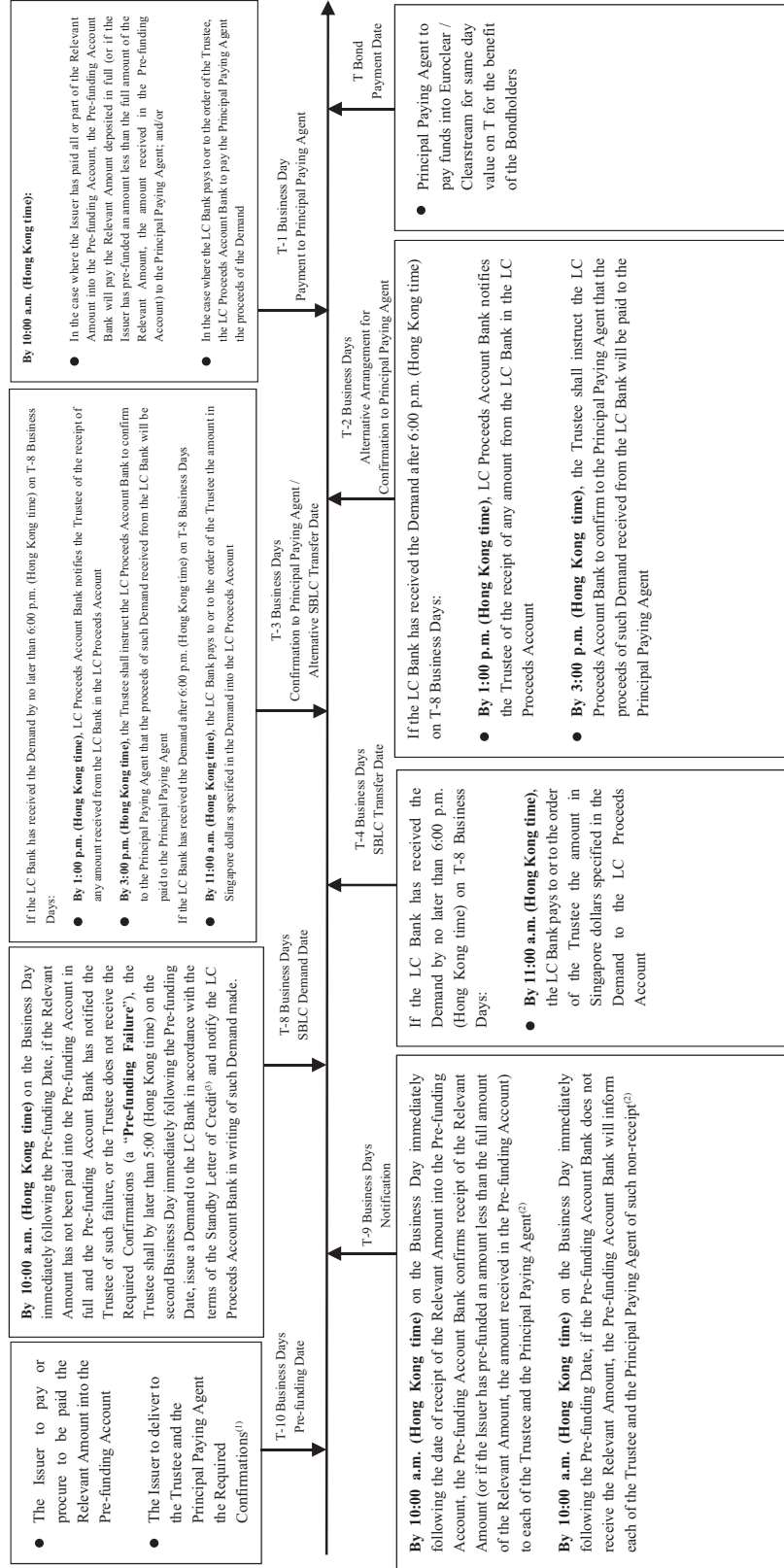
	Year ended 31 December 2018 (audited)	Year ended 31 December 2019 (audited)	Year ended 31 December 2020 (audited)
	(RMB)		
Revenue	4,428,604,725	4,517,525,642	1,280,553,431
Cost of sales	(4,297,470,900)	(4,472,797,665)	(1,261,799,304)
Gross profit	131,133,825	44,727,977	18,754,127
Other income and gains	525,961,826	308,544,114	341,755,762
Administrative expenses	(1,301,039)	(1,747,898)	(354,586)
Finance costs	(320,173,440)	(227,636,640)	(316,035,886)
Profit before income tax	335,621,172	123,887,553	44,119,437
Income tax expense	(4,412,957)	(20,173,102)	(20,851,003)
Profit for the year	331,208,215	103,714,451	23,268,434
Total comprehensive income for the year	331,208,215	103,714,451	23,268,434

Statement of Financial Position
(prepared and presented in accordance with Hong Kong Financial Reporting Standards)

	31 December 2018 (audited)	31 December 2019 (audited)	31 December 2020 (audited)
	(RMB)		
Current assets			
Amounts due from the immediate holding company	14,464,124,926	17,879,819,665	17,038,008,324
Amount due from a fellow subsidiary	77,223	77,223	77,223
Cash and cash equivalents	<u>155,699,399</u>	<u>132,694,643</u>	<u>30,924,260</u>
Total current assets	14,619,901,548	18,012,591,531	17,069,009,807
Current liabilities			
Interest-bearing bank borrowings	3,200,000,000	2,200,000,000	2,465,700,000
Interest payable	17,859,528	14,086,992	4,625,861
Tax payable	3,457,705	—	—
Other payables	5,280,699,474	10,696,667,269	12,062,132,461
Current portion of bonds payable	—	<u>2,584,578,802</u>	—
Total current liabilities	<u>8,502,016,707</u>	<u>15,495,333,063</u>	<u>14,532,458,322</u>
Net current assets	<u>6,117,884,841</u>	<u>2,517,258,468</u>	<u>2,536,551,485</u>
Total assets less current liabilities	<u>6,117,884,841</u>	<u>2,517,258,468</u>	<u>2,536,551,485</u>
Non-current liabilities			
Interest-bearing bank borrowings	3,000,000,000	—	—
Bonds payable	<u>2,495,041,686</u>	<u>1,790,700,862</u>	<u>1,786,725,445</u>
Total non-current liabilities	<u>5,495,041,686</u>	<u>1,790,700,862</u>	<u>1,786,725,445</u>
Net assets	<u>622,843,155</u>	<u>726,557,606</u>	<u>749,826,040</u>
Equity			
Share capital	230,269,800	230,269,800	230,269,800
Reserves	<u>392,573,355</u>	<u>496,287,806</u>	<u>519,556,240</u>
Total equity	<u>622,843,155</u>	<u>726,557,606</u>	<u>749,826,040</u>

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with “Terms and Conditions of the Bonds”, the Trust Deed and the Agency Agreement referred therein and “Appendix — Form of Standby Letter of Credit.” Words and expressions defined in the “Terms and Conditions of the Bonds” shall have the same meaning in this summary.



Notes:

- (1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (b) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 11:00 a.m. (Hong Kong time) on the second Business Day preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by such means of communication as each of the Principal Paying Agent and the Trustee may in its discretion agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT.

RISK FACTORS

In addition to other information in this Offering Circular, you should carefully consider the following risk factors, together with all other information contained in this Offering Circular (including the financial statements and the bonds thereto), before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that the Company faces. Additional risks and uncertainties that the Company is not aware of or that the Company currently believes are immaterial may also adversely affect its business, financial condition or results of operations. If any of the possible events described below occur, the Company's business, financial condition or results of operations could be materially and adversely affected, the trading price of the Bonds could decline and investors may lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE COMPANY

Fluctuations in global economic conditions could adversely affect the business activities, financial condition and results of operations of the Company.

The Company's business, results of operations and financial condition are materially affected by Chinese and global economic conditions. While some economies have resumed growth since the global financial crisis, the outlook for the world economy and financial markets remains uncertain. For instance, several countries in Europe have faced difficulties in refinancing their debts, and the Chinese overall economic growth has experienced a slowdown, which reduced economic activities to some extent. It is uncertain whether various macroeconomic measures, especially monetary policies, adopted by the PRC government will be effective in sustaining the growth rate of the Chinese economy.

The U.S.-China trade tension, including that the United States increased tariffs on Chinese imports to the United States, has already resulted in the instability of the market, weakened the markets and lowered the confidence of investors, as well as reduced economic growth expectations around the world. In July 2018, the U.S. government imposed tariffs on U.S.\$34 billion worth of Chinese goods, which then led the PRC to respond with similar sized tariffs on U.S. products. At the peak of the trade tension at the end of 2019, the U.S. government imposed tariffs on more than U.S.\$360 billion worth of Chinese goods, while China had retaliated with import duties around U.S.\$110 billion on U.S. products. In January 2020, the United States and China signed the phase one trade deal. However, an amicable resolution of such trade tension remains elusive, and the lasting impacts any trade tension may have on the Chinese economy and the industries the Company's clients operate in remain uncertain. More recently, in July 2020, the United States ordered the closure of China's consulate in Houston, Texas and China has subsequently closed the United States' consulate in Chengdu. In addition, the United Kingdom's withdrawal from the European Union may result in adverse effects on global economic conditions and stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to fund their capital and liquidity requirements and operate in certain financial markets.

Furthermore, the 2019 novel coronavirus ("COVID-19") pandemic has spread worldwide since December 2019 and disrupted the global economy and materially affected the financial market conditions. There is no assurance that these factors would not have adverse effects on the Company's business, financial condition and results of operations. Please see also "Risk Factors - Risks Relating to

the Company - Any adverse public health developments, including SARS, Ebola, avian flu, influenza A (H1N1) or COVID-19, or the occurrence of natural disasters may, among other things, lead to travel restrictions and reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Company's products and have a material adverse effect on its financial condition and results of operations."

Any adverse change in global and Chinese economic conditions could have a material adverse effect on overall economic growth and the level of investments and expenditure in the PRC and elsewhere where the Company conducts its business, which in turn could have a material adverse effect on the business activities, financial condition and results of operations of the Company.

The Company's indebtedness and other financial obligations may have a material adverse effect on its liquidity and operations.

The Company has a substantial amount of debt and other financial obligations, and will continue to have such obligations in the future. As at 31 December 2020, the Company's total liabilities were RMB16,319 million and its current liabilities were RMB14,532 million. The Company's total interest-bearing liabilities (including long-term and short-term bank borrowings and bonds payable) as at each of the three years ended 31 December 2018, 2019 and 2020 were RMB8,695 million, RMB6,575 million, and RMB4,252 million, respectively, of which short-term liabilities accounted for 36.8 per cent., 72.8 per cent. and 58.0 per cent., respectively. The Company's substantial indebtedness and other financial obligations could materially and adversely affect its business and operations, including requiring it to dedicate additional cash flow from operations to the payment of principal and interest on its indebtedness, thereby reducing the funds available for operations and future business opportunities, increasing its vulnerability to economic recessions, reducing its flexibility in responding to changing business and economic conditions, placing it at a disadvantage compared to competitors with lower debt, limiting its ability to arrange for additional financing for working capital, capital expenditures and other general corporate purposes, at all or on terms that are acceptable to the Company.

Moreover, the Company is largely dependent upon cash flows generated from its operations and external financing (including short-term bank loans) to meet its debt repayment obligations and working capital requirements, which may reduce the funds available for other business purposes. If the Company's operating cash flow is materially and adversely affected by factors such as a significant decrease in demand for its products or a significant increase in aviation fuel prices, its liquidity would be materially and adversely affected. The Company has arranged financing with domestic and foreign banks in order to meet its working capital requirements. However, there is no assurance that such measures would be sufficient to meet the Company's debt payment obligation and working capital requirements at any time and the Company may not be able to roll-over or refinance its existing debts. The Company's ability to obtain financing may be affected by its financial position and leverage, its credit rating and investor perception of the aviation fuel industry, as well as prevailing economic conditions and the cost of financing in general. If the Company is unable to obtain adequate financing for its capital requirements, its liquidity and operations would be materially and adversely affected.

The Company's operating results and operating cash flows may fluctuate significantly from period to period as a result of factors outside of its control.

The Company has historically experienced fluctuations in revenue, gross profit, other income and gains, and operating cash flows from year to year. The Company expects its revenue, operating results and cash flows to continue to vary significantly from year to year due to factors including fluctuations in revenues earned on aviation fuel orders and interest income from entrusted loan agreements, changes

in demand for its aviation fuel products, fluctuations in working capital including changes in its receivables and payables, strategic decisions by the Company, its customers or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy, and global economic and political conditions and related risks. In the event the Company's existing major customer does not continue to place orders with the Company or places fewer orders due to a deterioration in its own business or industry, the Company's business and hence its revenue and/or its gross profit will be adversely affected. In addition, in the event that the Company's major customer does not promptly pay for the fuel orders, the Company may not have sufficient cash flow to carry on its business and its liquidity and operations would be materially and adversely affected.

The Company may not be able to secure future financing at terms acceptable to it or at all.

The Company requires significant amounts of external financing to meet its demand for acquiring aviation fuel and for other general corporate needs. The unavailability of credit facilities from banks or the increased cost of such credit facilities may materially and adversely affect its ability to borrow additional funds or enter into other additional financing on acceptable terms. In addition, if the Company is not able to arrange financing for its aviation fuel on order, the Company may seek to defer aviation fuel deliveries or use cash from operations or other sources to acquire the aviation fuel.

The Company's ability to obtain financing may also be impaired by its financial position, its leverage and its credit rating. In addition, factors beyond its control, such as recent global market and economic conditions, volatile oil prices, and the tightening of credit markets, may result in limited availability of financing and increased volatility in credit and equity markets, which may materially adversely affect its ability to secure financing at reasonable costs or at all. If the Company is unable to obtain financing for a significant portion of its capital requirements, its ability to expand its operations and pursue business opportunities which it believes to be desirable, withstand any future downturn in its business, or respond to increased competition or changing economic conditions may be impaired. The Company has and in the future is likely to continue to have substantial debt. As a result, the interest cost associated with this indebtedness might impair its future profitability and cause its earnings to be subject to a higher degree of volatility.

The Company is subject to the risk of fuel price fluctuations.

Aviation fuel cost constitutes the most significant part of the Company's operating costs, which consist of cost of sales, administrative expenses and finance costs. For each of the three years ended 31 December 2018, 2019 and 2020, the Company's total aviation fuel cost was RMB4,297 million, RMB4,473 million and RMB1,262 million, respectively, accounting for approximately 93.0 per cent., 95.1 per cent. and 80.0 per cent., respectively, of its total operating costs, consisting of cost of sales, administrative expenses and finance costs, during those periods. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organisation of Petroleum Exporting Countries ("OPEC") policies, the rapid growth of the economies of certain countries, including China and India, the levels of inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather conditions, and other factors over which the Company has no control. For example, in early 2020, oil prices experienced a precipitous decline in response to oil demand concerns due to the economic impact of the COVID-19 pandemic as well as anticipated increases in supply from Russia and OPEC, particularly Saudi Arabia. In addition, the NDRC has adjusted gasoline and diesel prices in China from time to time, taking into account the changes in international oil prices, thereby affecting aviation fuel prices.

The Company's results of operations and financial condition are affected by any significant fluctuations that may occur, which are generally due to factors beyond its control. The oil market is

volatile and often unpredictable as it is subject to prevailing demand and supply conditions. Oil price generally increases when there is a shortage of oil supply or an upsurge in demand for oil. Adverse movements in the prices of aviation fuel are likely to affect the Company's profits in situations when the Company may have committed to sell aviation fuel at fixed prices but the Company may have committed to buy at floating rates or the Company may not have sourced the aviation fuel from the suppliers. If the aviation fuel prices increase after the Company has concluded its contract to sell, the Company may have to purchase the aviation fuel at the higher prevailing prices and its profit margin will be reduced. Similarly, the Company may incur losses from the decline in aviation fuel prices when it may have committed to buy aviation fuel at fixed rate but have committed to sell the aviation fuel at floating rate.

The Company is subject to the risk of exchange rate fluctuation.

The Company's purchases of aviation fuel are mainly priced and settled in foreign currencies such as U.S. dollars. Fluctuations in exchange rates will affect the Company's costs incurred from foreign currency purchases of aviation fuel. As at each of the three years ended 31 December 2018, 2019 and 2020, the Company's total interest-bearing liabilities denominated in foreign currencies including Singapore dollars and South Korean won amounted to RMB2,495 million, RMB4,375 million, and RMB4,252 million, respectively. Therefore, a significant fluctuation in foreign currency exchange rates will subject the Company to significant foreign exchange loss/gain arising from the exchange of foreign currency denominated liabilities, which would affect its profitability and business development. The Company typically uses hedging contracts for foreign currencies to reduce foreign exchange risks for fuel purchases in U.S. dollars. However, the Company's hedging strategies may not always be effective and high fluctuations in exchange rates exceeding the locked-in exchange rate ranges may result in losses. There is no outstanding foreign currency hedging contract held by the Company as at 31 December 2020.

The Company is subject to foreign exchange translation risk as its reporting currency is denominated in Renminbi. For each of the three years ended 31 December 2018, 2019 and 2020, the Company recorded net foreign exchange gains of RMB129 million, net foreign exchange losses of RMB36 million, and net foreign exchange losses of RMB171 million, respectively. As a result of the large value of existing net foreign currency liabilities denominated in Singapore dollars and South Korean won, the Company's results would be adversely affected if the Renminbi depreciates against the Singapore dollar or South Korean won or the rate of appreciation of the Renminbi against the Singapore dollar or South Korean won decreases in the future.

The Company is subject to the risk of interest rate fluctuation.

The Company's total interest-bearing liabilities (including long-term and short-term bank borrowings and bonds payable) as at each of the three years ended 31 December 2018, 2019 and 2020 were RMB8,695 million, RMB6,575 million, and RMB4,252 million, respectively, of which short-term liabilities accounted for 36.8 per cent., 72.8 per cent. and 58.0 per cent., respectively, and long-term liabilities accounted for 63.2 per cent., 27.2 per cent. and 42.0 per cent., respectively. A portion of the interest-bearing liabilities carried variable interest rates. Both the Company's variable and fixed rate obligations are affected by fluctuations in current market interest rates.

The Company's interest-bearing liabilities are mainly denominated in Singapore dollars and South Korean won. As at 31 December 2018, 2019 and 2020, its liabilities denominated in Singapore dollars and South Korean won accounted for 17.8 per cent., 25.3 per cent. and 26.1 per cent. respectively, of its total liabilities. Fluctuations in Singapore dollar interest rates may significantly affect the Company's financing costs as the Company's borrowings denominated in Singapore dollars

are linked to floating SIBOR rates. The relevant lending rates may increase in the future as a result of reasons beyond the Company's control, and may result in an adverse effect on its business, prospects, cash flow, financial condition and results of operations. In addition, the Company expects to issue bonds and notes or enter into additional loan agreements in the future to fund its operations and capital expenditures, and the cost of financing for these obligations will depend greatly on market interest rates.

Any adverse public health developments, including SARS, Ebola, avian flu, influenza A (H1N1) or COVID-19, or the occurrence of natural disasters may, among other things, lead to travel restrictions and reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Company's products and have a material adverse effect on its financial condition and results of operations.

Adverse public health epidemics or pandemics could disrupt businesses and the national economy of China and other countries where the Company does business. The outbreak of Severe Acute Respiratory Syndrome, or "SARS", in early 2003 led to a significant decline in travel volume and business activities and substantially affected businesses in Asia. Moreover, some Asian countries, including China, have encountered incidents of the H5N1 strain of avian flu, many of which have resulted in fatalities. In addition, outbreaks of, and sporadic human infection with, influenza A (H1N1) in 2009, a highly contagious acute respiratory disease, were reported in Mexico and an increasing number of countries with some cases resulting in fatalities. In addition, in April 2013, there was an outbreak of the H7N9 strain of the avian flu, which was largely been centred in eastern China, and resulted in fatalities in that region, including Shanghai. Furthermore, in 2014, an outbreak of Ebola virus, a highly contagious haemorrhagic fever with a relatively high fatality rate, in certain African countries spread to the United States and Europe. The Company is unable to predict the potential impact, if any, that another outbreak of SARS, influenza A (H1N1), any other strain of the avian flu, Ebola or any other serious contagious disease or epidemic may have on its business.

Beginning from December 2019, a novel strain of coronavirus, or the COVID-19, resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and other countries around the world. The COVID-19 pandemic, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic, could present significant challenges and uncertainties. Demand for aviation fuel has decreased significantly due to government-mandated travel restrictions and the curtailment of economic activity resulting from the COVID-19 pandemic. The Company's revenue for sales of aviation fuel decreased by RMB3,237 million to RMB1,281 million for the year ended 31 December 2020, a 71.7 per cent. decrease compared to the year ended 31 December 2019. The Company's profit before income tax decreased by RMB80 million to RMB44 million for the year ended 31 December 2020, a 64.4 per cent. decrease compared to the year ended 31 December 2019. The recent resurgence of the COVID-19 pandemic in certain parts of the world, including the discovery of new and more transmissible variants of the COVID-19 virus in India, South Africa and the United Kingdom, could again reduce the global demand for aviation fuel and have an adverse impact on the Company's revenue and profit. Although vaccines have been developed to counter COVID-19, there are also new strains of the virus arising in some countries and the situation remains uncertain. There can be no assurance that such measures will be effective in ending or deterring the spread of COVID-19.

Although the Chinese economy has been recovering steadily from the impact of COVID-19 since the second half of 2020, any recurrence of the COVID-19 outbreak in China, such as the recurrence of COVID-19 around the end of 2020, or continuance of the outbreak in other parts of the world could adversely impact the Company's business operations or the business operations of the Company's

customers and partners thus in turn having an adverse impact on the Company's business, results of operations and financial condition. Failure to contain the further spread of COVID-19 will prolong and exacerbate the general economic downturn. While the potential impact and duration of the COVID-19 pandemic on the global economy and the Company's business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption to the global aviation industry and the oil industry, and may continue to reduce the demand for the Company's aviation fuel, which could negatively affect its financial condition. The Company's business operations could be disrupted if any of its employees is suspected of having these or any other epidemic disease, since it could require its employees to be quarantined and/or its offices to be closed for disinfection or other remedial measures. There remains substantial uncertainties about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods if the pandemic and the resulting disruption were to extend over a prolonged period. To the extent the global spread of COVID-19 and deterioration cannot be contained, the risks and uncertainties set forth in this Offering Circular may be exacerbated or accelerated at a heightened level.

Natural disasters, such as earthquakes, snowstorms, floods or volcanic eruptions such as that of Eyjafjallajökull in Iceland in April and May 2010, the natural disasters in Japan in early 2011 and the earthquake in Ya'an, China in April 2013 may disrupt or seriously affect air travel activity. Any period of sustained disruption to the airline industry may have a material adverse effect on the demand for the Company's aviation fuel products and thus the Company's business, financial condition and results of operations.

The Company may not be successful in its investment plans.

As the Company is the major investment platform of the Parent, it may carry out investments, mergers and acquisitions from time to time. For example, in 2012, the Company, as a joint venture partner with Jetstar International Group Holdings Co., Limited, a wholly-owned Hong Kong-based subsidiary of Qantas, invested in Jetstar Hong Kong Airways Limited. Jetstar Hong Kong Airways Limited was later dissolved following its failure to obtain necessary operating licence. There is no assurance that the Company will be able to identify investment projects or acquisition targets that suit its development plans. Even if the Company does identify suitable investment projects or acquisition targets, there is no assurance that it will be able to complete the acquisitions and/or investments within the timeframe or budget as anticipated, or at all. The successful acquisition of businesses with good prospects requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. The Company's assessment of potential acquisitions may not reveal all existing or potential problems, nor may such assessments make it sufficiently familiar with the businesses to fully assess their strengths and weaknesses. If the Company is unable to complete its investment plans successfully, the Company's financial condition, results of operations and future growth may be materially and adversely affected.

The Company may be unable to retain key management personnel.

The Company is dependent on the experience and industry knowledge of its key management personnel, and there can be no assurance that the Company will be able to retain them. Any inability to retain its key management personnel, or attract and retain additional qualified management personnel, could have a negative impact on the Company's operations and profitability.

The Company is reliant on its parent company which is its major customer.

The Company's aviation fuel and entrusted loan business is heavily dependent on the Parent, which purchases aviation fuel from the Company and borrows funds from the Company through a

financial company within the Parent Group. 100.0 per cent. of all the aviation fuel trades and entrusted loan business for each of the three years ended 31 December 2018, 2019 and 2020 were with the Parent. The Company's business is dependent on the Parent continuing to place aviation fuel orders and enter into entrusted loan agreements with the Company. The Company will continue, in the foreseeable future, to be reliant on its parent company for its aviation fuel and entrusted loan business.

In the event that the Parent does not continue to place aviation fuel orders with the Company, the Company may face competition from other aviation fuel traders, and as a result, its aviation fuel sales may decrease and it may not continue to control its market share in the future. Moreover, if the Parent decreases its amount of aviation fuel orders due to deterioration in its own business or industry due to its own or industry-specific reasons or broader reasons, such as the impact of COVID-19, or for any other reason, there may be a material adverse effect on the Company as a decrease in aviation fuel sales will adversely affect its profits. In addition, in the event that the Parent does not enter into entrusted loan agreements with the Company or fails to pay interest pursuant to entrusted loan agreements, the Company's business, financial condition and results of operations may be materially and adversely affected.

The Parent may take actions that conflict with the best interests of the Company.

As the Parent is the sole shareholder of the Company, the Parent is able to exercise significant control or exert significant influence over the Company's business or otherwise on matters of significance to the Company by voting at the general meetings of shareholders or at board meetings, including:

- election of directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to the Company's capital structure; and
- amendments to the Company's memorandum and articles of association.

The interests of the Parent may differ from the interests of the Company and the Parent is free to exercise its votes according to its interests.

The Company engages in related party transactions, which may result in a conflict of interests.

The Company has engaged in, from time to time, and may continue to engage in, in the future, a variety of transactions with the Parent, including sale of aviation fuel and provision of loans. Since the Company is controlled by the Parent and the Parent may have interests that may conflict with the Company's interests, there is no assurance that the Parent will not take actions that will serve its interests or the interests of the other members of the Parent Group over the Company's interests.

The Company will rely on remittances from the Parent or any other members of the Parent Group to make payments under the Bonds and the Parent is not an obligor under the Bonds.

The Company is an offshore platform of the Parent whose business is highly reliant on the Parent Group. Its ability to make payments under the Bonds will depend on its receipt of timely remittances from the Parent or any other members of the Parent Group. In the event that the Parent or any other members of the Parent Group do not make such remittances in a timely manner or at all, the Company's ability to make payments under the Bonds may be adversely affected.

In addition, neither the Parent or any other member of the Parent Group (other than the Company) has payment or other obligations under the Bonds. Investors should base their investment decision only on the financial condition of the Company and base any perceived credit risk associated with an investment in the Bonds only on the Company's own financial information reflected in its financial statements. See also "*Risks Relating to the Standby Letter of Credit and the Bonds - Neither China Eastern Airlines Corporation Limited nor its subsidiaries (other than the Company) has payment or other obligations under the Bonds*".

The Company may not be able to detect and prevent fraud, corruption or other misconduct committed by its management, employees or third parties.

The Company is exposed to fraud, corruption or other misconduct committed by its management, employees, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities as well as seriously harm its reputation. In addition, the Company's management, employees, agents, customers or other third parties may be subject to investigations by PRC and/or foreign authorities, the occurrence or the outcome of which may be difficult to predict. The Company's management information systems and internal control procedures are designed to monitor the Company's operations and overall compliance, and the Company, from time to time, examines its internal control and corporate governance policies and procedures in order to strengthen their ability to detect and prevent similar and other misconduct. Nevertheless, the Company may be unable to identify non-compliance and/or suspicious transactions in a timely manner or at all. Further, it is not always possible to detect and prevent fraud, corruption and other misconduct.

Any failure or disruption of the Company's computer, communications or other technology systems could have an adverse impact on its business operations and profitability.

The Company relies heavily on computer, communications and other technology systems to operate its business. The Company relies on its computerised systems for placing aviation fuel orders and other operational needs. These systems could be disrupted due to various events, including design discrepancies, natural disasters, power failures, terrorist attacks, equipment failures, software failures, operational default or interruption, computer viruses or external network attacks, and other events beyond the Company's control. The Company can give no assurance that the measures taken by the Company to reduce the risk of some of these potential disruptions are adequate to prevent disruptions or failures of these systems. Any substantial or repeated failure or disruption in or breach of these systems could result in the loss of important data, and could have an adverse impact on the Company's business operations and profitability. Moreover, future upgrades of information technology may challenge the reliability of the Company's existing systems.

Decrease in global air traffic or adverse conditions in the aviation industry may adversely affect the Company's sales.

The Company's business of procuring aviation fuel is closely tied to the amount of air traffic from the global air travel business. Unforeseen circumstances, such as terrorist attacks, most notably

the terrorist attack on 11 September 2001 in the United States, may lead to a fall in demand for global air travel, which may consequently lead to a decline in demand for aviation fuel. Terrorist attacks targeting aircraft and/or airports brings about on-going adverse impact on the outbound tourism demand for places where terrorist attacks have taken place. In addition, any political instability, natural disasters, military action that disrupts flight operations, or the outbreak of any severe communicable disease, in particular, COVID-19, will adversely affect the Company's customers and may reduce the demand for the Company's products and services. This will adversely affect the Company's sales of aviation fuel and its profits.

Insurance coverage for some of the Company's operations may be insufficient to cover losses.

The Company does not maintain insurance coverage for various risks, including environmental claims. In addition, the Company's liability insurance does not cover acts of war and terrorism. A significant uninsured claim against the Company would have a material adverse effect on its financial position and results of operations.

If the Company fails to comply with extensive environmental laws and governmental regulations, it could suffer penalties or be required to make significant changes to its operations.

The Company is required to comply with extensive and complex environmental laws and regulations at the international and local government levels relating to, among other things:

- the handling of fuel and fuel products;
- workplace safety;
- fuel spillage or seepage;
- environmental damage; and
- hazardous waste disposal.

If the Company is involved in a spill or other accident involving hazardous substances, if there are releases of fuel and fuel products the Company owns, or if the Company is found to be in violation of environmental laws or regulations, it could be subject to liabilities that could have a material adverse effect on its business, financial condition and results of operations. The Company is also subject to possible claims by customers, employees and others who may be injured by a fuel spill, exposure to fuel or other accidents. If the Company should fail to comply with applicable environmental regulations, it could be subject to substantial fines or penalties and to civil and criminal liability.

Material disruptions in the availability or supply of fuel would adversely affect the Company's business.

The success of the Company's business depends on its ability to purchase, sell and coordinate delivery of aviation fuel to its customers. The Company's business would be adversely affected to the extent that political instability, natural disasters, terrorist activity, military action or other conditions disrupt the availability or supply of fuel. In the past, aviation fuel shortages have occurred in China. Although aviation fuel shortages have not occurred since the end of 1993, the Company can give no assurance that aviation fuel shortages will not occur in the future.

Public corporate disclosure about the Company may be limited.

As the Company is not listed on any stock exchange, there may be less information about it publicly available than is regularly made available by listed companies.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions as well as governmental policies may materially and adversely affect the Company's business, financial condition and results of operations.

A substantial part of the Company's revenue is derived from the PRC and the growth of the Company's businesses depends significantly on the continuation of economic development and growth in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. For the past four decades, the PRC Government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, the Company may not continue to benefit from all, or any, of these measures. In addition, the Company cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on the Company's current or future businesses, financial condition and results of operations.

The economy of the PRC experienced rapid growth over the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC Government, but has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit. For example, the ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. In Europe, the exit of the United Kingdom from the European Union, and any prolonged period of uncertainty which results, could have a significant negative impact on international markets. These could include further falls in stock exchange indices, a fall in the value of the Pound sterling, an increase in exchange rates between the Pound sterling and the Euro and/or greater volatility of markets in general due to the increased uncertainty.

Foreign exchange regulations in the PRC may result in fluctuations of the Renminbi and adversely affect the Company's ability to pay dividends or to satisfy its foreign currency liabilities.

A significant portion of the Company's revenue and operating expenses are denominated in Renminbi, whilst a portion of its revenue and debts are denominated in U.S. dollars and other foreign currencies. The Renminbi is currently freely convertible under the current account, which includes dividends, trade and service-related foreign currency transactions, but not in the capital account, which includes foreign direct investment, unless approval from or registration or filing with the relevant authorities, is obtained. The Company can purchase foreign currencies without the approval of SAFE

for settlement of current account transactions, including payment of dividends, by providing commercial documents evidencing these transactions. The relevant PRC government authorities may limit or eliminate the Company's ability to purchase and retain foreign currencies in the future. Foreign currency transactions in the capital account are still subject to limitations and require approvals from SAFE. The Company can give no assurance that it will be able to obtain sufficient foreign currencies to satisfy its foreign currency liabilities.

Furthermore, the value of the Renminbi against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, the PRC government policies, domestic and international economic and political conditions and changes in the supply and demand of such currencies. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in the appreciation of the Renminbi against the U.S. dollar by approximately 7.0 per cent. in 2008. Whilst there was no material appreciation of the Renminbi against the U.S. dollar in 2009, the Renminbi against the U.S. dollar appreciated by approximately 3.0 per cent. in 2010 and by approximately 5.1 per cent. in 2011. In April 2012, the PBOC widened the daily trading band of the Renminbi against the U.S. dollar, and the Renminbi was allowed to appreciate or depreciate by 1.0 per cent. from the PBOC central parity rate. In March 2014, the PBOC further widened the daily trading band of the Renminbi against the U.S. dollar, and the Renminbi was allowed to appreciate or depreciate by 2.0 per cent. from the daily central parity rate. On 11 August 2015, the PBOC executed a 2 per cent. devaluation in the Renminbi. Within the following two days, the Renminbi depreciated 3.5 per cent. against the U.S. dollar. The Renminbi depreciated 6.7 per cent. against the U.S. dollar from 4 January 2016 to 30 December 2016. However, it remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi. It is possible that the PRC government could adopt a more flexible foreign exchange policy, which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency. Any resulting fluctuations in exchange rates as a result of such policy changes may have an adverse effect on the Company's financial condition and results of operations.

The operations of the Company may be adversely affected by rising inflation rates in the PRC.

Inflation rates in the PRC have been on a sharp uptrend in recent years. The PRC government has undertaken numerous contractionary policies, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down excessive economic growth and control price hikes. Increases in inflation rates are due to many factors beyond the Company's control, such as rising food prices, rising production and labour costs, high lending levels, changes in the PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. In 2014, the inflation rates fluctuated with two peaks in May and July 2014. In 2015, the inflation rates fluctuated, reaching a peak of 2.0 per cent. in August 2015. In 2016, the inflation rates fluctuated, peaking at 2.3 per cent. in February, March, April and November 2016. The national consumer price index was 2.6 per cent. in 2013, equal to that of 2012. The national consumer price index was 2.1 per cent., 1.4 per cent. and 2.0 per cent. in 2014, 2015 and 2016, respectively. The Company can give no assurance that inflation rates will not continue to increase in the future. If inflation rates rise beyond the Company's expectations, the costs of its business operations, may become significantly higher than it has anticipated, and it may be unable to pass on such higher costs to consumers in amounts that are sufficient to cover those increased operating costs. As a result, further inflationary pressures may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its liquidity and profitability.

Uncertainties embodied in the PRC legal system may limit certain legal protection available to investors.

The PRC legal system is a civil law system based on written statutes. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 20 years has significantly enhanced the protection afforded to foreign investors in China. Guiding Opinions of the Supreme People's Court (the "SPC") on Unifying the Application of Laws to Strengthen the Retrieval of Similar Cases (for Trial Implementation) (the "**Guiding Opinions**") was implemented on 31 July 2020. The Guiding Opinions provide that where a retrieved similar case is a guiding case issued by the SPC, the people's court shall make a judgment by reference to the case, except for those which conflict with new laws, administrative regulations, or judicial interpretations or those which have been replaced by new guiding cases. Where other similar cases are retrieved, the people's court can take them as a reference for making judgments. Decided legal cases have certain precedential value. However, the interpretation and enforcement of some of these laws, and regulations involve uncertainties that may limit the legal protection available to investors. Such uncertainties are expected to continue to exist as the legal system in the PRC continues to evolve. Even where adequate laws exist in the PRC, the enforcement of the existing laws or contracts may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement, including enforcement of a judgement by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited authority as precedents. As such, some litigation in the PRC may be protracted and result in substantial costs and diversion of the Company's resources and management's attention.

The PRC has not developed a fully integrated legal system and certain recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. The relative lack of experience of the PRC's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, in case of new laws and regulations, the interpretation, implementation and enforcement of these laws and regulations would involve uncertainties due to the lack of established practise or published court decisions available for reference. The Company cannot predict the effect of future legal development in the PRC, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between the local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Company and investors of the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Company may not be aware of any violations until sometime after the violation has occurred. This may also limit the remedies available to investors of the Bonds and to the Company in the event of any claims or disputes with third parties.

It may be difficult to effect service of process or to enforce any judgements obtained from non-PRC courts against the Company or its management residing in the PRC.

The Conditions and the transaction documents are governed by English law and the Company has submitted to the exclusive jurisdiction of the Hong Kong courts. However, a substantial amount of the Company's assets are derived from the PRC. Further, most of the Company's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon the Company or its management.

Moreover, it is understood that the enforcement of foreign judgements in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance

framework to which the Company is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Company or its management in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**New Arrangement**”), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgement. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgement given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practise in this area.

Any occurrence of force majeure events, natural disasters, contagious disease outbreaks or other adverse incidents in the PRC may materially and adversely affect the Company's businesses, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, may materially and adversely affect the Company's businesses and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect the Company's businesses. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. As the Company's businesses are dependent on economic conditions in the PRC as a whole, any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, the Company's businesses and results of operations. There is no assurance that any future occurrence of natural disasters or outbreak of avian influenza, severe acute respiratory syndrome, swine influenza or other epidemics or the measures taken by the PRC government or other countries in response to such events will not seriously disrupt the Company's operations or those of the Company's business partners or prospective investors in the Company, which may have a material adverse effect on the Company's results of operations.

The Company may be categorised as a PRC resident enterprise under the enterprise income tax law of the PRC and becomes subject to a corporate tax rate that is higher than the corporate tax rate in Hong Kong.

Under the Enterprise Income Tax Law (the “EIT”) and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management organisation” are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Company’s “de facto management organisation” is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Company confirms that it has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or with incomes that have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on its income sourced inside the PRC, and such income tax shall be withheld at source with the PRC payer acting as the obligatory withholding, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it shall withhold income tax from the payments of interest in respect of the Bonds for each non-PRC resident Bondholder.

RISKS RELATION TO CONDUCTING BUSINESS IN HONG KONG

The Company is affected by political and economic risks in Hong Kong.

The results of operations and financial condition of the Company may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. On 1 July 1997, sovereignty over Hong Kong was transferred from the United Kingdom to the PRC, and Hong Kong became a Special Administrative Region of the PRC. As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law, which is Hong Kong’s constitution, Hong Kong has a high degree of autonomy except in foreign and defence affairs. Under the Basic Law, Hong Kong has its own legislative, legal and judicial systems and full economic autonomy for 50 years. Nevertheless, there can be no assurance that such policies will not be significantly altered, especially in the wake of the anti-extradition bill in June 2019. In September 2019, Fitch downgraded Hong Kong’s credit ratings from “AA+” with a stable outlook to “AA” with a negative outlook, which was further downgraded to “AA-” with stable outlook in April 2020. Similarly, in September 2019 and January 2020, Moody’s downgraded Hong Kong’s credit ratings from “Aa2” with a stable outlook to “Aa2” with a negative outlook and further to “Aa3” with a stable outlook. Future economic, political and social developments in the PRC could have significant effects on Hong Kong, which may materially and adversely affect the Company’s business, results of operations and financial condition.

Civil unrest could have an adverse impact on the Company’s business, financial condition results of operations.

Civil unrest, protests, demonstrations or rioting causing mass disruption to businesses and transportation may also affect the Company’s operations. There is no assurance that any unforeseeable interruptions to the business and operations can be mitigated or avoided. Moreover, prolonged civil unrest and an uncertain political environment, including any declaration by the Chief Executive of

Hong Kong of a state of emergency pursuant to the Emergency Regulations Ordinance (Cap. 241) of the laws of Hong Kong which confers on the Chief Executive power to make any regulations whatsoever which he/she may consider desirable in the public interest in an occasion of emergency or public danger, may impact the Hong Kong economy and result in an economic slowdown. Civil unrest and instability may also dampen market confidence and sentiments. Civil unrest is outside the control of the Company. Any demonstrations, protests or riots causing disruption to the city, the authorities' reaction to any such protests or riots if they recur, the Chief Executive's decision to make any declaration of a state of emergency and the instability of the political and economic conditions in the region, could adversely impact the Company's business, financial condition and results of operations and the price of the Bonds traded in the secondary market.

Adverse economic developments in Hong Kong, the PRC or other countries in the world could have a material adverse effect on the Company's financial condition and the results of its operations.

A majority of the Company's revenues are derived from economic activities in Hong Kong and the PRC. Due to close business relations between Hong Kong and the PRC and neighbouring Asian countries, Hong Kong's economy is in turn affected, directly and indirectly, by the performance of the economies of these areas and countries. As a result, adverse economic developments in Hong Kong, the PRC or elsewhere in the Asian region, in particular a sustained slowdown in economic activities, could have a material adverse effect on the Company's financial condition and results of operations.

The Hong Kong economy is also affected, to a significant extent, by the economic conditions of the United States, Europe and other world economies. As a result, the Company's financial condition and the results of its operations may be adversely affected by a sustained downturn, if any, and market volatility in the United States, Europe or other world economies.

The global credit markets have experienced significant volatility, such as that caused in recent years by the global financial and economic crisis and events, including the European debt crisis, the potential withdrawal of countries from the Euro-zone, Brexit and volatility in the PRC stock market, which have led to less favourable financial and economic conditions. Any volatility or deterioration in the economic conditions in the United States, Europe, the PRC or elsewhere may have and may continue to have a negative impact on the economies of Hong Kong and other Asia Pacific countries which may in turn materially and adversely affect the Company's business, financial condition and the results of its operations and its ability to access the capital markets.

RISKS RELATING TO THE STANDBY LETTER OF CREDIT AND THE BONDS

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement regarding the Standby Letter of Credit may cause significant uncertainties.

Payments of principal and interest in respect of the Bonds will have the benefit of a Standby Letter of Credit issued by the LC Bank. If it is deemed to be a cross-border guarantee by SAFE or its local branches, according to the Foreign Exchange Administration of Cross-border Guarantee ("Circular 29") promulgated by SAFE on 12 May 2014, the LC Bank shall include the information of the Standby Letter of Credit in its report of outbound guarantee to the competent office of SAFE and failure to make such filing with SAFE will not affect the validity of a Standby Letter of Credit. However, Circular 29 was recently promulgated and there is only a limited volume of published decisions on its interpretation and/or enforcement. There is no assurance that Circular 29 will not be amended in the future to provide for the requirement that the Standby Letter of Credit will require approval from, or registration with, the relevant PRC governmental authorities. There is no assurance that such approval or registration will be obtained or completed. Furthermore, any amendment to

Circular 29 may be made with retroactive effect. Therefore, any amendment to Circular 29 which requires any Standby Letter of Credit to be approved by or registered with the relevant PRC governmental authorities may adversely affect the validity or enforceability of the Standby Letter of Credit in the PRC.

The LC Bank's ability to perform its obligations under any Standby Letter of Credit issued by it is subject to the financial conditions of ICBC.

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by its headquarters entity, which is Industrial and Commercial Bank of China Limited ("ICBC"). If the assets of the LC Bank are not sufficient to meet its obligations under a Standby Letter of Credit issued by it in respect of the Bonds, ICBC would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will depend on the financial conditions of ICBC, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- Impaired loans and advances: ICBC's results of operations have been and will continue to be negatively affected by its impaired loans. If ICBC is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans it extends in the future, or its allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, ICBC's financial conditions could be materially and adversely affected.
- Collateral and guarantees: A substantial portion of ICBC's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If ICBC is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, its financial conditions could be materially and adversely affected.
- Loans to real estate sector and government financing platforms: ICBC's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, its financial conditions and results of operations. Loans to government financing platforms are a part of the loan portfolio of ICBC. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

The Standby Letter of Credit is subject to a time limit and to a maximum amount.

The Standby Letter of Credit will expire at 6:00 p.m. (Hong Kong time) on [●]. Subject to the terms of the Standby Letter of Credit, no demand for payment may be made under the Standby Letter of Credit once it has expired. If the Trustee does not or is unable to present a demand under the Standby Letter of Credit on a timely basis, for example due to an interruption of the SWIFT system or the Trustee not having been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding, the Standby Letter of Credit may expire in accordance with its terms, in which case no person will be entitled to make any claim against the LC Bank.

In addition, the Standby Letter of Credit will be subject to a maximum limit. If the maximum limit is insufficient to cover all of the Company's liabilities outstanding under the Bonds and the Trust Deed after deductions of all amounts that the Trustee is entitled to, the Bondholders might not be able to recover the full amount of their claims under the Bonds from the LC Bank and would need to look to the Company to recover any remaining amounts.

Neither China Eastern Airlines Corporation Limited nor its subsidiaries (other than the Company) has payment or other obligations under the Bonds.

Each of China Eastern Airlines Corporation Limited and its subsidiaries (other than the Company) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Trust Deed or the Agency Agreement in lieu of the Company.

China Eastern Airlines Corporation Limited as the sole shareholder of the Company only has limited liability in the form of its equity contribution in the Company. As such, each of China Eastern Airlines Corporation Limited and its subsidiaries (other than the Company) does not have any payment or other obligations under the Bonds, the Trust Deed or the Agency Agreement. The Bonds are solely to be repaid by the Company as an obligor under the relevant transaction documents and as an independent legal person.

Therefore, investors should base their investment decision only on the financial condition of the Company and base any perceived credit risk associated with an investment in the Bonds only on the Company's own financial information reflected in its financial statements.

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

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have 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.

Additionally, 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 (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institution investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have 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 or incorporated by reference in this Offering Circular or any applicable supplement;
- have 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;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

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 the Company's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in the prices of securities of companies comparable to the Company, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Company and/or the investors of the Bonds.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Company and/or the investors of the Bonds. The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Company has obtained the NDRC pre-issuance registration certificate on 16 April 2021. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular is unclear.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the “**Guideline**”), which further strengthened the compliance of registration

requirements under the NDRC Circular, and provides that, companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and commit to maliciously report foreign debt scale and provide fake information might be put on the blacklist of dishonest persons and sanctioned by PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that government will take.

In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Company to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Company has undertaken to and procure China Eastern Air Holding Company Limited, to notify the NDRC of the particulars of the issue of the Bonds within 10 Registration Business Days after the Issue Date.

The Bonds will be unsecured obligations.

As the Bonds will be unsecured obligations of the Company, the repayment of the Bonds may be compromised if:

- the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Company's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Company's indebtedness.

If any of these events were to occur, the Company's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

Investment in the Bonds may subject investors to foreign exchange rate risks.

The Bonds will be denominated and payable in Singapore dollars. An investor who measures investment returns by reference to a currency other than Singapore dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Company has no control. Depreciation of the Singapore dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice to the Company pursuant to Condition 9 of the Conditions and/or the taking of actions and/or steps and/or enforcement proceedings pursuant to Condition 13 of the Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of Bondholders. The Trustee will not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating

and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed, the Conditions and the applicable law and regulations, it will be for the Bondholders to take such steps and/or actions and/or institute such proceedings directly.

An active trading market for the Bonds may not develop.

Although approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. If such a market was to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price, depending on many factors, including prevailing interest rates, the Company's operations and the market for similar securities. The Joint Lead Managers are not obligated 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. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act.

Developments in the international financial markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets or in any country in the future, the market price of the Bonds could be adversely affected.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Company is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Company is likely to involve Hong Kong insolvency laws, 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.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law matters.

The Conditions, the Standby Letter of Credit and the other transaction documents will be governed by English law, whereas parties to these documents will submit to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. As compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

In relation to claims made against the Company, under the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practise in this area.

Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Conditions will contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those 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 interests of individual holders of the Bonds.

The Conditions will also provide that the Trustee may, without the consent of the holders of the Bonds, agree (i) to any modification of the Trust Deed, the Standby Letter of Credit, the Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and (ii) to any modification of the Bonds, the Trust Deed, the Standby Letter of Credit or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

The Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each of Euroclear and Clearstream, a "Clearing System"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate, the Company will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Ratings of the Bonds may not reflect all risks and may be changed at any time, which may adversely affect the value of the Bonds.

The Bonds are expected to be assigned a rating of “A1” by Moody’s. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Company to perform their respective obligations under the Bonds and the credit risks in determining the likelihood that payments will be made when due under the Bonds. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Bonds will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Company is not obligated to inform holders of the Bonds of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Bonds at any time may materially and adversely affect the market price of the Bonds and the Company’s ability to access the debt capital markets.

Restrictions and covenants in the debt agreements of the Company may limit the Company’s ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Company to be accelerated.

Certain financing contracts entered into by members of the Company contain operational and financial restrictions that prohibit the Company’s or, as the case may be, the relevant subsidiary’s, business operations or financing activities, that restrict the relevant borrower from incurring additional indebtedness, creating security or granting guarantees or changing their business and corporate structure and declaring or paying dividends unless it is able to satisfy certain requirements, including but not limited to meeting certain financial ratios or obtaining the relevant lender’s prior consent. The ability of the Company to meet such requirements may be affected by events beyond its control, and the Company may not be in compliance with such restrictions from time to time. Such restrictions may also negatively affect the Company’s ability to respond to changes in market conditions in time, pursue the business opportunities the Company believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in the Company’s business. Any of these factors could materially and adversely affect the ability of the Company to satisfy its obligations under the Bonds and/or other debt, as the case may be.

If the Company is unable to comply with the restrictions and covenants in the Bonds, or if any of the Company or its subsidiaries is unable to comply with its current or future debt obligations and

other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of the Company's financing agreements contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Company to immediately repay their loans or declare a default as a result of the acceleration or default of other financing agreements by any other member of the Company. As a result, the default by the Company or the relevant subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there is no assurance that the Company will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Company or its subsidiaries would be sufficient to repay in full all of the respective debts as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company or its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries.

Singapore Taxation Risk

The Bonds are, pursuant to the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**") and the MAS Circular FDD Cir 11/2018 entitled "Extension of Tax Concessions for Promoting the Debt Market" issued by the Monetary Authority of Singapore ("**MAS**") on 31 May 2018, intended to be "qualifying debt securities" for the purposes of the Income Tax Act, subject to the fulfilment of certain conditions more particularly described in the section "*Taxation — Singapore Taxation*". However, there is no assurance that the Bonds will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the sale of the Bonds for repayment of existing debt.

CAPITALISATION AND INDEBTEDNESS

As at the date of this Offering Circular, the share capital of the Issuer was HK\$280,000,000, divided into 280,000,000 ordinary shares, all of which are held by the Parent and are fully paid, representing the entire issued share capital of the Issuer.

The following table sets forth the capitalisation of the Issuer as at 31 December 2020, as adjusted to give effect to the issue of the Bonds:

	As at 31 December 2020			
	Actual		Adjusted	
	(RMB)	(SGD)	(RMB)	(SGD)
Borrowings — non-current				
Interest-bearing bank borrowings	2,465,700,000	500,000,000	2,465,700,000	500,000,000
Bonds to be issued ⁽¹⁾	—	—	[●]	[●]
Borrowings — current				
Bonds payable	1,786,725,445	362,316,065	1,786,725,445	362,316,065
Total borrowings	<u>4,252,425,445</u>	<u>862,316,065</u>	<u>[●]</u>	<u>[●]</u>
Equity				
Share capital	230,269,800	46,694,610	230,269,800	46,694,610
Total equity	<u>749,826,040</u>	<u>152,051,353</u>	<u>749,826,040</u>	<u>152,051,353</u>
Total capitalisation⁽²⁾	<u>5,002,251,485</u>	<u>1,014,367,418</u>	<u>[●]</u>	<u>[●]</u>

Notes:

- (1) The principal amount of the Bonds to be issued has not taken into account the effect of transaction costs and expenses.
- (2) Total capitalisation equals the sum of total borrowings and total equity.
- (3) SGD translations are calculated using an exchange rate of RMB4.9314 to SGD1.00, representing the RMB central parity rate against SGD on 31 December 2020 as set forth on the website of the PBOC.

Except as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2020.

DESCRIPTION OF THE COMPANY'S BUSINESS

The description of support from China Eastern Airlines Corporation Limited in this section is on the support given to the Company's business operations and should not be read as any indication that China Eastern Airlines Corporation Limited or its subsidiaries (other than the Company) will have any financial obligations under the Bonds. See "Risk Factors — Risks Relating to the Bonds — Neither China Eastern Airlines Corporation Limited nor its subsidiaries (other than the Company) has payment or other obligations under the Bonds."

OVERVIEW

The Company is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 1614655). It was incorporated in Hong Kong on 10 June 2011. Its registered office is 22/F., Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. The Company is a wholly-owned subsidiary of the Parent.

The Company is principally engaged in the trading of aviation fuel and treasury activities. Particularly, the Company is the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent, the Company's only shareholder. The Parent is the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres as of January 2021 according to the International Civil Aviation Organization. In the foreseeable future, the unique role of the Company will not be substituted by the Parent's other subsidiaries. The strategic significance of Company is expected to be further consolidated in the future.

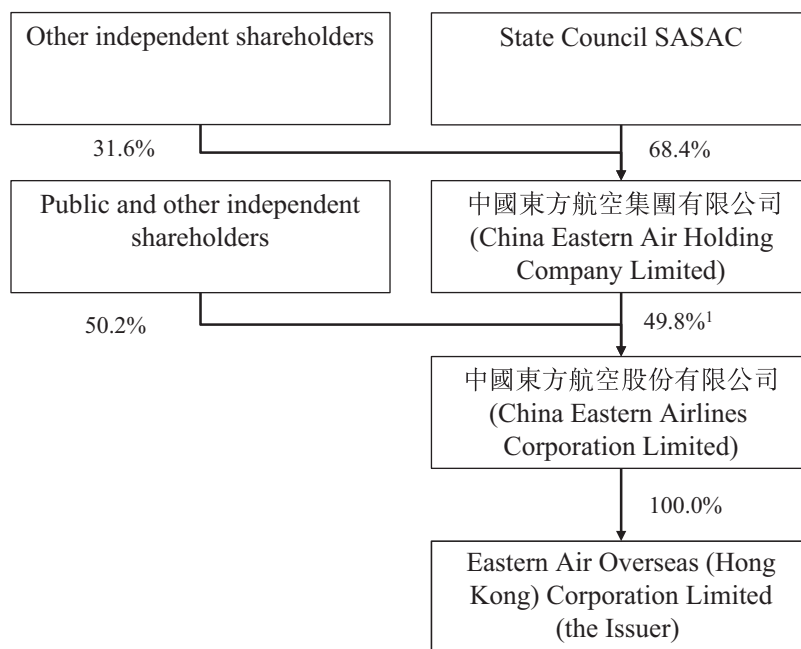
The Company's revenues derived from procurement of aviation fuel for the Parent, which amounted to approximately RMB4,428.6 million, RMB4,517.5 million, RMB1,280.6 million for each of the year ended 31 December 2018, 2019 and 2020.

The Company primarily buys and resells fuel to the Parent. In order to fulfil the demand of the Parent, the Company has a diverse group of aviation fuel suppliers ranging from large oil companies to specialised regional suppliers. The Company utilises these suppliers and third parties for the delivery and storage of fuel and do not own any pipelines, tanks or fuel delivery equipment.

CORPORATE STRUCTURE

As at the date of this Offering Circular, the total issued share capital of the Company is HK\$280,000,000, divided into 280,000,000 ordinary shares, all of which were held by the Parent. No part of the equity securities of the Company 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.

The corporate structure of the Company as at 31 December 2020 was as follows:



Note:

1. 5,072,922,927 A shares of the Parent were held directly by CEA Holding, representing approximately 31.0 per cent. of the total issued shares of the Parent as at 31 December 2020; and 457,317,073 A shares of the Parent were held directly by CES Finance, representing approximately 2.8 per cent. of the total issued shares of the Parent as at 31 December 2020. CES Global, directly held 2,626,240,000 H shares of the Parent in the capacity of beneficial owner through Hong Kong Securities Clearing Company Ltd., representing approximately 16.0 per cent. of the total issued shares of the Parent as at 31 December 2020, and CEA Holding indirectly owned the entire interest of CES Global through CES Finance. Therefore, CEA Holding is deemed to be interested in the 457,317,073 A shares of the Parent held directly by CES Finance and 2,626,240,000 H shares of the Parent held directly by CES Global, representing approximately 2.8 per cent. and 16.0 per cent. of the total issued shares of the Parent as at 31 December 2020, respectively.

HISTORY DEVELOPMENT

On 10 June 2011, the Company was incorporated in Hong Kong with issued share capital of HKD30 million.

On 8 August 2011, the Company issued offshore CNY denominated bonds in an amount of RMB2.5 billion at 4 per cent. due 2014 which were listed on the Singapore Exchange Securities Trading Limited and had been duly redeemed as of maturity date. The Parent guaranteed the bond issue.

On 23 March 2012, the Parent entered into a binding memorandum of understanding (the “**Jetstar MOU**”) with Jetstar International Group Holdings Co., Limited (“**Jetstar International**”), a wholly-owned subsidiary of Qantas, to establish Jetstar Hong Kong Airways Limited (“**Jetstar Hong Kong**”), a new joint venture low-cost airline based in Hong Kong. On 24 August 2012, the Company entered into a shareholders’ agreement (the “**Jetstar Shareholders’ Agreement**”) with Jetstar International pursuant to which the Company and Jetstar International invested in Jetstar Hong Kong. The Company and Jetstar International made equal initial capital contributions of U.S.\$57.5 million each, and the joint venture, Jetstar Hong Kong, had a total initial capital of U.S.\$115 million. Under the terms of the Jetstar MOU and the Jet Star Shareholders’ Agreement, the Parent and Jetstar International would hold equal equity interests in Jetstar Hong Kong. In September 2012, Jetstar Hong Kong received the certificate of incorporation issued by the relevant Hong Kong government authorities. In January 2013, Jetstar Hong Kong successfully passed the merger review by the relevant authorities in the PRC.

On 5 June 2013, the Company, Jetstar International and Go Harvest Investments Limited, a wholly-owned Hong Kong-based subsidiary of Shun Tak Holdings Limited, entered into a restated and amended shareholders' agreement, pursuant to which, Go Harvest Investments Limited would become a new strategic shareholder of Jetstar Hong Kong and hold 33 1/3 per cent. of the total issued share capital of Jetstar Hong Kong, which was accordingly increased to U.S.\$198 million.

On 5 June 2013, the Company also issued offshore CNY denominated bonds in an amount of RMB2.2 billion at 3.875 per cent. due 2016 which were listed on the Hong Kong Stock Exchange and had been duly redeemed as of maturity date. The Parent guaranteed the bond issue.

On 13 March 2014, the Company issued offshore CNY denominated bonds in an amount of RMB2.5 billion at 4.8 per cent. due 2017 which were listed on the Hong Kong Stock Exchange (the "**March 2014 Bonds**").

On 21 May 2014, the Company further issued offshore CNY denominated bonds in an amount of RMB800,000,000 at 4.8 per cent. which were consolidated and formed a single series with the March 2014 Bonds with the same maturity date in 2017. The Parent guaranteed the aggregated bond issue of RMB3.3 billion (collectively, the "**May 2014 Bonds**").

On 17 July 2014, the Company and Jetstar Hong Kong Airways Limited entered into a loan agreement, pursuant to which the Company would provide a loan of U.S.\$60 million to Jetstar Hong Kong at fair market interest rates. The principal of the loan was repaid on 30 April 2015.

On 14 August 2015, since the Air Transport Licensing Authority had determined that Jetstar Hong Kong was not eligible to obtain the air services licence given its primary place of business was not in Hong Kong, the board of directors of the Parent approved the "Resolution on the Termination of the Proposed Establishment of Jetstar Hong Kong and its Winding Up". The board of directors of the Parent considered that the termination of Jetstar Hong Kong would have no material adverse impact on the financial conditions and production and operation of the Parent. Jetstar Hong Kong was dissolved on 6 December 2016.

Since the interest rate of the offshore CNY denominated loans surpassed the interest rate of domestic financing channels by the second half of 2015, on 12 June 2016, as part of the Company's proactive liability management strategy, the Board passed the Resolution on Partial Repurchase of the Bonds Issued by the Company to repurchase the May 2014 Bonds in such manner and at such time as the Board deemed appropriate based on the market conditions. On 21 March 2016, the Company commenced an offer to repurchase for cash the May 2014 Bonds and a consent solicitation to solicit consents from the holders of the May 2014 Bonds. The single purchase price of the May 2014 Bonds was determined by a modified Dutch auction process. The minimum offer price was RMB9,800 for each RMB10,000 principal amount of the May 2014 Bonds (the "**Minimum Offer Price**"). The maximum offer price was RMB10,100 for each RMB10,000 principal amount of the May 2014 Bonds. A competitive offer shall specify a purchase price that such holder would be willing to accept as purchase price in respect of the May 2014 Bonds that are the subject of the particular tender instruction and the principal amount, in specified denomination of the May 2014 Bonds. Any offer price above the Minimum Offer Price shall be in increments of RMB25.00 per RMB10,000 in principal amount of the May 2014 Bonds. The Company was entitled to decide whether to accept any competitive offer or not. A non-competitive offer will specify the principal amount, which must be in the specified denomination of the bonds that the relevant holder of record is offering, and the purchase price was determined by the Company. As of 6 May 2016, all the May 2014 Bonds had been repurchased by the Company (the "**May 2016 Repurchase**") and were de-listed from the Hong Kong Stock Exchange on 16 May 2016. Such repurchase saved the Company approximately RMB32 million of finance costs.

On 16 November 2017, the Company issued offshore SGD denominated bonds in an amount of SGD500 million at 2.8 per cent. due 2020 which were listed on the Stock Exchange of Hong Kong Limited and had been duly redeemed as of maturity date. The Parent guaranteed the bond issue.

On 6 December 2019, the Company issued offshore KRW denominated bonds in an amount of KRW300 billion at 2.4 per cent. due 2022 in the QIB (Qualified Institutional Buyer) market in Korea. The Parent guaranteed the bond issue. On 6 December 2020, the Company made the first payment of interest on such bonds of KRW7.2 billion.

In the future, the Company may, either itself or through direct and indirect subsidiaries and associated companies, issue additional bonds, enter into loan agreements, enter into derivative transactions and engage in other activities related to the aforementioned and other businesses and may incur additional liabilities and indebtedness.

COMPETITIVE STRENGTHS

The Company believes that its achievements have been possible because of its competitive strengths as summarised below:

A primary overseas aviation fuel provider and the sole overseas finance and investment platform with strong support from the Parent

The description of support from China Eastern Airlines Corporation Limited in this section is on the support given to the Company's business operations and should not be read as any indication that China Eastern Airlines Corporation Limited or its subsidiaries (other than the Company) will have any financial obligations under the Bonds. See "Risk Factors — Risks Relating to the Bonds — Neither China Eastern Airlines Corporation Limited nor its subsidiaries (other than the Company) has payment or other obligations under the Bonds."

The Parent is a central SOE and the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres as of January 2021 according to the International Civil Aviation Organization.

In each of the years ended 31 December 2018, 2019 and 2020, the Company's revenue derived from the sale of aviation fuel to the Parent accounted for 13.1 per cent., 13.2 per cent. and 9.3 per cent. of the total aircraft fuel costs of the Parent. Moreover, the Company serves as the sole overseas platform for the Parent's global development strategy, by acting as the primary procurement arm of overseas aviation fuel for the Parent, the sole overseas financing and liquidity management platform of the Parent, shouldering the responsibility to provide liquidity and cash flow support of foreign funds, and optimize the debt structure and lower the overall financing costs for the Parent's overseas business. On behalf of the Parent, the Company also serves as the sole investment platform for overseas investments such as Jetstar Hong Kong, which was the first investment of the Parent to establish an overseas low-cost passenger/cargo airline.

As an indispensable overseas platform of the Parent, the Company received constant financial support since its incorporation. For example, in 2015 the Parent injected HKD250 million into the Company as share capital in order to expand the Company's overseas investment and financing business, with the total issued share capital of the Company increased to HKD280 million. Separately, the Parent has also fuelled the Company's growth by providing guarantee for the Company's offshore bond issuances. At the extraordinary general meeting of the Parent held on 15 January 2015, the Parent resolved that the maximum limit of the balance of the guarantee provided by the Parent to the

Company for financing and operation support shall be increased from RMB8 billion to RMB12 billion. At the annual general meeting of the Parent on 15 June 2016, in order to fully utilise the Company as an offshore financing platform, the Parent further resolved to increase the guarantee limit to RMB24 billion. The term of this joint liability guarantee is the same as those of the bonds, loans and trade financing facilities of the Company, all of which will not exceed a maximum term of 10 years. As at the date of this Offering Circular, the amount of guarantee actually provided to the Company thereunder is approximately RMB2.0 billion. The Company believes that it is well positioned to better execute its business plan and to more directly benefit from the Parent's strength and growth.

Well positioned to benefit from the continued high growth of China's international civil aviation market

The Company believes that, based on the established market position and geographic location of the Parent, it is well-positioned to continue to take advantage of the opportunities presented by China's international civil aviation market growth. In recent years, the trending of outbound tourism galvanised the market of international airline services. According to CAAC, in 2019, the total civil aviation traffic volume, and cargo and mail traffic volume in China reached 129.3 billion tonne-kilometres and 26.3 billion tonne-kilometres, respectively, with an average annual growth rate since 2016 of 10.3 per cent. and 5.8 per cent., respectively. Leveraging on the growth of the aviation market in China, in 2020, the Parent had also expanded its aviation network to cover over 170 countries and/or regions around the world with approximately 1,036 destinations. In terms of the international passenger transported by the Parent, for each of the years ended 31 December 2018, 2019 and 2020, the revenue passenger kilometre of the Parent was 67,290.3 million, 73,811.8 million and 10,609.3 million, respectively; and the passenger volume of the Parent was 16.1 million, 17.6 million and 2.2 million, respectively. For each of the years ended 31 December 2018, 2019 and 2020, the Parent's total passenger traffic volume amounted to 201,486 million, 221,779 million and 107,273 million, respectively. In terms of the international cargo transported by the Parent, for each of the years ended 31 December 2018, 2019 and 2020, the revenue cargo ton kilometre of the Parent was 1,667.1 million tonne-kilometres, 1,991.3 million tonne-kilometres and 1,416.3 million tonne-kilometres, respectively; and the cargo volume of the Parent was 240.0 million kilograms, 279.4 million kilograms and 163.2 million kilograms, respectively. In 2020, the Parent's market share in China in terms of total traffic volume reached 17.8%. Additionally, leveraging on the SkyTeam Alliance platform, the Parent Group also entered into strategic cooperation with various reputable international airlines including Delta Air Lines, Inc. and Air France KLM, and strengthened its cooperation with non-member airlines of the SkyTeam Alliance such as Qantas Airways Ltd and Japan Airlines Co., Ltd, so as to develop an efficient and convenient flight network covering all parts of China and connecting all parts of the world. As of January 2021, the Parent had become the second largest airline group in China and the fifth largest in the world in terms of revenue passenger-kilometres according to the International Civil Aviation Organization.

Notwithstanding the continuing COVID-19 impact, in the first quarter of 2021, the Parent's total traffic volume amounted to 2,996 million tonne-kilometres, representing a year-on-year increase of 14.86%; number of passengers carried amounted to 17,635,500, representing a year-on-year increase of 28.56%. In 2020, the total civil aviation traffic volume and cargo and mail traffic volume in China were 79.9 billion tonne-kilometres and 24.0 billion tonne-kilometres, respectively. Capitalising on the strategy to place dual focus on both domestic and international market and relying on a market backed by large population and great potential to level up the flights per capita, China aviation industry is estimated to thrive in the post-COVID-19 era. Being the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent, the Company believes it is well positioned to capitalise on the growth of China's international civil aviation market and further expand its operations in its aviation fuel trading and entrusted loan business.

Healthy financial and liquidity position and diversified sources of funding

Notwithstanding COVID-19's impact, the Company's financial and liquidity position has remained stable and healthy. For each of the years ended 31 December 2018, 2019 and 2020, the Company's EBITDA (defined as the aggregation of profit before income tax, interest expenses and depreciation and amortisation) was approximately RMB656 million, RMB315 million and RMB183 million, respectively; and the Company's EBITDA margin (defined as EBITDA divided by revenue) was approximately 14.8%, 7.0% and 14.3%, respectively; and the Company's EBITDA interest coverage ratio (defined as EBITDA/interest expenses) was 2.0, 1.6 and 1.3, respectively. The Company's debt-to-asset ratio (defined as total debt (comprising interest-bearing bank borrowings and bonds payable) divided by total assets) as at 31 December 2018, 2019 and 2020 was 59.5 per cent., 36.5 per cent. and 24.9 per cent., respectively. The Company's outstanding funding has been obtained from a number of different sources, including funds generated from operation, commercial bank lending, bridge loans, and debt securities issued into the capital markets. In particular, the Company has successfully issued offshore bonds in an amount of RMB8.0 billion, SGD500 million and KRW300 billion, respectively. The Company also maintains a solid relationship with many reputable banks, including Citibank, ICBC, Standard Chartered, the Export-Import Bank of China, Agricultural Bank of China and Bank of China (Hong Kong). As at the date of this Offering Circular, the Company has U.S.\$550 million unutilised bank facilities. Accordingly, the Company has established, and intends to maintain, a diversified portfolio of funding to support its operations and future growth.

Innovative overseas financing platform of the Parent

The Company believes the May 2016 Repurchase made the Company the first member of a central SOE group in the aviation industry that ever adopted the modified Dutch auction procedure to repurchase bonds. Such innovative exercise provided the Company with more flexibility to manage its financial operations and served as a useful precedent for its peers with similar overseas financing functions.

Experienced management team

The Company's management team has on average over 10 years of extensive experience in aviation industry. Many members of the Company's management team have previously served and/or are currently serving as senior officials within the Parent Group. The Company believes that its management team's extensive experience in the aviation fuel industry and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise, and contribute to the sustainable growth of the Company. For details of management of the Company, see "*Directors and Management*" section in this Offering Circular.

STRATEGIES

In addition to pursuing the above competitive strengths, the Company's core strategies are to continue to adopt the following strategies:

Continue to fulfil its role as the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent

The Company has been, and strives to continue to fulfil its role as the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent. As a key component of the Parent's business in the aviation industry, the operation results of the Company could substantially affect the financial performance of the Parent. In 2019, setting aside the adjustment in

factors such as fuel surcharge, if the average price of aviation fuel had increased or decreased by 5 per cent., aviation fuel costs of the Parent Group would have increased or decreased by approximately RMB1,710 million. Therefore, the Company will work closely with the special working group designated by the Parent to track and analyse the trend of fuel prices in order to timely and efficiently hedge the risk of aviation fuel price fluctuation. Moreover, the Company will also continue to cooperate with the relevant companies within the Parent Group to extend loans and explore other financing opportunities in favour of the Parent so that it can maintain a robust liquidity condition and be well-positioned to benefit from the opportunities at the resumption of air travel demand and revival of the aviation market in the PRC.

Maintain and improve margin for aviation fuel procurement

The Company will continue to focus on aviation fuel procurement as its core business activity, and intends to maintain and improve margin for its aviation fuel procurement activities by lowering the cost of purchase. Entering into term contracts with reliable suppliers will enable the Company to secure a steady supply of aviation fuel and lock in fixed price when the market price is low. Being the aviation fuel provider to the Parent, the Company envisages a larger demand for aviation fuel by the Parent and the China market in general. By leveraging on increasing purchase volume, the Company will be able to lower its purchase costs on a per-unit basis, thereby increasing its margins. The Company aims to maintain low purchase cost and maintain and improve margin in the future.

Form joint ventures and make strategic investments

In 2012, the Company, as a joint venture partner with Jetstar International Group Holdings Co., Limited, a wholly-owned Hong Kong-based subsidiary of Qantas, invested in Jetstar Hong Kong Airways, which was the first attempt of the Parent to establish an overseas low-cost passenger/cargo airline, aiming at the low-cost aviation service market with great growth potential.

Going forward, the Company may, either itself or through direct and indirect subsidiaries and associated companies, conduct major acquisitions on behalf of the Parent Group as a whole. The Company will continuously work to identify opportunities for its growth and the Parent's growth.

Adhere to prudent financial policy with stringent risk control and enhanced financial management

The Company plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Company has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Company focuses on its sustainable, healthy and rapid development and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Company will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure. The Company strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Continue to build a professional management team

The Company believes that its experienced management team has been a key factor in contributing to its success. The Company will continue to build a professional management team with well-educated and experienced personnel in order to continue to improve the efficiency of its operations and achieve its strategic goals through the Company's management team.

RECENT DEVELOPMENT

COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organisation that an unknown, new virus was causing pneumonia-like illness, namely COVID-19, in the city of Wuhan in the Hubei Province. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries imposing extensive business and travel restrictions with a view to containing the pandemic.

According to the report published by the IATA in February 2021, global passenger traffic volume in 2020 dropped by 65.9 per cent. as compared to 2019. The global aviation industry experienced a historic loss. According to relevant statistics from the Civil Aviation Administration of China, passenger traffic volume in 2020 dropped by 36.7 per cent. as compared to 2019. In 2020, the Parent Group's aircraft fuel cost was recorded RMB13,840 million, representing a decrease of 59.52 per cent. from 2019, which was primarily attributable to the decrease in the Parent Group's fuel consumption by 38.49 per cent. As a result of the decrease in demand for aviation fuel from the Parent Group, the Company's revenue from sale of aviation fuel dropped significantly by 71.7 per cent. from RMB4,517.5 million for the year ended 31 December 2019 to RMB1,280.6 million for the year ended 31 December 2020.

The global outbreak of COVID-19 may continue to affect the Company's industry and lead to shrunk market demand for aviation fuel and increased costs in procuring supplies, which would have a material adverse effect on the Company's business, financial condition and results of operations. See *"Risk Factors — Risks Relating to the Company – Any adverse public health developments, including SARS, Ebola, avian flu, influenza A (H1N1) or COVID-19, or the occurrence of natural disasters may, among other things, lead to travel restrictions and reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Company's products and have a material adverse effect on its financial condition and results of operations"*.

Nevertheless, it is noted that at present, COVID-19 prevention and control in China have achieved positive outcomes, and China was the only major economy that achieved positive growth in 2020. Since 2021, as the international oil price has gradually rebounded, the domestic epidemic has been gradually brought under control, and the macro economy has maintained a good momentum of recovery, the Company will seize the favourable opportunities, leverage on the restoration of the aviation industry in China, continue to deepen the cooperation with the Parent Group, and continuously improve its business, financial condition and results of operations.

Financial Information as at and for the Five Months Ended 31 May 2021

For the five months ended 31 May 2021, the Company's revenue, gross profit and profit before tax decreased significantly as compared with the corresponding period in 2020, which is primarily attributable to the fact that the COVID-19 impact as mentioned above continued during the first five months of 2021 for the Parent Group's international flights.

THE COMPANY'S BUSINESS

The Company's revenues derived from procurement of aviation fuel for the Parent, which amounted to approximately RMB4,428.6 million, RMB4,517.5 million, RMB1,280.6 million for each of the years ended 31 December 2018, 2019 and 2020.

Aviation fuel is a distillate from the oil refining process and is used worldwide as the main source of energy to power aviation vehicles. The Company sources for supplies of aviation fuel from all over the world to sell to the Parent. The Company supplies aviation fuel to the Parent by procuring and making available aviation fuel at various overseas airports at the instruction of the Actual Users (as defined below).

The Company is currently engaged in the sale and purchase of several types of aviation fuels. As the Parent requires great quantities of aviation fuel, the Company has a ready market for its aviation fuel procurement business. During each of the year ended 31 December 2018, 2019 and 2020, the Parent purchased approximately 1.3 million tonnes, 1.3 million tonnes and 0.4 million tonnes of aviation fuel from the Company, amounting to approximately 87.0 per cent., 83.3 per cent. and 84.3 per cent. of the total overseas aviation fuel purchase of the Parent in the respective year.

The Company procures aviation fuel for the Parent and its related parties under a framework agreement with the Company. The Company had entered into framework agreements with the Parent in 2011 and 2014. On 1 January 2015, the Company entered into a new framework aviation purchase agreement with the Parent (the “**Sale Agreement**”), pursuant to which the Company shall provide aviation fuel to the Parent and its related parties (collectively, the “**Actual Users**”) at their instructions.

The Sale Agreement contains the following salient terms:

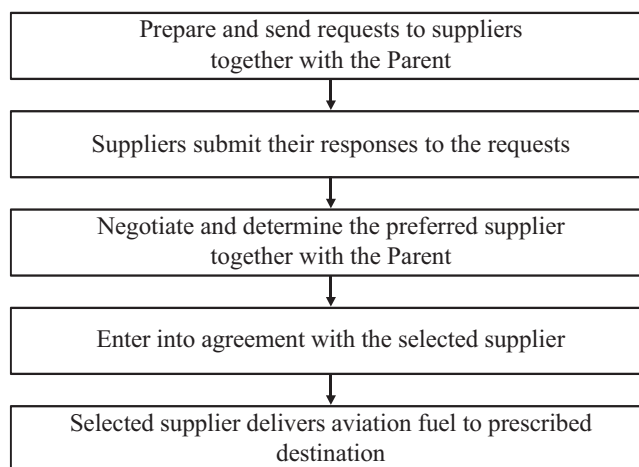
Term:	From 1 January 2015 to 31 December 2017, and automatically extended if neither party seeks to amend the terms therein
Delivery:	The Company shall deliver the aviation fuel to the designated overseas airports
Payment:	The Company will issue invoices to the Parent periodically, setting out details including the date of purchase, quantities, unit price and total amount payable accrued during such period, and the Parent shall make payment within 15 days after having received such invoices

The quantity of sale each time ranges from one million gallons to thirty million gallons. The volume of aviation fuel to be purchased will usually be decided after the Company takes into account the current market price of aviation fuel. After receiving the quotes, the Company’s trading team analyses all the quotations and will decide on which supplier to choose. The choice of supplier is reliant on a few main factors such as the selling price, the shipping terms and the credit terms.

A written notice including the price is then presented to the Parent after the Company has firm offers from its suppliers. The aviation fuel will be delivered to the Parent on such basis provided the Parent does not raise any objection within five working days after having received the notice.

The Company cannot provide assurance that fuel prices will not fluctuate in the future. Further, due to the highly competitive nature of the airline industry and government regulation on airfare pricing, the Company may be unable to fully or effectively pass on to the Parent any increases in fuel costs in the future. Please see “*Risk Factors - Risks Relating to the Company - The Company is subject to the risk of fuel price fluctuations.*” However, the Company intends to continue to enhance its aviation fuel procurement policies and developing additional internal cost-control measures, which include optimising route structures, which the Company believes will enable it to control its fuel costs.

The aviation fuel procurement process may be summarised as below:



The Company has a dedicated group of employees that focuses on managing the administrative arrangements in relation to the procurement transactions. Upon receipt of confirmation from the Parent providing details such as quantity, delivery period, delivery port, shipping term and pricing, the necessary legal and shipping documents are prepared.

Credit Terms and Credit Policy

The Company usually give the Parent a credit period of 15 days which is consistent with the 14-15 days credit term generally given to the Company by its suppliers. As at end December 2020, the Company's trade receivables amounted to RMB1,152.1 million.

In situations where the Parent is late in payment and the Company has not received the payment at the date when the Company is required to pay its suppliers, the Company may utilise credit facilities from banks to finance the purchase cost. Generally, in the event that the Company foresees or encounters cash flow mismatches arising from timing differences between the receipt of payments from the Parent and payments to the suppliers, the Company may utilise the credit lines that the Company has from the banks.

During each of the year ended 31 December 2018, 2019 and 2020, the Company has never made provisions for doubtful debts or experienced any bad debts due to the robust financial position and strong support from the Parent.

Pricing

All the transactions are concluded at floating prices. The floating prices of the Company are usually pegged to average daily prices reflected various systems such as the Platt's system. Usually the deals are concluded on a back-to-back basis to reduce the risk exposure of the Company. This means that if the Company has agreed to pay its suppliers a floating price, the Company will also get its Parent to agree to pay a floating price.

Customer

The Parent is the sole customer of the Company during each of the year ended 31 December 2018, 2019 and 2020 for procurement of aviation fuel. The Company also forms an indispensable part in the Parent's primary business segment.

One of the Parent's main operating expenses is aircraft fuel costs. In each of the years ended 31 December 2018, 2019 and 2020, the Company's revenue derived from the sale of aviation fuel to the Parent accounted for 13.1 per cent., 13.2 per cent. and 9.3 per cent. of the total aircraft fuel costs of the Parent. Notwithstanding the continuing COVID-19 impact, in March 2021, the Parent's passenger transportation capacity (measured by available seat-kilometres) increased by 143.74 per cent. year-on-year, passenger traffic volume (measured by revenue passenger-kilometres) increased by 219.91 per cent. year-on-year, and passenger load factor increased by 17.36 percentage points year-on-year to 72.91 per cent.

Suppliers

The Company has wide range of suppliers from countries all over the world, including the United Kingdom, the United States, Europe, Middle East, and Singapore.

The Company's five largest suppliers for each of the year ended 31 December 2018, 2019 and 2020 are as follows:

	<u>Purchase amount</u> <i>(Millions of RMB)</i>	<u>Percentage of total</u> <u>purchases</u> <i>(per cent.)</i>
<i>Year ended 31 December 2018</i>		
Supplier 1	968	20
Supplier 2	854	18
Supplier 3	570	12
Supplier 4	406	8
Supplier 5	325	7
Total	3,123	65
<i>Year ended 31 December 2019</i>		
Supplier 2	859	19
Supplier 1	836	19
Supplier 3	590	13
Supplier 4	428	10
Supplier 6	290	6
Total	3,003	67
<i>Year ended 31 December 2020</i>		
Supplier 2	266	21
Supplier 7	131	10
Supplier 3	127	10
Supplier 4	112	9
Supplier 1	92	7
Total	728	57

None of the Directors of the Company or the Parent has an interest (direct or indirect) in the abovementioned suppliers.

The Company maintains stringent supplier selection policies and procedures to help deliver quality aviation fuel. The relevant purchase department will determine the most suitable supplier

according to the price, quality, delivery arrangement and service rendered among the multiple candidates.

Generally the Company enters into a framework aviation fuel supply agreement with a supplier for a term of two years (the “**Purchase Agreement**”), sometimes with specific terms and conditions relating to the supply of aviation fuel to be detailed in a separately location agreement (the “**Location Agreement**”). According to the agreements with the suppliers, generally the Company will make payment after having received the aviation fuel, which is conducive to a secured supply chain and safeguards the timely delivery of the aviation fuel to the Parent.

The Purchase Agreements and the Location Agreements contain the following salient terms:

Term:	Generally two years
Price:	Base price (e.g. MOPS) + differential (e.g. 4.50 USC/USG) + third party fees (including airport facility fees, into-plane fee and transportation costs) + petroleum and coal tax
Delivery:	Into-plane
Payment:	The supplier will issue invoices to the Company periodically, setting out details including the date of purchase, quantities, unit price and total amount payable accrued during such period, and the Company generally shall make payment within 14 or 15 days after having received such invoices.

The Parent also joins the Purchase Agreements and the Location Agreements as a party, and is liable to pay the suppliers where the Company fails to make payment in time.

ENTRUSTED LOAN SERVICES TO THE PARENT

Apart from otherwise mentioned above in this Offering Circular, the Company also serves its role as a finance and investment platform of the Parent by engaging in entrusted loan arrangements. During each of the year ended 31 December 2018, 2019 and 2020, the interest income of the Company derived from entrusted loans to the Parent has been recognised as other income and gains of the Company, which amounted to RMB394.8 million, RMB306.6 million, and RMB341.5 million, respectively. The entrusted loans extended to the Parent consists of both loans denominated in USD as well as RMB.

USD Entrusted Loans

As to loans denominated in USD, the Company generally enters into entrusted loan agreements (the “**Entrusted Loan Agreements**”) with the Parent and a financial company within the Parent Group (the “**Finance Company**”), pursuant to which the Company will deposit USD-denominated funds into the account it held at the Finance Company (the “**Company Account**”). The Finance Company will then use such funds to extend the loans to the Parent. According to the Entrusted Loan Agreements, the Parent will pay the interests and principal into its own account held at the Finance Company and the Finance Company will transfer the funds into the Company Account after having deducted the relevant fees. The Finance Company is responsible for repayment administration including sending repayment reminders, and notify the Company of any event of default. The Company ultimately undertakes the risks of any loss incurred as a result of such default. If the Parent does not properly perform its obligations under the Entrusted Loan Agreements, the Company is entitled to termination of the agreements and compensation to losses caused as a result. Please see “*Risk Factors — Risks Relating to the Company — The Company is reliant on its parent company which is its major customer.*”

The terms of the USD entrusted loans of the Company is usually for a period of three years. Annual interest rates of the USD entrusted loans to the Parent are usually 3.915 per cent..

RMB Entrusted Loans

The RMB entrusted loans extended to the Parent are governed under an account management agreement entered into among the Parent, the Finance Company and the Company on 30 November 2015 (the “**Management Agreement**”), pursuant to which the Company shall set up an account at the Finance Company, and the fund transfer between the Company and the Parent shall be conducted by way of entrusted loans in compliance with relevant rules and regulations. Either the Parent or the Parent may initiate the entrusted loans pursuant to its internal policy and working capital needs. Each of the Parent and the Company shall pay management fees to the Finance Company as consideration to its management services provided under the Management Agreement.

As the RMB entrusted loans occur on daily basis, they do not have fixed terms. The annual interest rates of the RMB entrusted loans to the Parent are usually 4.35 per cent..

RISK MANAGEMENT

The Company has in place a risk management task force to monitor and control its risk exposure arising from foreign exchange fluctuations, interest rate variation, change of financial condition and overall risks arising from the daily operation of the Company. With reference to the Parent’s risk management policies, the Company has adopted a set of risk management procedures that govern its business operation. Since its incorporation, the Company has accumulated valuable experience as well as capabilities to identify, measure and control various types of risks. Through effective risk management processes and effective risk-protection measures, the Company effectively identifies and mitigates risks.

The responsible person of risk management, and the financial controller of the Company reports directly to the board of the Company on various matters relating to foreign exchange fluctuations, interest rate variation, change of financial condition to control the overall risk exposure of the Company. In addition, Company’s risk management task force reports regularly to the Parent’s risk management department with regard to information on the foregoing risks.

As the primary overseas aviation fuel provider and the sole overseas finance and investment platform of the Parent, the Company is mainly exposed to currency risk from gaps between the funds procured through various financing channels denominated in foreign currency such as USD, KRW and SGD, and the RMB and USD loans extended to the Parent under the entrustment arrangement. The foreign currency risk is managed proactively by regular reviews of the currency positions based on prevailing market conditions and working capital requirements of the Company. The management of the Company manages and monitors the exposure to ensure appropriate measures are implemented on a timely and effective manner.

Separately, the Company’s finance and administration department prepares a daily bank balance report for the management to review and monitor the Company’s liquidity status, and upon the receipt of the foregoing report, the management takes into account the cash balance that the Company has on hand to determine whether any external financing is needed in light of the development strategy of the Company.

INTERNAL CONTROLS

The Company’s internal control procedures are designed to monitor its operations and ensure overall compliance. The Parent also provides strategic support to the Company in establishing and improving the internal control framework. Since its incorporation, the Company has maintained

appropriate internal control measures and has not encountered any material non-compliance issues. The auditors of the Company had in 2020 during the course of their engagement, reviewed the Company's accounting systems and internal controls and made no recommendations to adjust the Company's existing internal control mechanism.

PROPERTY

The Company does not own any interest, right or title in any land, buildings or premises.

LEGAL PROCEEDINGS

The Company is currently not engaged in any legal or arbitration proceedings as plaintiff or defendant in respect of any claims or amounts which are material in the context of this Offering Circular and the Directors of the Company have no knowledge of any legal or arbitration proceedings pending or threatened against the Company or of any facts likely to give rise to any legal or arbitration proceedings which might materially affect the financial position or rights of the Company.

ENVIRONMENTAL PROTECTION

The Company is currently not in violation of any applicable statute, law, or regulation relating to environmental protection, nor has the Company received any written notice or communication from relevant authority relating to the same.

INSURANCE

The Company has taken up adequate insurance coverage of such types and at the coverage levels as are prudent and customary for it to carry out its business including procurement of aviation fuel and providing entrusted loans to the Parent.

EMPLOYEES

As at 31 December 2020, the Company had five directors and two members of senior management. To the best of the Directors' knowledge and belief, none of the key employee of the Company is currently working for any other company that competes with the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company has, from time to time, entered into transactions with its related parties primarily including the Parent. See Notes 15 and 16 to the audited financial statements of the Company as at and for each of the years ended 31 December 2019 and 2020, respectively, which are included elsewhere in this Offering Circular.

The Company believes that each of its related party transactions was entered into in the ordinary course of business and on arm's length basis in the Company's interest and the interest of its shareholder.

DIRECTORS AND MANAGEMENT

The following table sets forth certain information concerning the Issuer's current Directors and senior management members. Except as disclosed below, none of the Issuer's Directors or members of its senior management was selected or chosen as a result of any arrangement or understanding with any major shareholders, customers, suppliers or others. There is no family relationship between any Director or senior management member and any other Director or senior management member of the Issuer.

Name	Age	Position
Zhou Qimin	53	Chairman of the board of Directors
Fang Zhigang	44	Director
Xue Song	46	Director
Yu Yahong	52	Director and General Manager
Zhang Yuan	45	Director
Li Xiaoyu	48	Vice General Manager and Finance Manager
Shen Lirong	49	Vice General Manager and Purchasing Manager

Brief biographical details in respect of each of the Directors and senior management members of the Issuer are as follows:

DIRECTORS

Mr. Zhou Qimin, is currently the chairman of the board of Directors of the Issuer, the chief financial officer, vice president and a standing member of party committee of the Parent, and the chief accountant and party member of CEA Holding. Mr. Zhou served as deputy head of the Finance Department of the eighth research institute of Shanghai Aerospace Bureau of China Aerospace Corporation, and head of the Finance Department, chief accountant and a member of party committee of the eighth research institute of China Aerospace Science and Technology Corporation. He served as the head of financial department of Commercial Aircraft Corporation of China, Ltd. from April 2008 to October 2016, the deputy chief accountant of Commercial Aircraft Corporation of China, Ltd. from August 2014 to January 2018, the chief accountant of Commercial Aircraft Corporation of China, Ltd. from January 2018 to July 2020, a member of party committee of Commercial Aircraft Corporation of China, Ltd. from January 2018 to July 2018, standing member of party committee of Commercial Aircraft Corporation of China, Ltd. from July 2018 to July 2020, the chief financial officer of the Parent, the chief accountant and party member of CEA Holding since August 2020, and vice president of the Parent since January 2021. Mr. Zhou graduated from the Faculty of Mathematics of Gannan Normal University, majoring in mathematics. He also graduated from the Faculty of Management Engineering of University of Electronic Science and Technology of China, majoring in industrial management engineering, holds an undergraduate degree and is a senior postgraduate accountant.

Mr. Fang Zhigang, is currently a Director of the Issuer, the vice general manager of the legal and compliance department of CEA Holding and the Parent. Mr. Fang served as manager of the legal department of the enterprise management division, manager of the legal department of the administrative division, assistant to the chief of the administrative division, and manager of the legal and public relations department of China Cargo Airlines Co., Limited. He served as vice general manager at the legal department of the Parent from April 2010 to August 2014, deputy head of the legal department of CEA Holding and general manager of the legal department of the Parent from August 2014 to November 2018, and the vice general manager of the legal and compliance department

of the CEA Holding and the Parent since November 2018. Mr. Fang obtained a master's degree in law from the Faculty of Law of Shanghai Jiao Tong University. He also obtained a bachelor's degree in law from the School of Humanities and Social Sciences of Shanghai Jiao Tong University, majoring in economic law (foreign-related).

Mr. Xue Song, is currently a Director of the Issuer, the vice general manager of the human resources department of CEA Holding and the Parent, director of Eastern Airlines Industry Investment Company Limited and director of Shanghai Technologies Aerospace Co., Ltd. Mr. Xue served as head of the training centre and manager of the management improvement department of the enterprise management division of the Parent. He served as vice general manager of the enterprise management division of the Parent from July 2013 to July 2014, vice general manager of the human resources department of the Parent from July 2014 to November 2018, vice general manager of the human resources department of CEA Holding and the Parent since November 2018. Mr. Xue obtained a master's degree in business management from a joint programme held by Fudan University and University of Hong Kong. He also graduated from the Faculty of Aeronautical Engineering of Shenyang Institute of Aeronautics and Technology, majoring in aircraft manufacturing engineering, holds a bachelor's degree in engineering and is an engineer.

Ms. Yu Yahong, is currently a Director and the general manager of the Issuer, the general manager of the finance and accounting department of the Parent, director of Eastern Aviation Import & Export Co., Ltd., director of CES International Financial Leasing Corporation Limited, director of Eastern Airline Logistics Co., Limited, director of Eastern Air Group Finance Co., Ltd., director of China Eastern Airlines Jiangsu Co., Limited, director of China Eastern Airlines Wuhan Co., Limited, director of Eastern (Shantou) Economic Development Co., Ltd. and director of Air Union Insurance Brokers Co., Ltd. Ms. Yu served as vice manager of the credit department of Eastern Air Group Finance Co., Ltd., external investment management supervisor of the strategic development department of CEA Holding and external investment management senior supervisor of the planning and development department of CEA Holding. She served as vice head of the strategic development department of CEA Holding from May 2013 to November 2019 and general manager of the finance and accounting department of the Parent since November 2019. Ms. Yu graduated from the Faculty of World Economics of Shanghai University of Finance and Economics with a master's degree in economics and is a senior economist.

Ms. Zhang Yuan, is currently a Director of the Issuer, the general manager of the planning and development department of the Parent, director of Shanghai Airlines Co., Limited, director of Shanghai Airlines Tours, International (Group) Co., Limited and director of Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. Ms. Zhang served as the manager of the investment management section of the investment department and vice general manager of the investment department of Shanghai Airlines Co., Limited. She served as vice general manager of the planning and development department of the Parent from February 2012 to March 2017. She assumed various positions including vice head of the commission office for comprehensive reform of the Parent and CEA Holding from March 2017 to May 2019. She served as general manager of the planning and development department of the Parent since May 2019. She obtained a master's degree in business management from the joint programme held by Beijing University of Technology and American City University. She also graduated from the Faculty of Foreign Languages of Shanghai Normal University, majoring in practical English and obtained a bachelor's degree in arts.

SENIOR MANAGEMENT

Mr. Li Xiaoyu, is currently a vice general manager and finance manager of the Issuer, a member of party committee and vice general manager of the finance and accounting department of the Parent, director of Eastern Air Group Finance Co., Ltd., director of Shanghai Eastern Aircraft Maintenance

Co., Ltd., supervisor of Aviation Data Communication Corporation Limited and supervisor of China Eastern Airlines Technology Application Research Center Co., Limited. Mr. Li served as manager of the venture capital section of the finance and accounting department of the Parent and chief financial officer of China Eastern Airlines E-Commerce Co., Ltd. He served as vice general manager of the finance and accounting department of the Parent since May 2017. Mr. Li graduated from the Faculty of Finance of Shanghai University of Finance and Economics, majoring in finance, obtained a master's degree in economics and is an accountant.

Mr. Shen Lirong, is currently a vice general manager and purchasing manager of the Issuer, a member of party committee and vice general manager of the comprehensive management department of the Parent. He served as vice manager of fuel management section of the comprehensive management department and manager of the fuel purchasing department at the purchasing centre of the Parent. Mr. Shen served as vice general manager at the purchasing centre of the Parent from August 2012 to March 2018 and vice general manager of the comprehensive management department of the Parent since March 2018. Mr. Shen graduated from Petroleum Processing Department of East China University of Science and Technology, obtained a bachelor's degree in engineering and is an engineer.

DESCRIPTION OF THE LC BANK

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer has taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Joint Lead Managers, the Trustee and the Agents has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Joint Lead Managers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds have the benefit of a Standby Letter of Credit issued by Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch as the LC Bank. The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by its headquarters entity, Industrial and Commercial Bank of China Limited (“ICBC”). If the assets of the LC Bank are not sufficient to meet its obligations under the Standby Letter of Credit, ICBC would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.

OVERVIEW

ICBC is a leading bank in the PRC in terms of each of total assets, market share of loans and market share of deposits. In 2020, ICBC ranked first among the “Top 1000 World Banks” by The Banker, ranked first place among the “Global 2000” by Forbes, ranked by Global Finance as “Best Bank in China” and ranked first place in the sub-list of commercial banks in terms of operating income of the “Global 500” by Fortune for the eighth year in a row.

Established on 1 January 1984, ICBC was restructured to become a joint-stock limited company on 28 October 2005. ICBC has been listed on both Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited since 27 October 2006.

ICBC has developed into the largest listed bank in the world, possessing a wide customer base, a diversified business structure, strong innovation capabilities and market competitiveness. ICBC has established presence in six continents, with a global network covering 49 countries and regions and 426 overseas institutions as at 31 December 2020. In addition, through its equity participation in Standard Bank Group Limited, ICBC indirectly covers 20 countries in Africa.

ICBC provides comprehensive financial products and services to approximately 8.6 million corporate customers and 680 million personal customers via its distribution channels domestically, internationally and as well as through its E-banking network comprising a range of internet and telephone banking services and self-service banking centres, forming a diversified and internationalised operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in the commercial banking sector. As one of the leading commercial banks in terms of global presence and asset size, ICBC implemented the “Belt and Road Initiative”. ICBC has carried out a number of projects and maintained 124 institutions in 21 countries and regions along the “Belt and Road” as at 31 December 2020.

ICBC provides customers with a wide range of financial products and services and has formed a cross-market, internationalised and integrated business model with a focus on commercial banking. ICBC has maintained a leading position among PRC commercial banks in most of its core and emerging businesses.

ICBC believes that “Industrial and Commercial Bank of China” is one of the most recognised financial service brand names in the PRC with significant international influence. ICBC has won numerous awards over the years, including, among others:

- the first place among the “Global 2000” for the eighth consecutive year in 2020 by Forbes;
- the first place among the “Top 1000 World Banks” for the eighth consecutive year in 2020 by The Banker;
- the first place in the sub-list of commercial banks of the Global 500 for the eighth consecutive year in 2020 by Fortune;
- the first place among the Top 500 Banking Brands for the fifth consecutive year in 2020 by Brand Finance;
- the first place among the “Corporate Brand Value List” for the fifth consecutive year in 2020 by China Council for Brand Development;
- Effectiveness Award for Supporting China’s Winning the “Three Critical Battles”. Effectiveness Award for Practicing the Belt and Road Initiative, Effectiveness Award for Best Inclusive Finance in 2020 by China Banking Association;
- “The Hong Kong Corporate Governance Excellence Awards” in 2020 by The Chamber of Hong Kong Listed Companies;
- “Best Bank in China”, “Best Corporate Bank in China” and “Most Creative Bank in China” in 2020 by Global Finance;
- “Best Mega Retail Bank in China”, “Best API and Open Banking Implementation” and “Best Asian International Cash Management Bank in Asia Pacific” in 2020 by The Asian Banker; and
- “Best Bank, China”. “Best Bond Advisor in China” and “Best Insurance Custodian Bank in China” in 2020 by The Asset.

ICBC strives to duly implement the organic unification of economic and social responsibilities, gaining wide social recognition for supporting economic and social development, protecting environment and resources, and participating in community services. In recent years, ICBC has won awards from various institutions including “Best Social Responsibility Financial Institution Award” and “Best Social Contribution Award” by China Banking Association and “Best Chinese State-owned Listed Companies on Corporate Social Responsibilities Award” by Southern Weekly.

For the years ended 31 December 2018, 2019 and 2020, ICBC recorded profit of RMB298,723 million, RMB313,361 million, and RMB317,685 million, respectively. As at 31 December 2018, 2019 and 2020, ICBC had total assets of RMB27,699,540 million, RMB30,109,436 million and RMB33,345,058 million, respectively, and its net loans and advances to customers totalled RMB15,046,132 million, RMB16,326,552 million and RMB18,136,328 million, respectively.

ICBC is one of the highest-rated domestic Chinese commercial banks in terms of credit ratings. Currently, ICBC has a rating of “A” with a stable outlook by S&P Global Ratings Hong Kong Limited and a rating of “A1” with a stable outlook by Moody’s Investors Service Hong Kong Ltd.

BUSINESS OPERATIONS

ICBC's principal businesses include corporate banking, personal banking, financial asset services and treasury operations.

Corporate Banking

ICBC believes it has the largest corporate banking customer base in the PRC. ICBC provides a wide range of corporate banking products and services to state owned enterprises, privately owned enterprises, foreign-invested enterprises, government authorities and other entities. ICBC's corporate banking business has maintained a leading position in the PRC banking industry.

Corporate Loans

Corporate loans represent the largest portion of ICBC's loan portfolio. ICBC's corporate loans include short-term loans and medium to long-term loans. ICBC provides short-term loans with maturities of up to one year to its corporate banking customers. A substantial majority of its short-term corporate loans are working capital loans including trade finance loans. In addition, ICBC provides its corporate banking customers with bills discounting, factoring and forfeiting loans. ICBC's medium to long-term corporate loans generally feature terms ranging from one year to ten years and primarily comprise project loans and property loans.

Corporate Deposits

ICBC provides corporate banking customers with multiple demand and time deposit-taking services in RMB and major foreign currencies. Corporate deposits constitute its major source of funds. The maximum interest rates ICBC is permitted to pay on regular time deposits and demand deposits are set by the PBOC. In response to challenges posed by the liberalisation of interest rates, ICBC leveraged its advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to increase its market competitiveness in the corporate deposits business.

Inclusive Finance

Taking digitalisation as an important means, ICBC built a one-stop, three-dimensional and integrated financial service system through online and offline collaboration, innovated inclusive financial products, and endeavoured to create a benchmark in terms of integrated financial services for small and micro enterprises. ICBC established in-depth cooperative relationships with specialised markets, E-commerce platforms and leading enterprises, and signed agreements on deepening cooperation with local governments, industry associations and industrial parks. Besides, ICBC actively provided cross-border matchmaking services for small and micro enterprise customers and served China's Belt and Road Initiative by virtue of domestic and overseas branches.

Institutional Banking

ICBC's institutional banking businesses include financial services provided via its cooperation with securities companies, insurance companies, other banks, governmental agencies and futures companies. ICBC offers diversified financial services to institutional customers covering assets, liabilities and intermediary services.

Settlement and Cash Management

ICBC provides domestic clearing and settlement services for its customers and comprehensive services such as centralised payments and cash management for large companies and their subsidiaries.

ICBC has expanded its cash management services into financial asset management and has developed a variety of management products such as management of account transactions, liquidity management, supply chain finance, investment, risk management and wealth management. ICBC offers personalised and professional cash management service plans to meet the cash management needs of rapidly developing industries, including cultural industries, logistics, tourism, high-tech industry and equipment manufacturing. ICBC built the brand system called “Caizhi Account” as the core brand to enhance its influence in the cash management market.

With diversified products and services, ICBC offers comprehensive cash management solutions to corporate customers such as information services, account management, liquidity management, collection and payment management, short-term investment and financing service and risk management. ICBC provides corporate groups with centralised treasury management services of cross-border bilateral RMB cash pool, centralised operation management services for cross-border funds and cross-border cash management services based on domestic and overseas treasury management policies, extending the cash management business to more than 80 countries and regions.

International Settlement and Trade Finance

In recent years, ICBC has accelerated the development of its international settlement and trade finance business and actively promoted its brand, and ICBC believes it has established a competitive edge in the international business area through various initiatives, including leveraging its advantages in domestic and foreign currency business and close interaction between domestic and overseas branches, improving its product portfolios by integrating financing, settlement, wealth management and trading, accelerating the expansion of global supply chain products, integrated products denominated in RMB and foreign currencies, optimising its business structure, launching an import aval business and e-presentation of documents of letter of credit, rolling out a global documents management system, further enhancing the centralised processing efficiency of its documents management business, strengthening its systems for checking trade backgrounds to prevent false transactions and arbitrage behaviours of enterprises, participating in cross-border RMB pilot programmes in various regions, improving the “ICBC Cross-border Express” product system and launching innovative RMB cross-border products such as Direct Financing Express, agreed-upon payment and structural financing.

Investment Banking

ICBC’s investment banking business mainly includes regular financial advisory services, enterprise credit services, investment and financing advisory services, syndicated loan arrangement and management services, corporate assets and debt restructuring services, corporate acquisition and merger services, asset securitisation services, credit capital transfer and trading services, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, direct investment advisory services, financial advisory services for corporate issuance of equities and bonds and services for equity investment funds.

ICBC provides diversified financing services for its corporate customers, quality investment products for its high net-worth customers and restructuring and mergers and acquisitions services for its corporate customers with global operations.

Personal Banking

ICBC's personal banking products and services include savings deposits, personal loans, private banking, bank cards, personal wealth management and others.

Personal Deposits

ICBC provides demand deposits and term deposits in RMB and foreign currencies. ICBC targeted important customer groups, constantly expanded its customer base and optimised the customer structure.

Personal Loans

Loans to personal customers include residential mortgages, personal consumption loans, personal business loans and credit card overdrafts. Personal loans are a major component of ICBC's personal banking business. In recent years, residential mortgages have become an important component of its personal loans business, and have been growing in a steady and healthy manner.

Private Banking

Targeting at achieving a comprehensive and leading "No.1 Private Bank", the private banking business consolidates two major advantages in brand and scale that provides private banking customers with competitive financial products selected throughout the market with a full range of non-financial services, to satisfy customers' diversified needs and lift their satisfaction on all fronts. ICBC has also developed comprehensive private banking products and services channels and to provide services through internet banking, mobile banking, WeChat and social networking platforms.

With the implementation of its globalisation strategy, ICBC has established private banking network and service teams in many countries and regions, among which the Asia-Pacific region is the key area. ICBC's key offshore institutions providing private banking services include but are not limited to Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, ICBC International Holdings Limited and Industrial and Commercial Bank of China Limited, Singapore Branch.

Bank Cards Business

ICBC provides personal customers with comprehensive bank card products and services, including single-currency and dual-currency credit and debit cards. Its "Peony Card" brand is one of the most renowned bank card brands in the PRC. In recent years, it has improved bank card service quality, increased bank card product development and further solidified its leading position in the PRC bank card industry.

Credit Cards

In terms of the number of credit cards issued and the total number of customers, ICBC is the largest credit card issuing bank in the PRC. ICBC offers RMB credit cards, dual-currency credit cards and multi-currency credit cards. ICBC meets its customers' unique needs by leveraging its advanced technology and service capabilities.

Debit Cards

ICBC issues RMB debit cards and dual currency debit cards, such as RMB-U.S. dollar debit cards, to its customers. In recent years, ICBC adopted measures to improve the safety of chip cards, promoted single chip cards and improved card replacement services.

Asset Management Services

ICBC's asset management services include wealth management services, asset custody services and pension services.

Wealth Management Services

ICBC offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions.

Asset Custody Services

As the first asset custody bank in the PRC, ICBC has established a complete custodial service system after 22 years of development and innovation, in order to provide customers with comprehensive custodial services. At present, ICBC's custody products include but are not limited to securities investment funds, insurance assets, commercial bank wealth management products, pension assets, securities company customer asset management plans, trust plans, qualified domestic institutional investors (QDII) assets and qualified foreign institutional investors (QFII) assets. ICBC's custody service is embedded in the whole process of customer asset management. ICBC can provide customers with basic custody services such as asset custody, fund clearing, accounting, asset valuation, investment supervision and information disclosure, as well as value-added custody services such as performance analysis, information consultation, transaction convenience and investor services. At the same time, ICBC can provide customers with outsourcing services such as valuation accounting and registration of various asset management products.

Pension Services

In recent years, leveraging on the strengths of its business qualifications, professionalism, service experience, service network, information systems, customer resource and market reputation, ICBC has promoted the development of its pension businesses. Also, diversifying the product system, ICBC optimised its integrated enterprise annuity scheme "Ruyi Pension Management" and serial pension related wealth management products "Ruyi Benefit Plan" and issued Taikang Golden Banking Co-brand Card for Special Medical Services. A variety of service channels including sales outlets, internet banking, telephone banking and mobile banking were made available, enabling customers to have better transaction experience.

Financial Market Business

ICBC's financial market business operations include money market, investment business, financing business, franchise treasure business, asset securitisation business and precious metals business.

Money Market Activities

ICBC's money market activities include: (i) short-term borrowing and lending with other banks and financial institutions; and (ii) bond repurchase and purchase.

Investment

ICBC makes investments in RMB-denominated bonds issued by the PRC government, the PBOC, policy banks and a few other local financial institutions, short-term commercial paper issued by domestic enterprises, and foreign currency bonds issued by foreign governments, financial institutions, and corporations. ICBC also trades bonds and bills that are issued by the PRC government, the PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds.

Financing

ICBC engages in active liability management. ICBC has diversified the sources of funding from different channels and with different tenors through a variety of liability management instruments to support the growth of its business.

Franchise Treasury Business

ICBC offers a wide range of treasury operations services to enterprises and individual customers on an agency basis. ICBC provides spot and forward foreign exchange trading services, swap transaction services for RMB and foreign currencies and interest rate swap for RMB. In addition, ICBC acts as an agent for foreign exchange trading on behalf of its clients 24 hours a day, and ICBC trades foreign currencies, precious metal, forward foreign currency contracts, interest rate swaps, currency swaps, options and other financial derivatives on behalf of its customers.

Asset Securitisation Business

Asset securitisation is the process of converting assets with low liquidity into liquid securitisation products through risk isolation, conversion and packaging of cash flows and credit enhancement. The assets with low liquidity that can be converted are generally assets with stable cash flows such as residential mortgage loans, commercial property mortgage loans, project loans and other cash generating assets.

Precious Metal Business

ICBC operates four product lines in its precious metals business: physical bullion, trading, precious metals linked financing and wealth management. Due to fluctuations of the precious metals market, ICBC diversified its products to promote its precious metals business.

FinTech

ICBC sought for a strategic transformation toward a smart bank, by incorporating ICBC Information and Technology Co., Ltd. and FinTech Research Institute and putting in place a new FinTech framework which consisted of “one department, three centres, one subsidiary, and one research institute”. ICBC continued to advance the ecosystem (ECOS) project across the board, and strengthened FinTech innovation and support in the new situation of regular COVID-19 containment to empower the implementation of the ICBC’s major development strategies.

Internet-based Finance

ICBC, to make breakthrough in internet-based government affairs and industrial development and to achieve the strategic objective of building the “No.1 Personal Bank”, worked hard on the public

services, industrial and consumption fronts of internet. ICBC deepened cooperation with government agencies comprehensively, speeded up acquiring corporate customers and concentrated efforts to improve services to individual customers. It added intelligent content into traditional financial services and accelerated the development of an open, cooperative and win-win financial service ecosphere.

BOARD OF DIRECTORS

The board of directors of ICBC as at the date of this Offering Circular consisted of:

Name	Position
Chen Siqing	Executive Director
Liao Lin	Executive Director
Lu Yongzhen	Non-Executive Director
Zheng Fuqing	Non-Executive Director
Feng Weidong	Non-Executive Director
Cao Liquan	Non-Executive Director
Anthony Francis Neoh	Independent Non-Executive Director
Yang Siu Shun	Independent Non-Executive Director
Shen Si	Independent Non-Executive Director
Nout Wellink	Independent Non-Executive Director
Fred Zulu Hu	Independent Non-Executive Director

SHAREHOLDERS

As at 31 December 2020, ICBC had a total of 693,520 ordinary shareholders, including 116,924 holders of H shares and 576,596 holders of A shares. As at 31 December 2020, the largest shareholder of ICBC was Central Huijin Investment Ltd., which had 123,717,852,951 A shares, representing 34.71% of the total shares of ICBC.

GENERAL INFORMATION

ICBC's registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China and its Shanghai Municipal Branch is located at No. 9 Pudong Avenue, Pudong New District, Shanghai, China. ICBC's website addresses are www.icbc.com.cn and www.icbc-ltd.com. Information contained on ICBC's website is subject to change from time to time. No representation is made and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, or any person who controls any of them take any responsibility for any information contained on ICBC's website.

Copies of the latest annual and interim reports of ICBC, as well as its public filings, can be downloaded free of charge from the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Hong Kong Stock Exchange at www.hkex.com.hk. The audited financial statements as at and for the year ended 31 December 2020 of ICBC are deemed to be incorporated by reference in this Offering Circular.

TERMS AND CONDITIONS

The following, subject to modification and other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the SGD[●] in aggregate principal amount of [●] per cent. bonds due [●] with the benefit of a standby letter of credit (the “**Bonds**” which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16) was authorised by a shareholders’ resolution and a resolution of the Board of Directors of Eastern Air Overseas (Hong Kong) Corporation Limited (the “**Issuer**”) passed on 27 April 2021 and 23 March 2021, respectively. The Bonds are constituted by a trust deed dated [●] 2021 (the “**Issue Date**”) (as amended and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer and DB Trustees (Hong Kong) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of an agency agreement dated the Issue Date (as amended and/or supplemented from time to time, the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and as pre-funding account bank (the “**Pre-funding Account Bank**”) and as LC proceeds account bank (the “**LC Proceeds Account Bank**”). The Bonds will have the benefit of an irrevocable standby letter of credit dated on or about the Issue Date (the “**Standby Letter of Credit**”) issued by Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the Bondholders.

Copies of the Trust Deed, the Agency Agreement, and the Standby Letter of Credit are available for inspection by the Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Trustee (being at the Issue Date at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) and at the specified office for the time being of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. “**Paying Agents**” means the Principal Paying Agent and includes any successor or additional paying agents appointed from time to time in connection with the Bonds and “**Agents**” means the Principal Paying Agent, any other Paying Agents, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Standby Letter of Credit, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Title

- (a) **Form and denomination:** The Bonds are issued in the denomination of SGD250,000. A certificate (each, a “**Certificate**”) will be issued to each holder of Bonds in respect of its

registered holding of Bonds. Each Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Certificate and in the register of holders of the Bonds (the “**Register**”), which the Issuer shall procure to be kept by the Registrar.

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

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive Certificates in respect of their individual holdings of Bonds.

- (b) **Title:** Title to the Bonds shall pass only by transfer and registration of title in the Register. The holder of any Bond shall, except as ordered by a court of competent jurisdiction or as otherwise required by law, 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 on (other than the endorsed form of transfer), or the theft or loss of, the Certificate issued in respect of it), and no person shall be liable for so treating the holder. In these Conditions, “**holder of the Bonds**”, “**holder**” and “**Bondholder**” in relation to a Bond shall mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

2 Status, Standby Letter of Credit and Pre-funding

- (a) **Status:** The Bonds constitute direct, unconditional, unsubordinated and, subject to Condition 4(a), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (b) **Standby Letter of Credit:** The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 2(c) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations in accordance with Condition 2(c); or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9; or (iii) the Issuer has failed to pay all fees, costs, expenses, indemnity payments and/or other amounts expressed to be payable by it in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

The aggregate liability of the LC Bank under the Standby Letter of Credit shall not in any circumstances exceed SGD[●] being an amount representing the aggregate principal amount

of the Bonds being SGD[●], plus interest and premium (if any) payable in accordance with Condition 5, plus an additional amount intended to cover fees, expenses and any other amounts payable by the Issuer in connection with the Bonds, the Trust Deed and/or the Agency Agreement. Multiple drawings and partial payments under the Standby Letter of Credit are permitted, and each such drawing shall reduce the total amount available for drawing under the Standby Letter of Credit by an amount equal to such drawing. Such drawings on the Standby Letter of Credit will be payable in Singapore Dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed or the Agency Agreement.

The Standby Letter of Credit takes effect from the Issue Date and expires at 6:00 p.m. (Hong Kong time) on [●].

See “Form of Irrevocable Standby Letter of Credit” for the form of the Standby Letter of Credit.

- (c) **Pre-funding:** In order to provide for the payment of any amount in respect of the Bonds (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under these Conditions:
- (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
 - (ii) deliver to the Trustee and the Principal Paying Agent (A) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer, and (B) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 11:00 a.m. (Hong Kong time) on the second Business Day preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall by no later than 5:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount, and the Trustee has received the Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account), provided that, in accordance with the Standby

Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT. Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 11:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in Singapore Dollars specified in the Demand to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee forthwith upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

For the purposes of this Condition 2:

“**LC Proceeds Account**” means a Singapore Dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

“**Payment and Solvency Certificate**” means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (A) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 2(c) and (B) the Issuer is solvent; and

“**Pre-funding Account**” means a Singapore Dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

- (d) In these Conditions, the expression “**Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Shanghai, Singapore and Hong Kong.

3 Transfers of Bonds and Issue of Certificates

- (a) **Register:** The Issuer will cause the Register to be kept at the specified office of the Registrar (which shall be in Hong Kong in all circumstances) 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 of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.
- (b) **Transfers:** Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer endorsed on such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent; *provided, however*, that a Bond may not be transferred unless the principal amount of the Bond being transferred and (where only part of the principal amount of the Bond is being transferred) the principal amount of the balance of the Bond not being transferred are specified denominations. No transfer of title to 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 of Bonds will, within seven business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer 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 expense of the Issuer to the address specified in the form of transfer. The form of transfer is available at the specified office of any Transfer Agent. Where only part of the principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, a new Certificate in respect of the Bonds not so transferred will, within seven business days (as defined below) of delivery of the original Certificate to the Registrar or Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer 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 (but free of charge to the holder and at the expense of the Issuer) to the address of such holder appearing on the Register.
- (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, the Registrar or any Transfer Agent, but upon (i) payment (or the giving of such indemnity or security or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (e) **Closed periods:** No Bondholder may require the transfer of a Bond to be registered during the period of (i) seven business days ending on (but excluding) the due date for any payment of principal in respect of that Bond; and (ii) during the period of ten days ending on (and including) any Interest Record Date (as defined in Condition 7(a)).
- (f) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the expense of the Issuer) by the Registrar to any Bondholder upon request and is available for inspection by any Bondholder at all reasonable times during normal business hours at the specified office of the Registrar following prior written request and proof of holding and identity satisfactory to the Registrar.

In this Condition 3, “**business day**” shall mean a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the Registrar or (as the case may be) such Transfer Agent with whom a Certificate is deposited in connection with a transfer, is located.

4 Covenants

- (a) **Negative pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will, create, or

have outstanding, any mortgage, charge, lien, pledge, other security interest or form of encumbrance having a similar effect upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as the Trustee may in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

(b) **Undertakings relating to NDRC:**

(i) **Notification to NDRC:** The Issuer undertakes that it will or will procure China Eastern Air Holding Company Limited to (A) within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (B) comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing.

(ii) **Notification of Completion of the NDRC Post-issue Filing:**

The Issuer shall within seven Registration Business Days after the submission of the NDRC Post-issue Filing provide the Trustee with (A) a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (I) the completion of the NDRC Post-issue Filing and (II) no Change of Control, Event of Default or Potential Event of Default (as defined in Condition 9) has occurred; and (B) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any), each certified in English as being a true and complete copy of the original by an Authorised Signatory (as defined in the Trust Deed) of the Issuer (the items specified in (A) and (B) together, the “**Registration Documents**”). In addition, the Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 15) confirming the completion of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to monitor or ensure or assist with the filing or registration of the Bonds with the NDRC on or before the deadlines provided in this Condition 4 or under applicable law or to cheque or verify the accuracy, validity and/or genuineness of any certificate, confirmation or other document in relation to or in connection with the NDRC Post-issue Filing and/or the Registration Documents or to provide any translation into English of any Registration Document referred to in (B) of the definition of such term above or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

(c) **Rating:**

So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer will use its reasonable endeavours to maintain a rating on the Bonds by a Rating Agency.

(d) **Definitions:** In these Conditions:

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

“**PRC**” means the People’s Republic of China, which for the purposes of these Conditions, shall exclude the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Rating Agency**” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors or any other reputable credit rating agency of international standing;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Shanghai;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

a “**Subsidiary**” of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

- (a) **Interest rate and Interest Payment Dates:** The Bonds bear interest from and including the Issue Date at the rate of [●] per cent. per annum, payable semi-annually in arrear on [●] and [●] in each year (each an “**Interest Payment Date**”), commencing the first Interest Payment Date after the Issue Date. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. 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**”.

- (b) **Interest Payments:** Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition 5 (both before and after judgement) until whichever is the earlier of (i) 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 Bondholder, and (ii) the day seven days after the Trustee or the Principal Paying 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).
- (c) **Calculation of interest:** Interest in respect of any Bond shall be calculated per SGD250,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period, shall be calculated by applying the rate of interest specified in Condition 5(a) to the Calculation Amount and multiplying such product by the actual number of days in the period concerned divided by 365 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (d) In this Condition 5, the expression “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore and Hong Kong.

6 Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling in or nearest to [●] (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **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 to the Bondholders (which notice shall be irrevocable and shall be copied to the Trustee and the Principal Paying Agent), at their principal amount together with interest accrued up to but excluding the date specified in such notice for redemption of the Bonds, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:
 - (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8(c) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after [●]; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due. Upon publication of a notice of redemption pursuant to this Condition 6(b), the Bonds shall be redeemed on the date specified in such notice.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event the same shall be conclusive and binding on the Bondholders.

- (c) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, a Bondholder will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Date at 101 per cent. of their principal amount together with interest accrued up to but excluding the Put Date. To exercise such right, the relevant Bondholder must deposit at the specified office of the Principal Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any Transfer Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following the Change of Control or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15. The "**Put Date**" shall be the fourteenth day (or, if such day is not a Payment Business Day, the next Payment Business Day immediately following such day) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Date.

The Issuer shall give notice to Bondholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control has occurred and shall not be responsible or liable to Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

For the purposes of this Condition 6(c):

a "**Change of Control**" occurs when (i) the SASAC ceases to directly or indirectly Control the Issuer or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are Controlled by the SASAC;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the nomination or designation of no less than 50 per cent. of the members then in office of a person'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 or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements;

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor; and

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the Issuer (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, and any such voting power shall therefore be excluded for the purpose of this definition).

- (d) **Notices of redemption:** If in respect of any Bond, a redemption notice pursuant to Condition 6(b) and a Put Exercise Notice pursuant to Condition 6(c) are given, the Put Exercise Notice shall prevail.
- (e) **Purchase:** The Issuer, the LC Bank and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds purchased by the Issuer, the LC Bank or any of their respective Subsidiaries pursuant to this Condition 6(e) may be held, reissued, resold or surrendered to the Registrar for cancellation at the option of the Issuer or its Subsidiaries (as the case may be). The Bonds so purchased, while held by or on behalf of the Issuer, the LC Bank or any of their respective Subsidiaries, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

7 Payments

- (a) **Method of Payment:**
 - (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer in Singapore Dollars to the registered account of the Bondholder. Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Interest Record Date**”). Payments of interest on each Bond shall be made in Singapore Dollars by transfer to the registered account of the Bondholder.
 - (ii) For the purposes of this Condition 7, a Bondholder’s “**registered account**” means the Singapore Dollar account maintained by or on behalf of it, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.
 - (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate

the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate at the Issuer's expense with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

- (b) **Payments subject to Fiscal Laws:** All payments 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 8 and (ii) 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 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date, or if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act, save as specifically provided in these Conditions, solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office in Hong Kong, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 15.

- (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 on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

- (f) **Payment Business Days:** In these Conditions, “**Payment Business Day**” means a day (other than a Saturday or Sunday or public holiday) on which banks and foreign exchange markets are open for business in Singapore and the city in which the specified office of the relevant Paying Agent is located and, in the case of surrender of a Certificate (if surrender of the relevant Certificate is required), the relevant place of presentation.

8 Taxation

- (a) All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong and the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- (b) Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on [●] (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.
- (c) If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate; or (ii) by or within Hong Kong, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:
- (A) *Other connection:* to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong other than the mere holding of the Bond; or
- (B) *Surrender more than 30 days after the Relevant Date:* in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(A) With respect to the Issuer:

- (a) **Non-Payment:** the Issuer fails to pay the principal of or any interest on any of the Bonds when due (which, for the avoidance of doubt, shall not include any obligation to pre-fund pursuant to Condition 2(c)) and in the case of interest such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Bonds and/or the Trust Deed (where applicable) which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(A)(c) has occurred equals or exceeds U.S.\$50 million or its equivalent in any other currency (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such amount becomes due and payable or is not paid); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries over the whole or, a material part of the assets of the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver manager or other similar person) and is not discharged within 30 days; or
- (f) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops,

suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of its Principal Subsidiaries; or

- (g) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary of the Issuer, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries; or
- (h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (j) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (k) **Analogous Events:** 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 Conditions 9(A)(d) to 9(A)(g) (both inclusive).

The Issuer has undertaken in the Trust Deed that, within 14 days of its annual audited financial statements being made available to its members, and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate in English signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default (each a “**Potential Event of Default**”) has occurred.

The Trustee shall have no obligation to monitor whether an Event of Default or a Potential Event of Default has occurred or may occur, and shall not be liable to the Bondholders or any other person for not doing so.

In this Condition 9(A), “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 5 per

cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

- (b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined

on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has Subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has Subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9(A) has occurred since the issue date of the Bonds and is continuing, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated gross assets of the Issuer and its Subsidiaries.

Subject to compliance with the requirement set forth below, a certificate in English prepared by the directors of the Issuer and signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer that in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. Each such certificate must be accompanied by a report by an internationally recognised firm of accountants addressed to the directors of the Issuer as to proper extraction and basis of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer and mathematical accuracy of the calculation.

(B) With respect to the LC Bank:

(a) Cross-Default:

- (i) any present or future Public External Indebtedness of the LC Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or
- (ii) any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period,

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds U.S.\$30,000,000 or its equivalent; or

- (b) Insolvency:** the LC Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect

of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any of its Material Subsidiaries; or

- (c) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of its Material Subsidiaries, or the LC Bank or any of its Material Subsidiaries, ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an extraordinary resolution of the bondholders of the LC Bank, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the LC Bank or another of the Material Subsidiaries; or
- (d) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the LC Bank may lawfully perform such obligations; or
- (e) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in Condition 9(B)(b) to Condition 9(B)(d) (both inclusive).

In this Condition 9(B):

“**Public External Indebtedness**” means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (A) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement) and (B) has an original maturity in excess of 365 days;

“**Material Subsidiary**” means a Subsidiary of the LC Bank whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the LC Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer; and

A certificate signed by an authorised signatory of the LC Bank that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders.

10 Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 7 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date (as defined in Condition 8).

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any Transfer Agent subject to all applicable laws or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice) or (b) the relevant Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders and Modification

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in the aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or release the Standby Letter of Credit (other than a modification pursuant to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent. or at any adjourned meeting not less than 33 per cent. in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification:** The Trustee may 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 or the Standby Letter of Credit that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error 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, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement or the Standby Letter of Credit 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 to the Bondholders as soon as practicable.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take any steps or action and/or institute such proceedings against the Issuer and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed and the Bonds and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such steps or action or institute any such proceedings unless (other than making a drawing under the Standby Letter of Credit) (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Standby Letter of Credit does not entitle any Bondholder to directly enforce the terms thereunder against the LC Bank.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of and/or provision of security and/or prefunding for and to the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the LC Bank and/or any entity related (directly or indirectly) to the Issuer or the LC Bank without accounting for any profit.

The Trustee may rely without liability to Bondholders or any other person on any report, confirmation, certificate or information from or any opinion or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert or professional adviser, 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 or 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, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the LC Bank and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, these Conditions or the Standby Letter of Credit to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to 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 Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the LC Bank or any person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer 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 Agent shall be liable to any Bondholder, the Issuer, the LC Bank 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 without liability on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

15 Notices

Notices to Bondholders will be valid if (a) made in writing in English and mailed to them by uninsured mail at the Issuer's expense at their addresses which appear in the Register maintained by the Registrar; or (b) published at the expense of the Issuer in a leading English language daily newspaper having general circulation in Asia (which is expected to be The Wall Street Journal Asia). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for making and completing of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 16 and consolidated and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by the Trust Deed or a deed supplemental to the Trust Deed. Furthermore, such further bonds may only be issued if (i) the Rating Agency which has provided credit ratings in respect of the Bonds has been informed of such issue by the Issuer; (ii) such issue will not result in any adverse change in the then credit rating of the Bonds; (iii) a

further, or supplemental, or replacement or amended standby letter of credit is issued by the LC Bank on terms that are substantially similar to the Standby Letter of Credit (or an amendment is made to the Standby Letter of Credit) (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of, and one interest payment due on, such further bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee)); and (iv) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit.

17 Currency Indemnity

The Singapore Dollar is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than Singapore Dollar (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Singapore Dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Singapore Dollar amount is less than the Singapore Dollar amount expressed to be due to the recipient under any Bond, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it will be sufficient for the Bondholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgement or order.

18 Governing Law

- (a) **Governing Law:** The Bonds, the Standby Letter of Credit and the Trust Deed, and any non-contractual obligations arising out of or in connection with them, are all governed by and shall be construed in accordance with English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Service of Process:** The Issuer irrevocably agrees to receive service of process at its place of business in Hong Kong at 22/F Jubilee Centre, 18 Fenwick Street Wan Chai, Hong Kong in any Proceedings in Hong Kong. If the Issuer ceases to have a place of business in Hong Kong, the Issuer shall forthwith appoint an agent in Hong Kong to accept service of process

on behalf of the Issuer and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing in this Condition 18(c) shall affect the right to serve process in any other manner permitted by law.

- (d) **Waiver of Immunity:** The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

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 any other clearing system (an “**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.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but upon payment by the relevant Bondholder of any tax, duty or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Agent may require in respect thereof.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. 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.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday, inclusive, except 25 December and 1 January.

CALCULATION OF INTEREST

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 such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation will be made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

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 holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as 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 SGD250,000 in principal amount of Bonds for which the Global Certificate is issued.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal 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.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

TRANSFERS

Transfers of interests in the Bonds 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 any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer or any of its 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 obligated 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.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the 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. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority (“IRAS”) of Singapore and the MAS in force as at the date of this Offering Circular, and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements below do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Bonds are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Bonds, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them or any other persons involved in the issuance of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any

immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore from sources other than from its trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

In addition, as more than half of the Bonds are distributed by Financial Sector Incentive (Capital Market) Companies, Financial Sector Incentive (Standard Tier) Companies or Financial Sector Incentive (Bond Market) Companies (each as defined in the Income Tax Act) and the Bonds are issued during the period from 1 January 2014 to 31 December 2023, such Bonds (the “**Relevant Bonds**”) would be “qualifying debt securities” pursuant to the Income Tax Act and the MAS Circular FDD Cir 11/2018 entitled “Extension of Tax Concessions for Promoting the Debt Market” issued by the MAS on 31 May 2018 (the “**MAS Circular**”), to which the following treatments shall apply:

- (a) subject to certain prescribed conditions having been fulfilled (including the submission to the MAS of a return on debt securities in respect of the Relevant Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Bonds as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Bonds of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Bonds is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Bonds using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising

- from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Relevant Bonds, derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore, but the funds used by that person to acquire the Relevant Bonds are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (b) subject to certain conditions having been fulfilled (including the submission to the MAS of a return on debt securities in respect of the Relevant Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Bonds as the MAS may require), Qualifying Income from the Relevant Bonds derived by any company or body of persons (as defined in the Income Tax Act) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
 - (c) subject to:
 - (i) the Issuer including in all offering documents relating to the Relevant Bonds a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Bonds is not exempt from tax shall include such income in a return of income made under the Income Tax Act; and
 - (ii) the submission to the MAS of a return on debt securities in respect of the Relevant Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Bonds as the MAS may require,

payments of Qualifying Income derived from the Relevant Bonds are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

- (a) if during the primary launch of any tranche of the Relevant Bonds, the Relevant Bonds of such tranche are issued to less than four persons and 50 per cent. or more of the issue of such Relevant Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Bonds would not qualify as “qualifying debt securities”; and
- (b) even though a particular tranche of Relevant Bonds are “qualifying debt securities”, if, at any time during the tenure of such tranche of Relevant Bonds, 50 per cent. or more of the issue of such Relevant Bonds is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Bonds held by:
 - (i) any related party of the Issuer; or
 - (ii) any other person where the funds used by such person to acquire such Relevant Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “**break cost**”, “**prepayment fee**” and “**redemption premium**” are defined in the Income Tax Act as follows:

- “**break cost**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
- “**prepayment fee**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- “**redemption premium**”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “break cost”, “prepayment fee” and “redemption premium” in this Singapore tax disclosure have the same meaning as defined in the Income Tax Act.

Where interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) is derived from any of the Relevant Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the Income Tax Act (as mentioned above) shall not apply if such person acquires such Relevant Bonds using the funds and profits of such person’s operations through a permanent establishment in Singapore.

Notwithstanding that the Issuer is permitted to make payments of Qualifying Income in respect of the Relevant Bonds without deduction or withholding for tax under Section 45 or Section 45A of the Income Tax Act, any person whose interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) derived from the Relevant Bonds is not exempt from tax is required to include such income in a return of income made under the Income Tax Act.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Bonds will not be taxable in Singapore. However, any gains derived by any person from the sale of the Bonds which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Bonds who apply or are required to apply Singapore Financial Reporting Standards 39 (“**FRS 39**”), 109 (“**FRS 109**”) or Singapore Financial Reporting Standards (International) 9 (“**SFRS(I) 9**”) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on “Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes”.

Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes

Section 34A of the Income Tax Act provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement”.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled “Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments”.

Holders of the Bonds who may be subject to the tax treatment under Sections 34A or 34AA of the Income Tax Act should consult their own tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of 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:

- (c) 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;
- (d) 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;
- (e) 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

- (f) 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.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this “Taxation — PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 (amended on 29 December 2018) and the PRC Individual Income Tax Law effective on 1 January 2019, and their respective implementation regulations, an income tax is imposed on payments of interest by way of withholding in respect of the Bonds, made by the Issuer (if the Issuer is regarded as a PRC enterprise under the Enterprises Income Tax Law and/or the Individual Income Tax Law) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management bodies” of the Issuer are within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% in respect of its income sourced from both within and outside PRC. If the Issuer is regarded as a PRC tax resident enterprise, such enterprise income tax shall be withheld by the Issuer that is acting as the obligatory withholder and it shall withhold the tax amount from each payment due.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the “**Tax Arrangement**”) for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the Enterprise Income Tax Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

In addition, pursuant to Circular 36 which took effect on 1 May 2016, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that “loans” refer to the activity of lending capital for another’s use and receiving interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds is likely to be treated as a “loan” provided by the Bondholders to the Issuer, which thus shall be regarded as financial services for VAT purposes. In general, the income derived from the provision of loans will not be subject to VAT in the PRC if none of the Issuer, or the Bondholders is within the PRC. However, it is uncertain whether a foreign incorporated company which is deemed to be a PRC resident enterprise would be regarded as being within the PRC. In the event that the Issuer is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Bondholders may be deemed to be providing financial services to the Issuer within the PRC and consequently, the amount of interest on the Bonds payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, if the Issuer is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Bonds for any non-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholder located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of income tax, VAT or otherwise), the Issuer have agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, as further set out in the “*Terms and Conditions of the Bonds*”.

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

SUBSCRIPTION AND SALE

The Issuer have entered into a subscription agreement with DBS Bank Ltd., SPDB International Capital Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, CLSA Singapore Pte Ltd, Bank of China Limited, Singapore Branch, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank Corporation Singapore Branch, China Everbright Securities (HK) Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch and Standard Chartered Bank (Singapore) Limited as the Joint Lead Managers dated [●] 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue and the Joint Lead Managers have severally and not jointly agreed to subscribe for the principal amount of the Bonds as set forth opposite their names in the following table.

<u>Joint Lead Managers</u>	<u>Principal amount of the Bonds to be subscribed</u>
	(SGD)
DBS Bank Ltd.	[●]
SPDB International Capital Limited	[●]
Industrial and Commercial Bank of China Limited, Singapore Branch	[●]
CLSA Singapore Pte Ltd	[●]
Bank of China Limited, Singapore Branch	
Bank of Communications Co., Ltd. Hong Kong Branch	[●]
China Construction Bank Corporation Singapore Branch	[●]
China Everbright Securities (HK) Limited	[●]
China Industrial Securities International Brokerage Limited	[●]
China Securities (International) Corporate Finance Company Limited	[●]
CMBC Securities Company Limited	[●]
Haitong International Securities Company Limited	[●]
Shanghai Pudong Development Bank Co., Ltd. Singapore Branch	[●]
Standard Chartered Bank (Singapore) Limited	[●]
Total	[●]

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers and their affiliates 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.

In connection with the issue of the Bonds, any Joint Lead Manager (or persons acting on its behalf) appointed as a Stabilisation Manager (the “**Stabilisation Managers**”) or any person acting on behalf of the Stabilisation Managers may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Managers or any person acting on behalf of the Stabilisation Managers shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Managers or any person acting on behalf

of the Stabilisation Managers will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead Managers and their respective 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 respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. 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, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. 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 respective affiliates, or affiliates of the Issuer 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 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 respective 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 securities and instruments of the Issuer, including the Bonds and 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, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

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 with 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 taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the Standby Letter of Credit have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Standby Letter of Credit are being offered and sold outside of the United States in reliance on Regulation S.

The Bonds and the Standby Letter of Credit are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States (by a dealer that is not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (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; 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.

The PRC

Each Joint Lead Manager 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.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) 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(WUMPO)”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) 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.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager 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:

- (c) 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
- (d) 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 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).

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 Joint Lead Manager 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 and regulations of Japan.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 234321404 and ISIN XS2343214040.
2. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 300300FPZCH0LT8BJ154.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of Bonds. The issue of Bonds thereunder was authorised by resolutions of the board of directors of the Issuer on 23 March 2021 and shareholder resolutions of the Issuer on 27 April 2021.
4. **NDRC Pre-issuance Registration:** Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資 [2015] 2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately, China Eastern Air Holding Company Limited has registered the issuance of the Bonds with the NDRC and has obtained a certificate from the NDRC on 16 April 2021 evidencing such registration which as at the date of this Offering Circular, remain in full force and effect.
5. **No Material Adverse Change:** There has been no material adverse change, or any development likely to involve an adverse change, in the financial or trading position or to the condition (financial or otherwise), prospects, results of operations, capitalisation, profitability, business, properties, general affairs or management of the Issuer since 31 December 2020.
6. **Litigation:** The Issuer is not involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Reliance on Certificates:** Pursuant to the Conditions and the Trust Deed, the Trustee may rely without liability to Bondholders or any other person on any report, confirmation, certificate from or any opinion or advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not 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 or 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, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.
8. **Available Documents:** The Trust Deed, the Agency Agreement, the Standby Letter of Credit, the Memorandum and Articles of Association of the Issuer, and the Issuer's audited financial statements for the years ended 31 December 2019 and 2020 will be available for inspection by holders of the Bonds from the Issue Date at the Issuer's registered office at 22/F, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. So long as any of the Bonds is outstanding, each of the documents mentioned in the immediately preceding sentence other than the Memorandum and Articles of Association of the Issuer, and the Issuer's audited financial statements for the years ended 31 December 2019 and 2020 will be available for inspection by the Bondholders at the principal place of business of the Trustee (being at the date of this Offering Circular at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) and (subject to it being provided with copies of the same) at the specified office for the time being of the Principal Paying Agent, in each case at all reasonable times during normal business hours (being between

9:00 a.m. and 3:00 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent.

9. **Audited Financial Statements:** The Issuer's audited financial statements as at and for the years ended 31 December 2019 and 2020 prepared in accordance with HKFRS, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, Certified Public Accountants, as stated in its reports appearing herein.
10. **Listing:** Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates.

In addition, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Audited Financial Statements for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards	
Independent Auditor's Report	F-5 to F-7
Statement of Profit or Loss and Other Comprehensive Income	F-8
Statement of Financial Position	F-9
Statement of Changes in Equity	F-10
Statement of Cash Flows	F-11
Notes to Financial Statements	F-12 to F-35
Audited Financial Statements for the year ended 31 December 2019 prepared in accordance with Hong Kong Financial Reporting Standards	
Independent Auditor's Report	F-39 to F-41
Statement of Profit or Loss and Other Comprehensive Income	F-42
Statement of Financial Position	F-43
Statement of Changes in Equity	F-44
Statement of Cash Flows	F-45
Notes to Financial Statements	F-46 to F-63

Audited Financial Statements

**Eastern Air Overseas (Hong Kong) Corporation Limited
(Incorporated in Hong Kong with limited liability)**

31 December 2020

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to financial statements	9 - 32

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Eastern Air Overseas (Hong Kong) Corporation Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The principal activities of the Company comprise the trading of aviation fuel, investment holding and treasury activities. There were no significant changes in the nature of the Company's principal activities during the year.

Dividends

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

There were no movements in the Company's share capital during the year, and details of share capital are set out in note 14 to the financial statements.

Directors

The directors of the Company during the year were:

Qimin Zhou
Yahong Yu
Yuan Zhang
Song Xue
Zhigang Fang

In accordance with the articles of association of the Company, there is no requirement for the directors of the Company to retire at the annual general meeting.

Directors' interests

At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

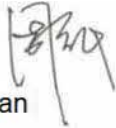
Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retired and a resolution for the change of auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD


Chairman

Hong Kong

1 June 2021



Ernst & Young
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Quarry Bay, Hong Kong

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Independent auditor's report

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Eastern Air Overseas (Hong Kong) Corporation Limited (the "Company") set out on pages 5 to 32, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditor's report (continued)

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report (continued)

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Certified Public Accountants

Hong Kong

1 June 2021

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
REVENUE	4	1,280,553,431	4,517,525,642
Cost of sales		<u>(1,261,799,304)</u>	<u>(4,472,797,665)</u>
Gross profit		18,754,127	44,727,977
Other income and gains	5	341,755,762	308,544,114
Administrative expenses		(354,586)	(1,747,898)
Finance costs	6	<u>(316,035,866)</u>	<u>(227,636,640)</u>
PROFIT BEFORE TAX	7	44,119,437	123,887,553
Income tax expense	9	<u>(20,851,003)</u>	<u>(20,173,102)</u>
PROFIT FOR THE YEAR		<u>23,268,434</u>	<u>103,714,451</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges			
Effective portion of changes in fair value of hedging instruments arising during the year		6,075,380	-
Reclassification adjustments for gains included in profit or loss		<u>(6,075,380)</u>	<u>-</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>23,268,434</u>	<u>103,714,451</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 December 2020 RMB	31 December 2019 RMB
CURRENT ASSETS			
Amounts due from the immediate holding company	16	17,038,008,324	17,879,819,665
Amount due from a fellow subsidiary	16	77,223	77,223
Cash and cash equivalents	11	<u>30,924,260</u>	<u>132,694,643</u>
Total current assets		<u>17,069,009,807</u>	<u>18,012,591,531</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	2,465,700,000	2,200,000,000
Interest payable		4,625,861	14,086,992
Other payables		12,062,132,461	10,696,667,269
Current portion of bonds payable	13	<u>-</u>	<u>2,584,578,802</u>
Total current liabilities		<u>14,532,458,322</u>	<u>15,495,333,063</u>
NET CURRENT ASSETS		<u>2,536,551,485</u>	<u>2,517,258,468</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,536,551,485</u>	<u>2,517,258,468</u>
NON-CURRENT LIABILITIES			
Bonds payable	13	<u>1,786,725,445</u>	<u>1,790,700,862</u>
Total non-current liabilities		<u>1,786,725,445</u>	<u>1,790,700,862</u>
NET ASSETS		<u>749,826,040</u>	<u>726,557,606</u>
EQUITY			
Share capital	14	230,269,800	230,269,800
Reserves		<u>519,556,240</u>	<u>496,287,806</u>
TOTAL EQUITY		<u>749,826,040</u>	<u>726,557,606</u>



Director



Director

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital RMB (Note 14)	Cash flow hedge reserve RMB	Retained profits RMB	Total RMB
At 1 January 2019	<u>230,269,800</u>	<u>-</u>	<u>392,573,355</u>	<u>622,843,155</u>
Profit and total comprehensive income for the year	-	-	103,714,451	103,714,451
At 31 December 2019 and 1 January 2020	<u>230,269,800</u>	<u>-</u>	<u>496,287,806</u>	<u>726,557,606</u>
Profit for the year	-	-	23,268,434	23,268,434
Cash flow hedges, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>23,268,434</u>	<u>23,268,434</u>
At 31 December 2020	<u><u>230,269,800</u></u>	<u><u>-</u></u>	<u><u>519,556,240</u></u>	<u><u>749,826,040</u></u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		44,119,437	123,887,553
Adjustments for:			
Interest income	5	(341,535,113)	(306,557,279)
Finance costs		<u>369,779,077</u>	<u>227,636,640</u>
		72,363,401	44,966,914
Decrease/(increase) in amount due from the immediate holding company		4,795,737,462	(5,420,664,962)
Increase in other payables		<u>1,365,465,192</u>	<u>5,415,967,795</u>
Cash generated from operations		6,233,566,055	40,269,747
Income tax paid		<u>(20,851,003)</u>	<u>(23,630,807)</u>
Net cash flows from operating activities		<u>6,212,715,052</u>	<u>16,638,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		231,060,263	314,672,100
Advances to the immediate holding company		(8,292,725,200)	(5,385,284,066)
Repayments from the immediate holding company		<u>4,082,786,294</u>	<u>7,475,675,000</u>
Net cash flows (used in)/from investing activities		<u>(3,978,878,643)</u>	<u>2,405,063,034</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of bonds		-	1,758,394,035
Repayment of bonds		(2,452,950,000)	-
New bank loans		2,452,950,000	3,886,288,000
Repayment of bank loans		(2,200,000,000)	(7,886,288,000)
Interest paid		<u>(138,873,196)</u>	<u>(189,357,590)</u>
Net cash flows used in financing activities		<u>(2,338,873,196)</u>	<u>(2,430,963,555)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(105,036,787)	(9,261,581)
Cash and cash equivalents at beginning of year		132,694,643	155,699,399
Effect of foreign exchange rate changes, net		<u>3,266,404</u>	<u>(13,743,175)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u><u>30,924,260</u></u>	<u><u>132,694,643</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	<u><u>30,924,260</u></u>	<u><u>132,694,643</u></u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

1. CORPORATE INFORMATION

Eastern Air Overseas (Hong Kong) Corporation Limited (the “Company”) is a limited company incorporated in Hong Kong on 10 June 2011. The Company’s registered office is located at 22nd floor, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong.

During the year, the Company was mainly involved in the trading of aviation fuel and treasury activities.

The Company’s immediate holding company is China Eastern Airlines Corporation Limited (“CEA”). In the opinion of the directors, the Company’s ultimate holding company is China Eastern Air Holding Company Limited, a company established in the People’s Republic of China and its registered office is located at No.66 Airport Street, Pudong New District, Pudong International Airport, Shanghai, People’s Republic of China.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time in the current year’s financial statements, which are applicable to the Company.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs had no impact on the financial position or performance of the Company.

31 December 2020

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2020 in these financial statements. Among the revised HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2,3}
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Financial assets

Trade receivables that do not contain a significant financial component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss when the financial asset is derecognised.

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(a) Classification and measurement (continued)

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in other income and gains.

(b) Impairment

The Company applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include interest-bearing bank borrowings, interest payable, other payables and bonds payable. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Deferred tax

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of aviation fuel

Revenue from the sale of aviation fuel is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aviation fuel.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Company expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Foreign currency transactions

The financial statements are presented in Renminbi, which is also the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables and other receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Company's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine if deferred tax assets should be recognised and the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. REVENUE

For the years ended 31 December 2020 and 2019, the revenue recognised represents the sales of aviation fuel to CEA, the Company's immediate holding company.

Revenue is analysed as follows:

	2020 RMB	2019 RMB
Revenue from contracts with customers	<u>1,280,553,431</u>	<u>4,517,525,642</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

4. REVENUE(CONTINUED)

(a) Disaggregated revenue information for revenue from contracts with customers

	2020 RMB	2019 RMB
Type of goods		
Sale of aviation fuel	<u>1,280,553,431</u>	<u>4,517,525,642</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>1,280,553,431</u>	<u>4,517,525,642</u>

(b) Performance obligations

Sale of aviation fuel

The performance obligation is satisfied upon delivery of aviation fuel.

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 is nil (2019: Nil)

5. OTHER INCOME AND GAINS

Other income and gains include the following:

	2020 RMB	2019 RMB
Interest income from the loans to CEA	341,535,113	306,557,279
Interest income from bank deposits	<u>220,649</u>	<u>1,986,835</u>
	<u>341,755,762</u>	<u>308,544,114</u>

6. FINANCE COSTS

	2020 RMB	2019 RMB
Interest expense on bonds	113,279,061	79,610,422
Interest expense on bank loans	25,568,515	111,855,128
Foreign exchange loss	<u>177,188,290</u>	<u>36,171,090</u>
	<u>316,035,866</u>	<u>227,636,640</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2020 RMB	2019 RMB
Cost of inventories sold	1,261,799,304	4,472,797,665
Foreign exchange differences, net	<u>177,188,290</u>	<u>36,171,090</u>

The audit fee is borne by the immediate holding company.

8. DIRECTORS' REMUNERATION

No directors received any fees or other emoluments in respect of their services rendered to the Company during the year (for the year ended 31 December 2019: Nil).

9. INCOME TAX EXPENSE

Hong Kong profits tax was provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2020 RMB	2019 RMB
Current	<u>20,851,003</u>	<u>20,173,102</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2020 RMB	2019 RMB
Profit before tax	<u>44,119,437</u>	<u>123,887,553</u>
Tax at the statutory tax rate of 16.5%	7,279,707	20,441,446
Income not subject to tax	(56,389,701)	(50,909,779)
Expenses not deductible for tax	47,157,387	22,437,025
Tax losses not recognised	<u>1,952,607</u>	<u>8,031,308</u>
Hong Kong profits tax	-	-
Withholding tax in Mainland China	<u>20,851,003</u>	<u>20,173,102</u>
Tax charge at the effective rate	<u>20,851,003</u>	<u>20,173,102</u>

The Company has tax losses arising in Hong Kong of RMB69,886,689 (31 December 2019: RMB57,444,989) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31 December 2020

10. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedge – Foreign currency risk

During the year ended 31 December 2020, the Company entered into foreign currency forward contracts to mitigate its forward currency risk. The foreign currency forward contracts had been designated as cash flow hedge against payment of USD for highly probable forecast fuel purchase transactions. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

As at 31 December 2020 and 31 December 2019, the Company held no foreign currency forward contracts.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the payment of USD for forecasted purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income		Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss and other comprehensive income	Amount reclassified from other comprehensive income to profit or loss		Line item (gross amount) in the statement of profit or loss and other comprehensive income
	Gross amount	Tax effect			Gross amount	Tax effect	
	RMB	RMB	RMB		RMB	RMB	RMB
Year ended 31 December 2020							
Highly probable forecasted purchases	6,075,380	(1,002,438)	-	N/A	(6,075,380)	1,002,438	(5,072,942)
							Cost of sales

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

11. CASH AND CASH EQUIVALENTS

	31 December 2020 RMB	31 December 2019 RMB
Bank balances	<u>30,924,260</u>	<u>132,694,643</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair values of the cash and cash equivalents approximate to their carrying amounts.

12. INTEREST-BEARING BANK BORROWINGS

	31 December 2020 RMB	31 December 2019 RMB
Bank loans – guaranteed	-	2,200,000,000
Bank loans – non-guaranteed	2,465,700,000	-
Amounts due within one year included in current liabilities	<u>(2,465,700,000)</u>	<u>(2,200,000,000)</u>
	<u>-</u>	<u>-</u>

As at 31 December 2020, the interest-bearing bank borrowings of RMB2,465,700,000, denominated in Singapore Dollars ("SGD"), bore interest at the 3-month Singapore Inter Bank Offered Rate plus 0.8% per annum.

As at 31 December 2019, the interest-bearing bank borrowings of RMB2,200,000,000, denominated in RMB, bore interest at 3.3000% per annum and were guaranteed by CEA.

13. BONDS PAYABLE

	31 December 2020 RMB	31 December 2019 RMB
Guaranteed bonds	1,786,725,445	4,375,279,664
Amounts due within one year included in current liabilities	<u>-</u>	<u>(2,584,578,802)</u>
	<u>1,786,725,445</u>	<u>1,790,700,862</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

13. BONDS PAYABLE (CONTINUED)

On 6 December 2019, the Company issued three-year corporate bonds with a principal amount of Korean Won (“KRW”) 300 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 2.40% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 6 December 2022. CEA has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

14. SHARE CAPITAL

	31 December 2020 RMB	31 December 2019 RMB
Issued and fully paid:		
280,000,000 ordinary shares	<u>230,269,800</u>	<u>230,269,800</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Company has no major non-cash transactions.

(b) Changes in liabilities arising from financing activities

	Interest payable RMB	Interest-bearing bank borrowings RMB	Bonds payable RMB
At 1 January 2019	17,859,528	6,200,000,000	2,495,041,686
Changes from financing cash flows	(189,357,590)	(4,000,000,000)	1,758,394,035
Finance charges	185,131,170	-	6,334,380
Foreign exchange movement	<u>453,884</u>	<u>-</u>	<u>115,509,563</u>
At 1 January 2020	14,086,992	2,200,000,000	4,375,279,664
Changes from financing cash flows	(138,873,196)	252,950,000	(2,452,950,000)
Finance charges	130,292,634	-	8,554,942
Foreign exchange movement	<u>(880,569)</u>	<u>12,750,000</u>	<u>(144,159,161)</u>
At 31 December 2020	<u>4,625,861</u>	<u>2,465,700,000</u>	<u>1,786,725,445</u>

16. RELATED PARTY TRANSACTIONS

(a) Related parties

Name of related parties	Relationship with the Company
CEA	Immediate holding company
Shanghai Airlines Co., Ltd. (“Shanghai Airlines”)	Fellow subsidiary

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with the related party during the year:

	Notes	2020 RMB	2019 RMB
<u>Transactions with CEA</u>			
Sales of aviation fuel	(i)	1,280,553,431	4,517,525,642
Advances of loans to CEA	(ii)	8,292,725,200	5,385,284,066
Repayments of loans from CEA	(ii)	4,082,786,294	7,475,675,000
Interest income	(ii)	<u>341,535,113</u>	<u>306,557,279</u>

Notes:

- (i) The Company's sales of aviation fuel to CEA were based on mutually agreed prices.
- (ii) The amounts represent the loans to CEA, which were unsecured and bore interest at rates ranging from 3.9150% to 4.3500% (2019: 3.9150% to 4.3500%) per annum with maturity dates due within one year.

(c) Related party balances

	31 December 2020 RMB	31 December 2019 RMB
<u>Amounts due from the immediate holding company</u>		
Trade receivables (note)	1,152,127,687	7,356,565,127
Loans to CEA	13,086,119,605	9,239,881,961
Interest receivables from CEA	266,179,162	158,490,685
Others	<u>2,533,581,870</u>	<u>1,124,881,892</u>
	<u>17,038,008,324</u>	<u>17,879,819,665</u>

Note:

The trade receivables were unsecured and the credit period is 15 days.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

16. RELATED PARTY TRANSACTIONS (CONTINUED)

	31 December 2020 RMB	31 December 2019 RMB
<u>Amount due from a fellow subsidiary</u>		
<i>Shanghai Airlines</i>	<u>77,223</u>	<u>77,223</u>
<u>Other payables</u>		
<i>CEA</i>	<u>12,062,132,461</u>	<u>10,696,659,555</u>

As at 31 December 2020, except for the unsecured loans to CEA of RMB13,086,119,605 (31 December 2019: RMB9,239,881,961) which bore interest at rates ranging from 3.9150% to 4.3500% with fixed maturity dates due within one year (2019: 3.9150% to 4.3500%), the remaining balances were unsecured, interest-free and repayable on demand.

(c) Related party balances (continued)

Impairment of trade receivables

The Company applies the simplified approach to provide for expected credit losses. The Company has assessed the recoverability with reference to the sole debtor's current financial position and the forward-looking information for the near future, and considered the expected credit loss as at 31 December 2020 was minimal with reference to the credit status.

Impairment of other receivables

The carrying amount of other receivables approximated to their fair value as at 31 December 2020 and 2019. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 31 December 2020 was considered to be minimal.

(d) As at 31 December 2020, guarantees were provided by CEA amounting to RMB1,957,470,000 in aggregate (2019: RMB6,596,550,000) for bank loans and bonds at nil consideration.

(e) There was no compensation of key management personnel of the Company for the years ended 31 December 2020 and 2019.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

At 31 December 2020

Financial assets

	Financial assets at amortised cost RMB
Amounts due from the immediate holding company	17,038,008,324
Amounts due from a fellow subsidiary	77,223
Cash and cash equivalents	<u>30,924,260</u>
	<u><u>17,069,009,807</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB
Interest-bearing bank borrowings	2,465,700,000
Interest payable	4,625,861
Other payables	12,062,132,461
Bonds payable	<u>1,786,725,445</u>
	<u><u>16,319,183,767</u></u>

At 31 December 2019

Financial assets

	Financial assets at amortised cost RMB
Amounts due from the immediate holding company	17,879,819,665
Amounts due from a fellow subsidiary	77,223
Cash and cash equivalents	<u>132,694,643</u>
	<u><u>18,012,591,531</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB
Interest-bearing bank borrowings	2,200,000,000
Interest payable	14,086,992
Other payables	10,696,667,269
Bonds payable	<u>4,375,279,664</u>
	<u><u>17,286,033,925</u></u>

31 December 2020

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to market risks (including interest rate and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Interest rate risk

The Company's exposure to interest rate risk relates principally to the bank borrowings which are based on the Singapore Interbank Offered Rate. The Company mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Company has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2020, if the interest rates on borrowings had been 25 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit after tax for the year would have decreased/increased by RMB5,942,780 (2019: Nil) as a result of higher/lower interest expenses on bank borrowings.

Foreign currency risk

The Company's certain interest-bearing bank borrowings and bonds are denominated in SGD and KRW, the bank deposits are denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD") and the amounts due from the immediate holding company are mainly denominated in USD. The Company is exposed to foreign exchange risk from fluctuations in various foreign currency exchange rates against RMB.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period in a reasonably possible change in the foreign currency exchange rates, with other variables held constant, of the Company's profit after tax due to change in the fair value of monetary assets and liabilities.

	USD/KRW/ SGD/HKD rate %	Increase/ (decrease) in profit after tax RMB'000
At 31 December 2020		
If RMB weakens against USD	5	286,363
If RMB strengthens against USD	5	(286,363)
If RMB weakens against KRW	5	(85,671)
If RMB strengthens against KRW	5	85,671
If RMB weakens against SGD	5	(117,289)
If RMB strengthens against SGD	5	117,289
If RMB weakens against HKD	5	168
If RMB strengthens against HKD	5	(168)
	USD/EUR/ SGD/HKD rate %	Increase/ (decrease) in profit after tax RMB'000
At 31 December 2019		
If RMB weakens against USD	5	293,827
If RMB strengthens against USD	5	(293,827)
If RMB weakens against EUR	5	(75,551)
If RMB strengthens against EUR	5	75,551
If RMB weakens against SGD	5	(107,785)
If RMB strengthens against SGD	5	107,785
If RMB weakens against HKD	5	1,063
If RMB strengthens against HKD	5	(1,063)

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The tables below show the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020 and 2019. The amounts presented are gross carrying amounts.

At 31 December 2020

	12-month expected credit risk	Lifetime expected credit risk			Total RMB
	Stage 1 RMB	Stage 2 RMB	Stage 3 RMB	Simplified approach RMB	
Amounts due from the immediate holding company					
Trade receivables*	-	-	-	1,152,127,687	1,152,127,687
Other receivables					
- Normal**	15,885,880,637	-	-	-	15,885,880,637
- Doubtful**	-	-	-	-	-
Amount due from a fellow subsidiary					
- Normal**	77,223	-	-	-	77,223
- Doubtful**	-	-	-	-	-
Cash and cash equivalents	<u>30,924,260</u>	-	-	-	<u>30,924,260</u>
	<u>15,916,882,120</u>	-	-	<u>1,152,127,687</u>	<u>17,069,009,807</u>

At 31 December 2019

	12-month expected credit risk	Lifetime expected credit risk			Total RMB
	Stage 1 RMB	Stage 2 RMB	Stage 3 RMB	Simplified approach RMB	
Amounts due from the immediate holding company					
Trade receivables*	-	-	-	7,356,565,127	7,356,565,127
Other receivables					
- Normal**	10,523,254,538	-	-	-	10,523,254,538
- Doubtful**	-	-	-	-	-
Amount due from a fellow subsidiary					
- Normal**	77,223	-	-	-	77,223
- Doubtful**	-	-	-	-	-
Cash and cash equivalents	<u>132,694,643</u>	-	-	-	<u>132,694,643</u>
	<u>10,656,026,404</u>	-	-	<u>7,356,565,127</u>	<u>18,012,591,531</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

*The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss model for all trade receivables. At the end of the reporting period, the Company had significant concentration of credit risk as 100% (2019: 100%) of the Company's trade receivables were due from CEA. The expected credit losses have incorporated forward-looking information.

**The credit quality of the amounts due from the immediate holding company and the amount due from a fellow subsidiary is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2020

	Less than 12 months RMB	1 to 5 years RMB	Total RMB
Interest-bearing bank borrowings	2,495,422,041	-	2,495,422,041
Interest payable	4,625,861	-	4,625,861
Other payables	12,062,132,461	-	12,062,132,461
Bonds payable	<u>43,178,400</u>	<u>1,842,278,400</u>	<u>1,885,456,800</u>
	<u>14,605,358,763</u>	<u>1,842,278,400</u>	<u>16,447,637,163</u>

At 31 December 2019

	Less than 12 months RMB	1 to 5 years RMB	Total RMB
Interest-bearing bank borrowings	2,272,600,000	-	2,272,600,000
Interest payable	14,086,992	-	14,086,992
Other payables	10,696,667,269	-	10,696,667,269
Bonds payable	<u>2,615,846,800</u>	<u>1,841,490,000</u>	<u>4,457,336,800</u>
	<u>15,599,201,061</u>	<u>1,841,490,000</u>	<u>17,440,691,061</u>

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

19. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments not measured at fair value

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

At 31 December 2020

	Carrying amount RMB	Fair value RMB	Fair value measurement categorised into		
			Level 1 RMB	Level 2 RMB	Level 3 RMB
Bonds payable	1,786,725,445	1,821,032,458	-	1,821,032,458	-

At 31 December 2019

	Carrying amount RMB	Fair value RMB	Fair value measurement categorised into		
			Level 1 RMB	Level 2 RMB	Level 3 RMB
Bonds payable	4,375,279,664	4,430,974,330	-	4,430,974,330	-

Management has assessed that the fair values of amounts due from the immediate holding company and a fellow subsidiary, interest-bearing bank borrowings (current portion), interest payable, and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Company's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair value of the bonds payable has been measured using significant observable inputs and calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

20. EVENTS AFTER THE REPORTING PERIOD

The Company has no significant events after the reporting period.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 1 June 2021.

Audited Financial Statements

**Eastern Air Overseas (Hong Kong) Corporation Limited
(Incorporated in Hong Kong with limited liability)**

31 December 2019

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to financial statements	9 - 26

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Eastern Air Overseas (Hong Kong) Corporation Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The principal activities of the Company comprise the trading of aviation fuel, investment holding and treasury activities. There were no significant changes in the nature of the Company's principal activities during the year.

Dividends

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

There were no movements in the Company's share capital during the year, and details of share capital are set out in note 13 to the financial statements.

Directors

The directors of the Company during the year were:

Yongliang Wu
Yahong Yu
Yuan Zhang
Song Xue
Zhigang Fang

In accordance with the articles of association of the Company, there is no requirement for the directors of the Company to retire at the annual general meeting.

Directors' interests

At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Chairman

Hong Kong

22 June 2020



Independent auditor's report

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited (Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Eastern Air Overseas (Hong Kong) Corporation Limited (the "Company") set out on pages 5 to 26, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditor's report (continued)

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report (continued)

To the members of Eastern Air Overseas (Hong Kong) Corporation Limited

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, script font.

Certified Public Accountants
Hong Kong
22 June 2020

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
REVENUE	4	4,517,525,642	4,428,604,725
Cost of sales		<u>(4,472,797,665)</u>	<u>(4,297,470,900)</u>
Gross profit		44,727,977	131,133,825
Other income and gains	5	308,544,114	525,961,826
Administrative expenses		(1,747,898)	(1,301,039)
Finance costs	6	<u>(227,636,640)</u>	<u>(320,173,440)</u>
PROFIT BEFORE TAX	7	123,887,553	335,621,172
Income tax expense	9	<u>(20,173,102)</u>	<u>(4,412,957)</u>
PROFIT FOR THE YEAR		<u>103,714,451</u>	<u>331,208,215</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>103,714,451</u>	<u>331,208,215</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB	31 December 2018 RMB
CURRENT ASSETS			
Amounts due from the immediate holding company	15	17,879,819,665	14,464,124,926
Amount due from a fellow subsidiary	15	77,223	77,223
Cash and cash equivalents	10	<u>132,694,643</u>	<u>155,699,399</u>
Total current assets		<u>18,012,591,531</u>	<u>14,619,901,548</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	2,200,000,000	3,200,000,000
Interest payable		14,086,992	17,859,528
Tax payable		-	3,457,705
Other payables		10,696,667,269	5,280,699,474
Current portion of bonds payable	12	<u>2,584,578,802</u>	<u>-</u>
Total current liabilities		<u>15,495,333,063</u>	<u>8,502,016,707</u>
NET CURRENT ASSETS		<u>2,517,258,468</u>	<u>6,117,884,841</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,517,258,468</u>	<u>6,117,884,841</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	-	3,000,000,000
Bonds payable	12	<u>1,790,700,862</u>	<u>2,495,041,686</u>
Total non-current liabilities		<u>1,790,700,862</u>	<u>5,495,041,686</u>
NET ASSETS		<u>726,557,606</u>	<u>622,843,155</u>
EQUITY			
Share capital	13	230,269,800	230,269,800
Reserves		<u>496,287,806</u>	<u>392,573,355</u>
TOTAL EQUITY		<u>726,557,606</u>	<u>622,843,155</u>



Director



Director

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital RMB	Retained profits RMB	Total RMB
At 1 January 201	230,269,800	61,365,140	291,634,940
Profit and total comprehensive income for the year	<u>-</u>	<u>331,208,215</u>	<u>331,208,215</u>
At 31 December 2018 and 1 January 2019	230,269,800	392,573,355	622,843,155
Profit and total comprehensive income for the year	<u>-</u>	<u>103,714,451</u>	<u>103,714,451</u>
At 31 December 2019	<u>230,269,800</u>	<u>496,287,806</u>	<u>726,557,606</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		123,887,553	335,621,172
Adjustments for:			
Interest income	5	(306,557,279)	(396,506,781)
Finance costs		<u>227,636,640</u>	<u>190,718,395</u>
		44,966,914	129,832,786
Increase in amount due from the immediate holding company		(5,420,664,962)	(2,000,584,230)
Increase in other payables		<u>5,415,967,795</u>	<u>5,278,527,716</u>
Cash generated from operations		40,269,747	3,407,776,272
Income tax paid		<u>(23,630,807)</u>	<u>(21,446,824)</u>
Net cash flows from operating activities		<u>16,638,940</u>	<u>3,386,329,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		314,672,100	271,590,298
Advances to the immediate holding company		(5,385,284,066)	(11,852,253,774)
Repayments from the immediate holding company		<u>7,475,675,000</u>	<u>6,792,853,000</u>
Net cash flows from/(used in) investing activities		<u>2,405,063,034</u>	<u>(4,787,810,476)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debentures		1,758,394,035	-
New bank loans		3,886,288,000	6,531,209,000
Repayment of bank loans		(7,886,288,000)	(5,261,847,000)
Interest paid		<u>(189,357,590)</u>	<u>(336,385,323)</u>
Net cash flows from/(used in) financing activities		<u>(2,430,963,555)</u>	<u>932,976,677</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(9,261,581)	(468,504,351)
Cash and cash equivalents at beginning of year		155,699,399	632,616,080
Effect of foreign exchange rate changes, net		<u>(13,743,175)</u>	<u>(8,412,330)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	<u>132,694,643</u>	<u>155,699,399</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	<u>132,694,643</u>	<u>155,699,399</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

1. CORPORATE INFORMATION

Eastern Air Overseas (Hong Kong) Corporation Limited (the “Company”) is a limited company incorporated in Hong Kong on 10 June 2011. The Company’s registered office is located at 22nd floor, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong.

During the year, the Company was involved in the trading of aviation fuel and treasury activities.

The Company’s immediate holding company is China Eastern Airlines Corporation Limited (“CEA”). In the opinion of the directors, the Company’s ultimate holding company is China Eastern Air Holding Company Limited, a company established in the People’s Republic of China and its registered office is located at No.66 Airport Street, Pudong New District, Pudong International Airport, Shanghai, People’s Republic of China.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements, which are applicable to the Company.

HKFRS 16	<i>Leases</i>
Amendment to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>

The adoption of the above new standard and amendments had no impact on the financial position or performance of the Company.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2019 in these financial statements. Among the new and revised HKFRSs, the following is expected to be relevant to the Company’s financial statements upon becoming effective:

31 December 2019

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 and HKAS 8

*Definition of Material*¹

¹ Effective for annual periods beginning on or after 1 January 2020

The amendments to HKAS 1 and HKAS 8 were issued in January 2019 to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and are not expected to have a significant impact on the Company’s financial statements upon adoption.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person’s family and that person

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Financial assets

Trade receivables that do not contain a significant financial component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss when the financial asset is derecognised.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(a) Classification and measurement (continued)

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in other income and gains.

(b) Impairment

The Company applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include interest-bearing bank borrowings, interest payable, other payables and bonds payable. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Deferred tax

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of aviation fuel

Revenue from the sale of aviation fuel is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aviation fuel.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Foreign currency transactions

The financial statements are presented in Renminbi, which is also the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables and other receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Company's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine if deferred tax assets should be recognised and the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

4. REVENUE

For the years ended 31 December 2019 and 2018, the revenue recognised represents the sales of aviation fuel to CEA, the Company's immediate holding company.

Revenue is analysed as follows:

	2019 RMB	2018 RMB
Revenue from contracts with customers	<u>4,517,525,642</u>	<u>4,428,604,725</u>

(a) Disaggregated revenue information for revenue from contracts with customers

	2019 RMB	2018 RMB
Type of goods		
Sale of aviation fuel	<u>4,517,525,642</u>	<u>4,428,604,725</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>4,517,525,642</u>	<u>4,428,604,725</u>

(b) Performance obligations

Sale of aviation fuel

The performance obligation is satisfied upon delivery of aviation fuel.

5. OTHER INCOME AND GAINS

Other income and gains include the following:

	2019 RMB	2018 RMB
Interest income from the loans to CEA	306,557,279	394,768,206
Interest income from bank deposits	1,986,835	1,738,575
Foreign exchange gains	<u>-</u>	<u>129,455,045</u>
	<u>308,544,114</u>	<u>525,961,826</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

6. FINANCE COSTS

	2019 RMB	2018 RMB
Interest expense on bonds	79,610,422	69,202,696
Interest expense on bank loans	111,855,128	250,970,744
Foreign exchange loss	<u>36,171,090</u>	<u>-</u>
	<u>227,636,640</u>	<u>320,173,440</u>

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	2019 RMB	2018 RMB
Cost of inventories sold	4,472,797,665	4,297,470,900
Foreign exchange differences, net	<u>36,171,090</u>	<u>(129,455,044)</u>

The audit fee is borne by the immediate holding company.

8. DIRECTORS' REMUNERATION

No directors received any fees or other emoluments in respect of their services rendered to the Company during the year (for the year ended 31 December 2018: Nil).

9. INCOME TAX EXPENSE

Hong Kong profits tax was provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2019 RMB	2018 RMB
Current	20,173,102	18,342,753
Overprovision in prior years	<u>-</u>	<u>(13,929,796)</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

9. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2019 RMB	2018 RMB
Profit before tax	<u>123,887,553</u>	<u>335,621,172</u>
Tax at the statutory tax rate of 16.5%	20,441,446	55,377,494
Adjustments in respect of current tax of previous periods	-	(13,929,796)
Income not subject to tax	(50,909,779)	(104,541,140)
Expenses not deductible for tax	22,437,025	58,321,056
Tax losses utilised from previous period	-	(9,157,410)
Tax losses not recognised	<u>8,031,308</u>	<u>-</u>
Hong Kong profits tax	-	(13,929,796)
Withholding tax in Mainland China	<u>20,173,102</u>	<u>18,342,753</u>
Tax charge at the effective rate	<u><u>20,173,102</u></u>	<u><u>4,412,957</u></u>

The Company has tax losses arising in Hong Kong of RMB57,444,989 (31 December 2018: RMB8,770,395) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. CASH AND CASH EQUIVALENTS

	31 December 2019 RMB	31 December 2018 RMB
Bank balances	<u>132,694,643</u>	<u>155,699,399</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair values of the cash and cash equivalents approximate to their carrying amounts.

11. INTEREST-BEARING BANK BORROWINGS

	31 December 2019 RMB	31 December 2018 RMB
Bank loans – guaranteed	2,200,000,000	6,200,000,000
Amounts due within one year included in current liabilities	<u>(2,200,000,000)</u>	<u>(3,200,000,000)</u>
	<u><u>-</u></u>	<u><u>3,000,000,000</u></u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

11. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

As at 31 December 2019, the interest-bearing bank loans of RMB2,200,000,000 (31 December 2018: RMB6,200,000,000) bore interest at a rate of 3.3000% (2018: 3.9685% to 4.3500%) per annum and were guaranteed by CEA.

12. BONDS PAYABLE

	31 December 2019 RMB	31 December 2018 RMB
Guaranteed bonds	4,375,279,664	2,495,041,686
Amounts due within one year included in current liabilities	<u>(2,584,578,802)</u>	-
	<u>1,790,700,862</u>	<u>2,495,041,686</u>

On 16 November 2017, the Company issued three-year corporate bonds with a total principal amount of SGD500 million, at an issue price equal to the face value of the bonds. The bonds bear interest at a fixed rate of 2.80% per annum. The interest is payable semi-annually. The bonds are unconditionally and irrevocably guaranteed by CEA.

On 6 December 2019, the Company issued three-year corporate bonds with a principal amount of KRW300 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 2.40% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 6 December 2022. CEA has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

13. SHARE CAPITAL

	31 December 2019 RMB	31 December 2018 RMB
Issued and fully paid: 280,000,000 ordinary shares	<u>230,269,800</u>	<u>230,269,800</u>

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Company had no major non-cash transactions.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

14. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	Interest payable RMB	Interest-bearing bank borrowings RMB	Bonds payable RMB
At 1 January 2018	36,547,096	4,897,264,500	2,431,016,001
Changes from financing cash flows	(336,385,323)	1,269,362,000	-
Finance charges	317,697,755	-	2,475,685
Foreign exchange movement	-	33,373,500	61,550,000
At 1 January 2019	17,859,528	6,200,000,000	2,495,041,686
Changes from financing cash flows	(189,357,590)	(4,000,000,000)	1,758,394,035
Finance charges	185,131,170	-	6,334,380
Foreign exchange movement	453,884	-	115,509,563
At 31 December 2019	<u>14,086,992</u>	<u>2,200,000,000</u>	<u>4,375,279,664</u>

15. RELATED PARTY TRANSACTIONS

(a) Related parties

Name of related parties	Relationship with the Company
CEA	Immediate holding company
Shanghai Airlines Co., Ltd. ("Shanghai Airlines")	Fellow subsidiary

(b) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with the related party during the year:

	Notes	2019 RMB	2018 RMB
<u>Transactions with CEA</u>			
Sales of aviation fuel	(i)	4,517,525,642	4,428,604,725
Advances of loans to CEA	(ii)	5,385,284,066	11,852,253,774
Repayments of loans to CEA	(ii)	7,475,675,000	6,792,853,000
Interest income	(ii)	<u>306,557,279</u>	<u>394,768,206</u>

Notes:

- (i) The Company's sales of aviation fuel to CEA were based on mutually agreed prices.
- (ii) The amounts represent the loans to CEA, which were unsecured and bore interest at rates ranging from 3.9150% to 4.3500% (2018: 3.9150% to 6.2484%) per annum with fixed maturity dates due within one year.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

	31 December 2019 RMB	31 December 2018 RMB
<u>Amounts due from the immediate holding company</u>		
Trade receivables (note)	7,356,565,127	3,042,761,152
Loans to CEA	9,239,881,961	11,238,402,273
Interest receivables from CEA	158,490,685	164,940,595
Others	<u>1,124,881,892</u>	<u>18,020,906</u>
	<u>17,879,819,665</u>	<u>14,464,124,926</u>
<u>Amount due from a fellow subsidiary</u>		
<i>Shanghai Airlines</i>	<u>77,223</u>	<u>77,223</u>
<u>Other payables</u>		
CEA	<u>10,696,659,555</u>	<u>5,280,691,761</u>

Note:

The trade receivables were unsecured and the credit period is 15 days.

As at 31 December 2019, except for the unsecured loans to CEA of RMB 9,239,881,961 (31 December 2018: RMB11,238,402,273) which bore interest at rates ranging from 3.9150% to 4.3500% with fixed maturity dates due within one year (2018: 3.9150% to 6.2484%), the remaining balances were unsecured and interest-free and repayable on demand.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances (continued)

Impairment of trade receivables

The Company applies the simplified approach to provide for expected credit losses. The Company has assessed the recoverability with reference to the sole debtor's current financial position and the forward-looking information for the near future, and considered the expected credit loss as at 31 December 2019 was minimal with reference to the credit status.

Impairment of other receivables

The carrying amount of other receivables approximated to their fair value as at 31 December 2019 and 2018. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 31 December 2019 was considered to be minimal.

(d) As at 31 December 2019, guarantees were provided by CEA amounting to RMB6,596,550,000 in aggregate (2018: RMB8,703,100,000) for bank loans and bonds at nil consideration.

(e) There was no compensation of key management personnel of the Company for the years ended 31 December 2019 and 2018.

16. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

At 31 December 2019

Financial assets

	Financial assets at amortised cost RMB
Amounts due from the immediate holding company	17,879,819,665
Amounts due from a fellow subsidiary	77,223
Cash and cash equivalents	<u>132,694,643</u>
	<u><u>18,012,591,531</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB
Interest-bearing bank borrowings	2,200,000,000
Interest payable	14,086,992
Other payables	10,696,667,269
Bonds payable	<u>4,375,279,664</u>
	<u><u>17,286,033,925</u></u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

At 31 December 2018

Financial assets

	Financial assets at amortised cost RMB
Amounts due from the immediate holding company	14,464,124,926
Amounts due from a fellow subsidiary	77,223
Cash and cash equivalents	<u>155,699,399</u>
	<u><u>14,619,901,548</u></u>

Financial liabilities

	Financial liabilities at amortised cost RMB
Interest-bearing bank borrowings	6,200,000,000
Interest payable	17,859,528
Other payables	5,280,699,474
Bonds payable	<u>2,495,041,686</u>
	<u><u>13,993,600,688</u></u>

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to market risks (including interest rate and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Interest rate risk

The Company's interest-bearing bank loans and bonds bear fixed interest rates and the Company's exposure to interest risk relating to floating interest-bearing financial assets and liabilities is not significant.

Foreign currency risk

The Company's certain bonds are denominated in Singapore Dollars ("SGD") and Korean Won ("KRW"), the bank deposits are denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD") and the amounts due from the immediate holding company are mainly denominated in USD. The Company is exposed to foreign exchange risk from fluctuations in various foreign currency exchange rates against RMB.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period in a reasonably possible change in the foreign currency exchange rates, with other variables held constant, of the Company's profit after tax due to change in the fair value of monetary assets and liabilities.

	USD/KRW/ SGD/HKD rate %	Increase/ (decrease) in profit after tax RMB'000
At 31 December 2019		
If RMB weakens against USD	5	293,827
If RMB strengthens against USD	5	(293,827)
If RMB weakens against KRW	5	(75,551)
If RMB strengthens against KRW	5	75,551
If RMB weakens against SGD	5	(107,785)
If RMB strengthens against SGD	5	107,785
If RMB weakens against HKD	5	1,063
If RMB strengthens against HKD	5	(1,063)
	USD/EUR/ SGD/HKD rate %	Increase/ (decrease) in profit after tax RMB'000
At 31 December 2018		
If RMB weakens against USD	5	163,991
If RMB strengthens against USD	5	(163,991)
If RMB weakens against EUR	5	(98)
If RMB strengthens against EUR	5	98
If RMB weakens against SGD	5	(103,769)
If RMB strengthens against SGD	5	103,769
If RMB weakens against HKD	5	2,073
If RMB strengthens against HKD	5	(2,073)

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The tables below show the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019 and 2018. The amounts presented are gross carrying amounts.

At 31 December 2019

	12-month expected credit risk	Lifetime expected credit risk			Total RMB
	Stage 1 RMB	Stage 2 RMB	Stage 3 RMB	Simplified approach RMB	
Amounts due from the immediate holding company					
Trade receivables*	-	-	-	7,356,565,127	7,356,565,127
Other receivables					
- Normal**	10,523,254,538	-	-	-	10,523,254,538
- Doubtful**	-	-	-	-	-
Amount due from a fellow subsidiary					
- Normal**	77,223	-	-	-	77,223
- Doubtful**	-	-	-	-	-
Cash and cash equivalents	<u>132,694,643</u>	-	-	-	<u>132,694,643</u>
	<u>10,656,026,404</u>	-	-	<u>7,356,565,127</u>	<u>18,012,591,531</u>

At 31 December 2018

	12-month expected credit risk	Lifetime expected credit risk			Total RMB
	Stage 1 RMB	Stage 2 RMB	Stage 3 RMB	Simplified approach RMB	
Amounts due from the immediate holding company					
Trade receivables*	-	-	-	3,042,761,152	3,042,761,152
Other receivables					
- Normal**	11,421,363,774	-	-	-	11,421,363,774
- Doubtful**	-	-	-	-	-
Amount due from a fellow subsidiary					
- Normal**	77,223	-	-	-	77,223
- Doubtful**	-	-	-	-	-
Cash and cash equivalents	<u>155,699,399</u>	-	-	-	<u>155,699,399</u>
	<u>11,577,140,396</u>	-	-	<u>3,042,761,152</u>	<u>14,619,901,548</u>

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

*The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss model for all trade receivables. The directors consider that the Company had significant concentration of credit risk for the trade receivables due from CEA. The expected credit losses have incorporated forward-looking information.

**The credit quality of the amounts due from the immediate holding company and the amount due from a fellow subsidiary is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The table below analyses the Company’s financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019

	Less than 12 months RMB	1 to 5 years RMB	Total RMB
Interest-bearing bank borrowings	2,272,600,000	-	2,272,600,000
Interest payable	14,086,992	-	14,086,992
Other payables	10,696,667,269	-	10,696,667,269
Bonds payable	<u>2,615,846,800</u>	<u>1,841,490,000</u>	<u>4,457,336,800</u>
	<u>15,599,201,061</u>	<u>1,841,490,000</u>	<u>17,440,691,061</u>

At 31 December 2018

	Less than 12 months RMB	1 to 5 years RMB	Total RMB
Interest-bearing bank borrowings	3,462,885,000	3,025,854,167	6,488,035,685
Interest payable	17,859,528	-	17,859,528
Other payables	5,280,699,474	-	5,280,699,474
Bonds payable	<u>70,086,800</u>	<u>2,573,186,800</u>	<u>2,643,273,600</u>
	<u>8,831,530,802</u>	<u>5,599,040,967</u>	<u>14,429,868,287</u>

Capital management

The primary objectives of the Company’s capital management are to safeguard the Company’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2019

18. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments not measured at fair value

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

At 31 December 2019

	Carrying amount RMB	Fair value RMB	<u>Fair value measurement categorised into</u>		
			Level 1 RMB	Level 2 RMB	Level 3 RMB
Bonds payable	4,375,279,664	4,430,974,330	-	4,430,974,330	-

At 31 December 2018

	Carrying amount RMB	Fair value RMB	<u>Fair value measurement categorised into</u>		
			Level 1 RMB	Level 2 RMB	Level 3 RMB
Non-current interest-bearing bank borrowings	3,000,000,000	2,818,404,413	-	2,818,404,413	-
Bonds payable	2,495,041,686	2,361,234,743	-	2,361,234,743	-

Management has assessed that the fair values of amounts due from the immediate holding company and a fellow subsidiary, interest-bearing bank borrowings (current portion), interest payable, and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Company's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

19. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the coronavirus epidemic ("the COVID-19") has spread globally, and governments have implemented a series of measures including travel restrictions and quarantines to contain the epidemic, which adversely affected the transport industry where the Company and its immediate holding company operate. The development and evolution of the COVID-19 still has great uncertainty in the duration and severity, which may further amplify the adverse impact and delay on the recovery of airlines industry and travel demand. Given the uncertainty about the situation, the Company currently cannot estimate the impact to the financial performance and cash flows for the year 2020.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2020.

APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

The Bonds will have the benefit of a separate Standby Letter of Credit issued by the LC Bank in substantially the following form:

FM: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)
9 PUDONG AVENUE, PUDONG NEW AREA (XINQU), SHANGHAI, CHINA, 200120

DATE: []

TO BENEFICIARY: DB TRUSTEES (HONG KONG) LIMITED (THE “**TRUSTEE**”), LEVEL 60, INTERNATIONAL COMMERCE CENTRE, 1 AUSTIN ROAD WEST, KOWLOON, HONG KONG, IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF ITSELF AND THE HOLDERS (THE “**BONDHOLDERS**”) OF SGD[] IN THE AGGREGATE PRINCIPAL AMOUNT [COUPON] PER CENT. BONDS DUE [] (ISIN: [] / COMMON CODE: []) (THE “**BONDS**”) TO BE ISSUED BY EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED (THE “**BOND ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED [] 2021 (THE “**BOND ISSUE DATE**”) BETWEEN THE BOND ISSUER AND THE TRUSTEE (AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. []

AT THE REQUEST OF OUR CUSTOMER, CHINA EASTERN AIRLINES CORPORATION LIMITED, WE, INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, SHANGHAI MUNICIPAL BRANCH (THE “**ISSUING BANK**,” “**OUR**,” “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE BOND ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 2(C) OF THE CONDITIONS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION, OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE TO THE BOND ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS, OR (3) THE BOND ISSUER HAS FAILED TO PAY ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND/OR OTHER AMOUNTS EXPRESSED TO BE PAYABLE IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER. FOR THE AVOIDANCE OF DOUBT, CHINA EASTERN AIRLINES CORPORATION LIMITED IS NOT AN OBLIGOR UNDER THE BONDS. THE ISSUANCE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AT THE REQUEST OF CHINA EASTERN AIRLINES CORPORATION LIMITED

SHALL NOT AFFECT THE TRUSTEE'S RIGHTS TO MAKE ANY DEMAND IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY NO LATER THAN 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY NO LATER THAN 11:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY IMMEDIATELY FOLLOWING SUCH BUSINESS DAY (OR, IF SUCH DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY IMMEDIATELY FOLLOWING SUCH BUSINESS DAY) PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN SINGAPORE DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. "**BUSINESS DAY**" MEANS A DAY (OTHER THAN A SATURDAY, SUNDAY OR PUBLIC HOLIDAY) ON WHICH COMMERCIAL BANKS ARE OPEN FOR BUSINESS IN HONG KONG, SHANGHAI AND SINGAPORE.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN SINGAPORE DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED SGD[] (THE "**MAXIMUM LIMIT**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON [] (THE "**EXPIRY TIME**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY TIME OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT (OR SUCH LATER TIME AS REFERRED TO IN THE TWELFTH PARAGRAPH OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT).

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY YOU (OR, IN THE CASE WHERE THE BENEFICIARY OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS DB TRUSTEES (HONG KONG) LIMITED AS THE TRUSTEE, PRESENTED BY DEUTSCHE BANK AG, HONG KONG BRANCH ON ITS BEHALF) AS TRUSTEE FOR THE BONDS TO US (SWIFT: ICBKCNBJSHI) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; *PROVIDED* THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE EVENT OF A PRESENTATION BY FACSIMILE TRANSMISSION, NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED.

MULTIPLE DRAWINGS AND PARTIAL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY AN AMOUNT EQUAL TO SUCH DRAWING.

ALL CHARGES ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN SINGAPORE DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE, UNLESS AND TO THE EXTENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, IN WHICH CASE, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW. IN THE EVENT THAT THE ISSUING BANK HAS MADE ANY DEDUCTION OR WITHHOLDING FOR ANY TAXES, DUTIES, ASSESSMENTS OR GOVERNMENTAL CHARGES OF WHATEVER NATURE IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED BY OR WITHIN THE PRC OR ANY AUTHORITY THEREIN OR THEREOF HAVING POWER TO TAX (“**PRC TAX**”), IT SHALL, BY THE LAST BUSINESS DAY OF THE NEXT CALENDAR MONTH FOLLOWING SUCH PAYMENT, DELIVER TO THE TRUSTEE A DOCUMENT ISSUED BY THE ISSUING BANK AND/OR THE COMPETENT TAXING AUTHORITY OF THE PRC CERTIFYING THE PAYMENT OF SUCH PRC TAX AND THE AMOUNT SO PAID. IF THERE ARE MULTIPLE DOCUMENTS EVIDENCING THE PAYMENT OF SUCH PRC TAX, THE ISSUING BANK SHALL DELIVER ALL SUCH DOCUMENTS TO THE TRUSTEE.

THE BENEFICIARY’S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS’ NOTICE HAVING BEEN GIVEN TO US BY YOU (OR, IN THE CASE WHERE THE BENEFICIARY OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS DB TRUSTEES (HONG KONG) LIMITED AS THE TRUSTEE, PRESENTED BY DEUTSCHE BANK AG, HONG KONG BRANCH ON ITS BEHALF) AS TRUSTEE FOR THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, VIA FACSIMILE TRANSMISSION TO US AT +86 21-68499027.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLES 29 AND 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 21-68499027 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; *PROVIDED* THAT IF WE ARE CLOSED AT THE EXPIRY TIME, THE EXPIRY TIME SHALL BE

AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE RECEIVED BY US, WITHIN FIVE BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE BOND ISSUER OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600. (“**UCP600**”)

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY ENGLISH LAW. NO THIRD PARTY SHALL HAVE ANY RIGHT TO ENFORCE ANY OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (A) FOR THE BENEFIT OF THE BENEFICIARY AS TRUSTEE FOR THE BONDHOLDERS THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A “**DISPUTE**”) ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATION ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (B) THAT THOSE COURTS ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT.

WE HAVE IRREVOCABLY APPOINTED INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE DO NOT HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT. FAILURE BY A PROCESS AGENT TO NOTIFY US OF THE RELEVANT PROCESS WILL NOT INVALIDATE THE PROCEEDINGS CONCERNED. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1

FORM OF DEMAND

To: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, SHANGHAI MUNICIPAL BRANCH (SWIFT: ICBKCNBJSHI)
9 PUDONG AVENUE, PUDONG NEW AREA (XINQU), SHANGHAI, CHINA, 200120

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF SGD[] IN THE AGGREGATE PRINCIPAL AMOUNT [] PER CENT. BONDS DUE [] ISSUED BY EASTERN AIR OVERSEAS (HONG KONG) CORPORATION LIMITED (THE “BOND ISSUER”)

We, [], are making this Demand [for and on behalf of DB Trustees (Hong Kong) Limited]¹ as Trustee for the Bonds (the “**Beneficiary**”) under your Irrevocable Standby Letter of Credit No. [NUMBER] (the “**Irrevocable Standby Letter of Credit**”). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1 This Demand is made in connection with the following²:

- () The Bond Issuer has failed to comply with Condition 2(c) (the “**Pre-Funding Condition**”) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition; or
- () An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee for the Bondholders, has given notice to the Bond Issuer that the Bonds are immediately due and payable in accordance with the Conditions; or
- () The Bond Issuer has failed to pay all fees, costs, expenses, indemnity payments and/or other amounts expressed to be payable in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Bond Issuer.

2 We hereby certify the amount(s) specified below are due and payable and accordingly, we hereby demand you to pay to us:

- () SGD[AMOUNT] of interest due in respect of the outstanding Bonds on [DATE] (the “**Due Date**”), which has not been pre-funded in accordance with the Conditions.
- () SGD[AMOUNT] of principal (together with accrued but unpaid interest) due in respect of the outstanding Bonds on [DATE] (the “**Due Date**”), which has not been pre-funded in accordance with the Conditions.
- () SGD[AMOUNT] of principal and/or any redemption amounts due in respect of the outstanding Bonds, together with accrued interest up to [DATE] (the “**Cut-off Date**”) as a result of the Bonds having become immediately due and payable in accordance with the Conditions.

1 Insert if the Beneficiary is DB Trustees (Hong Kong) Limited and the Demand is being made on its behalf by Deutsche Bank AG, Hong Kong Branch.

2 NOTE: Trustee to check appropriate box and complete details in brackets.

() SGD[AMOUNT] of the fees, costs, expenses, indemnity payments and/or other amounts expressed to be payable in connection with the Bonds, the Trust Deed and/or the Agency Agreement then outstanding.

3 We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4 The proceeds of the drawing under this Demand are to be credited to the following account:

Account Number: *[Insert account details]*³

For and behalf of

[DB Trustees (Hong Kong) Limited] as Beneficiary

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

3 Trustee to insert account details for the LC Proceeds Account

ISSUER

Eastern Air Overseas (Hong Kong) Corporation Limited

22/F, Jubilee Centre
18 Fenwick Street, Wanchai, Hong Kong

AUDITORS OF THE ISSUER

Ernst & Young

Certified Public Accountants
Registered Public Interest Entity Auditor

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LC BANK

Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch

9 Pudong Avenue,
Pudong New Area (Xinqu), Shanghai,
China, 200120

TRUSTEE

DB Trustees (Hong Kong) Limited
Level 60, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

**PRINCIPAL PAYING AGENT, REGISTRAR
AND TRANSFER AGENT**

Deutsche Bank AG, Hong Kong Branch
Level 60, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRE-FUNDING ACCOUNT BANK AND LC PROCEEDS ACCOUNT BANK

Deutsche Bank AG, Hong Kong Branch

Level 60, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

LEGAL ADVISORS

To the Issuer
as to English law and Hong Kong law

Morrison & Foerster
33/F, Edinburgh Tower,
The Landmark, 15 Queen's Road Central
Hong Kong

*To the Joint Lead Managers and Trustee as to English
law and Hong Kong law*

Linklaters
11th Floor, Alexandra House
Chater Road
Central, Hong Kong

To the Issuer
as to PRC law

Hui Ye Law Firm
13th Floor, Huamin Empire Plaza
726 West Yan An Road
Shanghai 200050, PRC

To the Joint Lead Managers
as to PRC law

Beijing Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004, PRC

LISTING AGENT

Linklaters Singapore Pte. Ltd.

One George Street, #17-01
Singapore 049145