

## Transcript of remarks by FS at media session (with photo/video)

Following is the transcript of remarks by the Financial Secretary, Mr Paul Chan, at a media session after attending radio programme this morning (June 13):

Reporter: Secretary, first of all, on the US dollar clearing, it has been described as the nuclear option. You have asked people not to be too worried. Can you further explain the steps, specific steps that you have taken or you have prepared Hong Kong in case there is a potential measure taken? And my second question is on Cathay Pacific, do you have a specific set of criteria, because you've mentioned about the government doesn't want to be a long term stakeholder in the airline. So, what are the specific criteria for the government to exit Cathay Pacific and also the criteria set to ensure that this airline will remain the local carrier, will remain Hong Kong company after all this crisis.

Financial Secretary: One of the conditions for the government to step in to invest in Cathay Pacific is that so long as the Government's loan and preference shares have not been fully repaid by Cathay Pacific, Swire Pacific has to remain as the controlling shareholder of Cathay Pacific.

Reporter: Sorry, the criteria for the government to exit Cathay Pacific as well?

Financial Secretary: The design of this rescue package has built in a mechanism for the government to exit. With regard to the bridging loan, in fact the availability of the loan is 12 months from the day of announcement of the rescue package. If they need to use the money, they can draw down, but they have to repay us within 18 months with interest. As the bridging loan is available for a limited period of 12 months only, so by that design, the bridging loan itself has an expiry date and has an exit mechanism.

As to the preference shares, the coupon rate is, for the first three years, 3 per cent. The fourth year, 5 per cent, and then 7 per cent, and then 9 per cent. Given currently the liquidity in the market is relatively ample, generally speaking, 7 per cent or 9 per cent coupon rate is rather high in terms of financial costs. So the design of this dividend rate applicable to the preference share gives the incentive to Cathay Pacific to redeem our shares as early as practically possible.

Finally, on your question about US dollar clearing, we have made reference to the sanctions previously invoked by the US towards different jurisdictions. Some of those sanctions are trying to cause inconvenience to the targeted individuals or institutions. Say for example, sanctions in respect of named individuals and institutions. We have our response plan, but please pardon me for not being able to disclose the details here, but let me assure you, we have taken that into consideration and we are confident that

we have contingency plan in place to respond to that.

(Please also refer to the Chinese portion of the transcript.)

