中國國際航空股份有限公司

AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00753)

(1) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION; AND (2) PROPOSED ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

(1) ACC TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2019 in relation to, among other things, the ACC Transactions, and the announcements of the Company dated 28 August 2020 and 29 October 2021 in relation to, among other things, the CNAHC Financial Services Agreement, Trademark License Framework Agreement, Comprehensive Services Framework Agreement and Properties Leasing Framework Agreement. Pursuant to the relevant listing requirements of Air China Cargo, Air China Cargo shall maintain independence from CNAHC and enter into framework agreement with the Group separately. Therefore, the Company and CNAHC, Air China Cargo and CNAF entered into the Supplemental Agreement on 20 September 2022 to stipulate that the CNAHC Financial Services Agreement, Trademark License Framework Agreement, Comprehensive Services Framework Agreement and Properties Leasing Framework Agreement shall not regulate the relevant transactions entered into between the Group and ACC Group. Air China Cargo will, as an independent entity, enter into relevant connected transaction agreement(s) with the Company and CNAF separately. On 20 September 2022, the Company and Air China Cargo entered into the 2022 ACC Framework Agreement, with an initial term ending 31 December 2024, pursuant to which, on one hand, amendments shall be made by the parties on the operation model of the Passenger Aircraft Cargo Business, that is, intended to carry out a long-term collaboration for the Passenger Aircraft Cargo Business under an exclusive operating model, in order to further address the issue of business competition and optimize transaction structure, and on the other hand, other relevant transactions between the Group and ACC Group shall be regulated under the 2022 ACC Framework Agreement. Upon the 2022 ACC

Framework Agreement becoming effective, the 2019 ACC Framework Agreement shall be terminated immediately. Besides, in respect of the relevant transactions between CNAF and the ACC Group under the above CNAHC Financial Services Agreement, CNAF and Air China Cargo are expected to enter into a separate financial services agreement by the end of 2022.

(2) CNACG TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2019 in relation to, among other things, the CNACG Transactions. The current term of the CNACG Framework Agreement will expire on 31 December 2022. As the Company expects that the CNACG Transactions will continue to be conducted, on 20 September 2022, the Company proposed to renew the CNACG Framework Agreement with CNACG for a renewed term of three years from 1 January 2023 to 31 December 2025.

GENERAL INFORMATION

According to the Hong Kong Listing Rules and Shanghai Listing Rules, the Company will seek approval from the Independent Shareholders for the entering into of the 2022 ACC Framework Agreement and the proposed annual caps for the ACC Transactions thereunder, and the renewal of the CNACG Framework Agreement and the proposed annual caps for the CNACG Transactions thereunder. The Supplemental Agreement does not constitute material amendment to the terms of the Relevant CNAHC Group Framework Agreements. Nevertheless, out of prudence, the Company will also seek approval from the Independent Shareholders for the entering into of the Supplemental Agreement.

In particular, for the relevant transactions of the Passenger Aircraft Cargo Business under the 2022 ACC Framework Agreement and the finance and operating leases transactions entered into by the Group, as lessee, under the CNACG Framework Agreement, as the highest applicable percentage ratio in respect of the proposed annual caps of such transactions exceeds 5%, such transactions are therefore subject to the announcement, annual review, circular (including advice of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the above Non-exempt Transactions. Somerley has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene the EGM on 14 October 2022 for the consideration and approval of Independent Shareholders on the above matters. The register of members of H Shares will be closed from Tuesday, 11 October 2022 to Friday, 14 October 2022 (both days inclusive), during which period no transfer of H Shares will be effected in order to determine the list of holders of H Shares of the Company who will be entitled to attend and vote at the EGM. H Shareholders of the Company whose names appear on the H Share register of members of the Company after the close of business on Monday, 10 October 2022 are entitled to attend the EGM after completing the registration procedures. In order to qualify for attendance at the EGM, all the transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Monday, 10 October 2022.

A circular containing, among others, (i) details regarding the above transactions; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding its advice on the Non-exempt Transactions; and (iii) the recommendation from the Independent Board Committee regarding the Non-exempt Transactions, will be despatched to Shareholders on or around 28 September 2022 in accordance with the Hong Kong Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2019 in relation to, among other things, the ACC Transactions. In order to further address the issue of business competition and optimize transaction structure, the Group intended to carry out a long-term collaboration with the ACC Group for the Passenger Aircraft Cargo Business under an exclusive operating model. Therefore, the Company and Air China Cargo entered into the 2022 ACC Framework Agreement to make amendments on the operation model of the Passenger Aircraft Cargo Business.

Reference is made to the announcement of the Company dated 30 October 2019 in relation to, among other things, the CNACG Transactions. The current term of the CNACG Framework Agreement will expire on 31 December 2022. As the Company expects that the CNACG Transactions will continue to be conducted after 31 December 2022, on 20 September 2022, the Company proposed to renew the CNACG Framework Agreement with CNACG.

Reference is made to the announcements of the Company dated 28 August 2020 and 29 October 2021 in relation to, among other things, the CNAHC Financial Services Agreement, Trademark License Framework Agreement, Comprehensive Services Framework Agreement and Properties Leasing Framework Agreement. Pursuant to the relevant listing requirements of Air China Cargo, Air China Cargo shall maintain independence from CNAHC and enter into framework agreement with the Group separately. Therefore, the Company and CNAHC, Air China Cargo and CNAF entered into the Supplemental Agreement to stipulate that the CNAHC Financial Services Agreement, Trademark License Framework Agreement, Comprehensive Services Framework Agreement and Properties Leasing Framework Agreement shall not regulate the relevant transactions entered into between the Group and ACC Group. Air China Cargo will, as an independent entity, enter into relevant connected transaction agreement(s) with the Company and CNAF separately.

II. ACC TRANSACTIONS

The Company and Air China Cargo entered into the 2022 ACC Framework Agreement on 20 September 2022.

1. Parties and the relationship between the parties

The Company is principally engaged in providing air passenger, air cargo and airline-related services.

Air China Cargo is owned as to 45.0018% by CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Air China Cargo is a limited liability company established under the laws of the PRC and is principally engaged in air cargo and mail transportation business.

CNAHC directly holds 40.98% of the Company's shares and holds 10.72% of the Company's shares through its wholly-owned subsidiary CNACG, and is the controlling shareholder of the Company as at the date of this announcement. As at the date of this announcement, the State-owned Assets Supervision and Administration Commission of the State Council is a controlling shareholder and de facto controller of CNAHC. CNAHC primarily operates all the state-owned assets and state-owned equity interests invested by the State in CNAHC and its invested entities, aircraft leasing and aviation equipment and facilities maintenance businesses.

2. Description of the ACC Transactions

The ACC Transactions contemplated under the 2022 ACC Framework Agreement are as follows:

- **Exclusive operation of the Passenger Aircraft Cargo Business:** In order to further address the issue of business competition and optimize transaction structure, after friendly negotiation between both parties, the Group and the ACC Group have determined to carry out a long-term collaboration for the Passenger Aircraft Cargo Business under an exclusive operating model. The entire Passenger Aircraft Cargo Business of the Group will be operated exclusively by the ACC Group, and the ACC Group shall undertake the overall responsibilities for transporting the cargos to the consignors with respect to the cargos which are transported through the passenger aircraft.

  The term of the exclusive operation of the Passenger Aircraft Cargo Business between the Company and the ACC Group commences from the effective date of the 2022 ACC Framework Agreement and ends on 31 December 2034. The commencement date of the term of the exclusive operation of the Passenger Aircraft Cargo Business between the airlines controlled by the Group and the ACC

Group shall be subject to the written agreement entered into between such airlines and ACC Group, if otherwise specified. Upon expiry of the exclusive operation term, the parties may determine new exclusive operation term through friendly negotiation.

- **Ground support services and other services:** The ground support services and other services provided by the Group to the ACC Group include but are not limited to operation support services, IT sharing services, comprehensive support services, engine and aircraft-related materials sharing services, retiree management services, training services, human resources services (including general, servicing and information services in respect of personnel employment, archival information, salaries and benefits, social insurance and employee services), and procurement and maintenance services. The ground support services and other services provided by the ACC Group to the Group include but are not limited to ground support services (cargo terminal services and airport apron services), container and pallet management services, engine and aircraft-related materials sharing services.

  In respect of the engine and aircraft-related materials sharing services between the Group and the ACC Group, they mainly involve the provision of common engine and aircraft-related materials by the other party when one party's own engine and aircraft-related materials could not be able to meet its respective needs (mainly involving high-priced reusable components on the aircraft), for the purpose of reducing the procurement costs and timeliness in the event of temporary needs of the parties, while, on the other hand, improve each of their inventory utilization efficiency, hence bringing certain source of revenue.

- **Property leasing:** The Group may rent out its own properties or land with legal use rights to ACC Group for its production and operation, office and storage use, and the Group may lease self-owned properties and land from the ACC Group in the event that its own properties could not be able to meet its business needs such as production and operation, office and storage.

  The properties leased to each other between the Group and the ACC Group differ in terms of aspects such as geographical location, area and purpose. Currently, the properties rent out by the Group to the ACC Group are mainly properties invested and built by the Group in the vicinity of the Beijing Capital International Airport for warehouse purpose, which are subject to the supervision and administration of the General Administration of Customs of the PRC, and the properties leased by the Group from the ACC Group at present are mainly properties adjacent to the Group that were leased to the Group for its use by the ACC Group under the circumstances that the Group's own properties could not be able to meet its office and operation needs.

Generally, the leasing term of properties or land shall not exceed three years. If there are specific government and/or industry requirements, the leasing term of properties or land shall comply with such requirements. When the terms expired, the leasing terms could be extended with unanimous consent after negotiation between both parties.

3. Pricing Policies for the ACC Transactions

The consideration of any specific ACC Transactions shall be determined after arm's length negotiations between the Group and the ACC Group and on normal commercial terms, and shall be determined in accordance with the pricing policies set forth below on a case-by-case basis.

- ***Exclusive operation of the Passenger Aircraft Cargo Business:***

  During the exclusive operation term, the Group shall charge the ACC Group the transportation service fee regularly in each year. Such transportation service fee shall be determined based on the ACC Group's actual cargo revenue generated from the exclusive operation of the Group's Passenger Aircraft Cargo Business after deducting certain operating fee rate. The specific formulas are as follows:

  Transportation service fee = actual revenue from the Passenger Aircraft Cargo Business × (1 – operating fee rate)

  Operating fee rate = operation expense rate + reward/punishment rate

  Reward/punishment rate = (growth rate of yield level of the Passenger Aircraft Cargo Business of the current year – growth rate of yield level of the cargo business in the industry of the current year) × 50%

  Of which:

  (1) The actual revenue of the Passenger Aircraft Cargo Business represents the actual cargo revenue generated by ACC Group's exclusive operation of the Group's Passenger Aircraft Cargo Business.

  (2) The operation expense rate represents the ratio of operating expenses to actual revenue from the Passenger Aircraft Cargo Business. Operation expenses are determined by the parties through arm's length negotiation primarily based on the operation expenses in the historical years, with reference to factors such as the price level in the similar market and industry and its variation trend.

(3) In order to enhance the operating results of the exclusive operation of the Passenger Aircraft Cargo Business, the both parties decide to apply the reward/punishment rate after negotiation. The basic index of reward/punishment rate represents 50% of the difference between the yield level growth rate of the Passenger Aircraft Cargo Business and the yield level growth rate of the cargo business in the industry of the current year. The parties may make reasonable adjustments according to the changes in the market environment and the operation direction of the Passenger Aircraft Cargo Business with unanimous consent after negotiation. The rate of 50% is determined by the Company and Air China Cargo through arm's length negotiation with reference to industry practice. The rate of 50% is the same as the relevant ratios of similar transactions of comparable companies in the industry, which will encourage the ACC Group to enhance its capacity of the Passenger Aircraft Cargo Business, thereby boosting the operating efficiency of the Group's Passenger Aircraft Cargo Business, and hence the rate is fair and reasonable.

(4) The growth rate of yield level of the Passenger Aircraft Cargo Business of the current year represents the growth rate of the yield level of the Passenger Aircraft Cargo Business of the current year generated by ACC Group's exclusive operation of the Group's Passenger Aircraft Cargo Business as compared with that of the previous year.

(5) The growth rate of yield level of the cargo business in the industry of the current year represents the growth rate of the revenue of the cargo business in the industry of the current year as compared with that of the previous year.

(6) The yield level of the cargo business represents the cargo revenue divided by the investment amount for the cargo business. The investment amount for the cargo business represents the total available cargo and mail traffic measured by the capacity available for the carriage of the cargo and mail for every route, and the calculation formula of which is $\sum$ (capacity available for the carriage of the cargo and mail of the route multiplied by the distance of the route).

Upon the 2022 ACC Framework Agreement becoming effective, the 2019 ACC Framework Agreement shall be terminated immediately. With respect to the Passenger Aircraft Cargo Business performed between the parties in accordance with the 2019 ACC Framework Agreement and the relevant specific agreement in 2022, both parties agreed that it shall be deemed to have been correspondingly adjusted in accordance with the above-mentioned principles since 1 January 2022.

- ***Ground support services and other services:***

  Both parties shall, according to the service items and specific needs, determine the relevant service fees of the ground support services and other services provided to or by the Group through arm's length negotiations in accordance with the following principles:

  (1) Follow the government and industry pricing or guide price if it is available, including but not limited to the guidance from the Civil Aviation Administration of China (CAAC) and the International Air Transport Association on the prices of ground support services and other terms, and the requirements on the pricing of navigation information stipulated by CAAC and Air Traffic Management Bureau (ATMB), and the transaction price shall be determined by the parties through arm's length negotiation with reference to factors such as comparable prices (if any) in the market, relevant laws and tax policies. Generally, CAAC and the International Air Transport Association will publish the guidance on their official websites from time to time (for the International Air Transport Association, the guidance may also be provided by selling to customers).

  (2) If no government and industry pricing or guide price is available, the final transaction price shall be determined through arm's length negotiations between the parties with firstly making reference to the market prices offered by at least two independent third parties on the market for the same type of service, and then taking certain factors into account such as the service standard, service scope, business volume and specific needs of the parties. If any service needs of the service recipient change, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in relevant costs, service quality or other factors.

  (3) If none of the above prices are applicable, the service price shall be determined by both parties on the basis of cost plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources and costs of facility, equipment and materials. Reasonable profit margin will be determined with mainly making reference to the historical average prices on similar products or services (where possible) published regarding the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The reasonable profit margin of ACC Group shall not exceed 10%. The final transaction prices shall be determined on terms that to the Group are no less favourable than those provided by independent third parties to the Group or those provided by ACC Group to independent third parties. The Group generally may gain understanding on the historical average prices of the reasonable profit margin of similar products or services of the relevant industry by engaging third-party

professional institutions or making its own enquiries through channels such as available data resources (e.g. Bureau van Dijk (BVD) and other large-scale databases) and the official websites of other listed companies. Besides, prior to entering into transactions of various ground support services and other services, the Group will request the ACC Group to provide and hence obtain the terms of similar and comparable transactions between the ACC Group and independent third parties whenever possible as its reference for determining the transaction price. While making reference to the profit margin of comparable products and services disclosed by other listed companies, the Group will try to acquire comparable data as more as possible, and generally by referring to at least two listed companies' relevant data where practicable.

- ***Property leasing services:***

  The parties shall, according to the service items and specific needs, determine the relevant service fees of the property leasing services through arm's length negotiations in accordance with the following principles:

  (1) The Group as lessor: First, the Group shall provide quotation of the leased properties or land to ACC Group after taking into account the factors including the relevant costs, tax and reasonable profit margin relating to the properties or land. The relevant costs include construction costs, depreciation costs, funding costs and maintenance costs. Reasonable profit margin will be determined with mainly making reference to the historical average prices on similar services (where possible) published regarding the property leasing industry, and/or the profit margin of the comparable services disclosed by other listed companies. Then, the rental prices for the leased properties or land shall be determined through arm's length negotiations between the Group and ACC Group after ACC Group takes into account the factors such as the location of the leased properties or land and the service quality. Such rental prices shall not be lower than the rent offered by the Group to an independent third party (if any) in comparable circumstances.

  (2) The Group as lessee: First, the Group shall conduct market research and collect, consolidate and analyze information in respect of provision of leasing services by independent third parties for the same type of properties or land (if any) in close proximity to the properties or land to be leased. Generally, the Group shall assign a department or an officer to verify the price and terms available from at least two independent third parties (if any) by email, fax or telephone. Then, (a) if there is comparable market of the same type identified through market research, the parties shall determine the rental prices for the leased properties or land through arm's length negotiations with reference to the market price for the same type of services available from at least two independent third parties after taking into account the relevant factors. The

relevant factors include the geographical location, function and layout, furnishing, ancillary facilities and property services of the property or land as well as the specific needs of the lessee; and (b) if there is no comparable market of the same type found in the neighboring areas through market research, the price shall be determined by adopting the cost-plus approach: the rental price of the leased properties or land shall be determined through arm's length negotiations between the parties based on the relevant costs, tax and reasonable profit margin of the properties or land offered by ACC Group. The relevant costs include construction costs, depreciation costs, funding costs and maintenance costs. Reasonable profit margin will be determined with mainly making reference to the historical average prices on similar services (where possible) published regarding the property leasing industry, and/or the profit margin of the comparable services disclosed by other listed companies, and the reasonable profit margin of ACC Group shall not exceed 10%. The abovementioned rental prices shall not be higher than those offered by ACC Group to the independent third parties (if any) in comparable circumstances.

The Group generally may gain understanding on the historical average prices of the reasonable profit margin of similar products or services of the relevant industry by engaging third-party professional institutions or making its own enquiries through channels such as available data resources (e.g. Bureau van Dijk (BVD) and other large-scale databases) and the official websites of other listed companies. Besides, prior to entering into transactions of various ground support services and other services, the Group will request the ACC Group to provide and hence obtain the terms of similar and comparable transactions between the ACC Group and independent third parties whenever possible as its reference for determining the transaction price. While making reference to the profit margin of comparable products and services disclosed by other listed companies, the Group will try to acquire comparable data as more as possible, and generally by referring to at least two listed companies' relevant data where practicable.

(3) The Group as lessee and lessor: When leasing each other's properties or land, as a separate matter, the parties may determine the quotation for the rental prices of their respective properties or land based on the above pricing principles, and then exchange the properties and land use right in accordance with the principle of equivalent exchange.

(4) The payment method of rental fee shall be subject to specific agreement.

4. Term of the 2022 ACC Framework Agreement

The 2022 ACC Framework Agreement shall take effect upon the approval by the Shareholders at the general meeting of the Company and Air China Cargo, and shall be valid until 31 December 2024 (the "**Initial Term**"). The 2022 ACC Framework Agreement may be automatically renewed for successive terms of three years after 31 December 2024 (together with the Initial Term, collectively referred to as the "**Terms of the Agreement**"), subject to the compliance with requirements under the Hong Kong Listing Rules/Shanghai Listing Rules and the approval procedures required under the Hong Kong Listing Rules/Shanghai Listing Rules. During the Terms of the Agreement, the agreement can be terminated upon the expiry on any 31 December by either party thereto by serving the other party a written notice of not less than three months. However, the exclusive operation term of the Passenger Aircraft Cargo Business between the Group and ACC Group under the 2022 ACC Framework Agreement shall not be terminated upon the termination of the 2022 ACC Framework Agreement, provided that the compliance requirements (including but not limited to obtaining approval and fulfilling disclosure procedures for the annual caps) under the Hong Kong Listing Rules/Shanghai Listing Rules shall then be complied with.

Upon the 2022 ACC Framework Agreement becoming effective, the 2019 ACC Framework Agreement shall be terminated immediately.

5. Independent Financial Adviser's opinion on the exclusive operation term of the Passenger Aircraft Cargo Business

As mentioned above, the exclusive operation term of the Passenger Aircraft Cargo Business is approximately 12 years. According to Rule 14A.52 of the Hong Kong Listing Rules, the term of the agreement for a continuing connected transaction shall not exceed three years except in special circumstances where the nature of the transaction requires a longer contractual term. In this case, the listed issuer shall appoint an independent financial adviser to explain why the agreement requires a longer term and to confirm that it is normal business practice for agreements of this type to be of such duration. Accordingly, the Company has engaged Somerley as the Independent Financial Adviser, and Somerley has formulated its opinion as follows:

Having considered the following factors, Somerley is of the view that a term of longer than three years is required for the effective operation of the transactions relating to the Passenger Aircraft Cargo Business (the "**Cargo Transactions**") and is a normal business practice in the industry:

(i) Air China Cargo intends to apply for the listing of A shares and to comply with the applicable guidelines on initial public offering and listing of shares issued by CSRC, the Cargo Transactions having a term of more than three years is necessary for facilitating the potential listing of Air China Cargo;

(ii) entering into of the Cargo Transactions could provide a clear delineation of business and thereby eliminating concerns associated with competition between the Company and Air China Cargo;

(iii) Air China Cargo is the sole service provider for the Passenger Aircraft Cargo Business and in view of the shareholding structure of both the Group and Air China Cargo, it is not practicable or commercially sensible for the Company to entrust such services with another party in the PRC as such counterparty would have to have a reasonable business scale to operate the Group's Passenger Aircraft Cargo Business and possible candidates with such business scale would normally be under control of an industry competitor; and

(iv) Somerley considers the practice of having a term of longer than three years is not uncommon in the industry because Somerley noted that the similar exclusive passenger aircraft bellyhold space contractual operation arrangement of China Eastern Airlines Corporation Limited is also for a long term of 12 years.

6. Independent Financial Adviser's opinion on the leasing term of properties

As mentioned above, for the purpose of the property leasing services between the Group and the ACC Group, the leasing term of properties or land for both parties shall not exceed three years. However, if there are specific government and/or industry requirements, the leasing term of properties or land shall comply with such requirements (the "**Regulated Property(ies)**").

Air China Cargo (as the lessee) leased properties which are subject to the supervision and administration of the General Administration of Customs of the PRC (the "**GAC Regulated Properties**") from the Company (as the lessor). The initial leasing term of the GAC Regulated Properties shall exceed three years which is mainly due to the compulsory administrative regulations of the General Administration of Customs of the PRC. Therefore, the GAC Regulated Properties under lease are the Regulated Properties. According to Rule 14A.52 of the Hong Kong Listing Rules, the term for the agreement for a continuing connected transaction shall not exceed three years except in special circumstances where the nature of the transaction requires a longer term. In this case, the listed issuer shall appoint an independent financial adviser to explain why the agreement requires a longer term and to confirm that it is normal business practice for the agreements of this type to be of such duration.

As disclosed in the announcement of the Company dated 29 October 2021, the Company had engaged BaoQiao Partners Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**BaoQiao Partners**"), to advise opinion in respect of the leasing term of the Regulated Properties. In particular, (i) based on BaoQiao Partners' review of the Measure of the PRC for the General Administration of Places under Customs Supervision General (中華人民共和國海關監管場所管理辦法) issued by the General Administration of Customs of the PRC effective from 1 March 2008, BaoQiao Partners noted that the lease term of property for the use of loading, unloading, storage, delivery and shipping of import and export goods in the areas that are subject to the oversight and supervision of the General Administration of Customs is required to be at least five years. In this regard, it is normal business practice with regards to the compliance with applicable government/industrial regulations or requirements for the lease term of the lease agreements to be over three years; (ii) the lease terms for the Regulated Properties are subject to the requirements under specific government or industrial regulations, and the entering into leases of the Regulated Properties will provide the flexibility for the Company to lease out its vacant Regulated Properties for rental income; and (iii) BaoQiao Partners has reviewed the continuing connected transaction announcements published by companies listed on the Hong Kong Stock Exchange since 2018, and noted that there were similar framework agreements, of which the lease term exceeded three years, and the properties under these framework agreements include production facilities, commercial properties and offices which are relevant to their respective operations and the framework agreements to lease these premises have a duration term of up to 15 years. To sum up, BaoQiao Partners is of the view that it is normal business practice to enter into leases for the Regulated Properties with terms of more than three years and to be of such duration for agreements of this type. Please refer to the announcement of the Company dated 29 October 2021 for details.

7. Reasons for and Benefits of the ACC Transactions

The Directors believe that it is in the best interest of the Group to continue the ACC Transactions with the ACC Group having taken into account the following factors:

- In respect of the exclusive contracting operation of the Passenger Aircraft Cargo Business,

  in comparison with the business arrangement of the 2019 ACC Framework Agreement, under the 2022 ACC Framework Agreement:

  (i) The two-way settlement model of income and expenditure is adjusted to a one-way net settlement. This allows for simplification of transactions and procedures and facilitates public understanding.

  (ii) Instead of conducting estimation at the beginning of year and year-end reviews, revenue recognition of the Group has been adjusted to actual revenue recognition, further ensuring the fairness and independence of transactions.

(iii) The reward/punishment rate is applied in the operating fee rate, and the industry yield level is used as incentives and restrictive mechanisms, which indicated the fairness of pricing for connected transactions. By enhancing the capacity of the Passenger Aircraft Cargo Business of Air China Cargo, the Company's income from passenger aircraft cargo operation will be increased.

- In respect of ground support services and other services, the long established successful cooperative relationship between the Company and Air China Cargo is able to provide streamlined and efficient cooperation and transaction between the Group and the ACC Group.

- In respect of properties leasing services, the Group has entered into similar property leasing transactions with various parties including both connected persons and independent third parties in the ordinary course of business. The leasing of the Group's properties to the ACC Group is beneficial to the Group in improving the efficiency of asset utilization and obtaining rental income. The properties leased by the ACC Group to the Group are generally located in the vicinity of the Group's office, and therefore can meet the Group's relevant needs in a more efficient and convenient way.

8. Actual Amounts and Existing Annual Caps

The table below sets out (i) the annual caps of amounts payable by the ACC Group or the Group for each of the three years ended/ending 31 December 2020, 2021 and 2022, respectively; and (ii) the actual amounts paid by the ACC Group or the Group for each of the two years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022, and the estimated amounts payable for the year ending 31 December 2022 (if applicable).

Unit: RMB Million

	Actual Historical Amounts			Estimated Future Amounts[1]	Existing Annual Caps		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022	For the year ending 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022
Amounts payable/paid by the ACC Group to the Group							
In terms of contracting operation income of passenger aircraft bellyhold space cargo business	7,685	10,491	6,656	N/A	8,000	11,000	14,000
In terms of ground support services and other services	603	789	426	1,500	800	1,000	1,100

	Actual Historical Amounts			Estimated Future Amounts(1)	Existing Annual Caps		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022	For the year ending 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022
Amounts payable/paid by the Group to the ACC Group(2)							
In terms of operation expenses of bellyhold space	351	609	351	N/A	800	960	1,160
In terms of ground support services and other services	569	630	288	1,400	1,000	1,200	1,400

Notes:

(1) Upon the 2022 ACC Framework Agreement becoming effective, with respect to the Passenger Aircraft Cargo Business between the Company and the ACC Group in 2022 that has been performed in accordance with the 2019 ACC Framework Agreement and the relevant specific agreement, both parties agree that such business shall be deemed to have been adjusted in accordance with the pricing principles as disclosed above since 1 January 2022 (i.e. adjusting the two-way settlement model of income and expenditure to a one-way net settlement, and calculating the amount of service fee based on the formulas under the 2022 ACC Framework Agreement (as disclosed above)). Therefore, the estimated amounts of the contracting operation income of passenger aircraft bellyhold space cargo business and operation expenses of bellyhold space in 2022 are not listed.

(2) Under the impact of the COVID-19 pandemic, the fleet capacity of the Company's passenger aircraft has declined. Therefore, the utilization rate of the annual cap for operation expenses of bellyhold space related to flight volume in 2020, 2021 and the six months ended 30 June 2022 was relatively low, which has accordingly reduced the business volume of cargo warehouse operations and airport apron operations related to flight volume and resulted in a lower utilization rate of the annual cap of amounts payable by the Group to the ACC Group in respect of ground support services and other services.

As of the date of this announcement, the actual amount paid by the ACC Group or the Group under the 2019 ACC Framework Agreement since 1 January 2022 has not exceeded the annual caps of such transactions for the year ending 31 December 2022.

9. Proposed Annual Caps and Basis of Determination

After the 2022 ACC Framework Agreement becoming effective, the 2019 ACC Framework Agreement shall be terminated. As the Passenger Aircraft Cargo Business under the 2022 ACC Framework Agreement is adjusted to follow the one-way settlement model, the Company proposes to revise the annual caps for 2022 under the 2022 ACC Framework Agreement.

The table below sets out the revised annual caps of amounts payable by the ACC Group or the Group after the 2022 ACC Framework Agreement has become effective for the year ending 31 December 2022 and the proposed annual caps for each of the two years ending 31 December 2023 and 2024, respectively:

Unit: RMB Million

Transactions	Proposed Annual Caps For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Amounts Payable by the ACC Group to the Group			
In terms of the transportation service fees of the Passenger Aircraft Cargo Business	15,500	17,000	18,000
In terms of ground support services and other services	1,500	2,500	2,700
In terms of properties leasing services	250	250	250
Amounts Payable by the Group to the ACC Group			
In terms of ground support services and other services	1,400	1,500	1,600

Note: In terms of the Passenger Aircraft Cargo Business and the property leasing services provided by the Group to the ACC Group, as the terms of which will exceed three years, the Company will re-comply with the relevant requirements of the Hong Kong Listing Rules (including setting annual caps, issuing announcements and/or obtaining shareholders' approval) prior to the expiration of the 2022 ACC Framework Agreement.

Amounts Payable by the ACC Group to the Group

In arriving at the annual caps for the transportation fees of the Passenger Aircraft Cargo Business payable by the ACC Group to the Group for each of the three years ending 31 December 2024, the Company has considered, among other things, the historical transaction amounts and the following factors:

(i) In terms of income, based on the historical contracting operation income of passenger aircraft bellyhold space cargo business of the Company, it is estimated that the Company's income from the Passenger Aircraft Cargo Business for the year 2022 will not exceed RMB14.0 billion (i.e. not exceeding the revised annual cap of the contracting operation income of passenger aircraft bellyhold space cargo business for the year 2022 which was approved by the Independent Shareholders at the general meeting held on 30 December 2021). Moreover, having considered that the Passenger Aircraft Cargo Business will be expanded to include the subsidiaries of the Company, the estimated income of the Passenger Aircraft Cargo Business of the Group for the year 2022 is expected to not exceed RMB15.4 billion accordingly. In terms of the operating fee rate, the lower of the historical operating fee rates was used in calculating the annual cap of 2022. A reasonable buffer has also been included in the estimated amount of transportation fees of the Passenger Aircraft Cargo Business to cater for the operating needs from time to time. After taking into account the above factors, it is estimated that the amount of transportation service fee payable by the ACC Group to the Group in respect of the Passenger Aircraft Cargo Business for the year 2022 shall not exceed RMB15.5 billion;

(ii) Based on the estimated amount of transportation service fee in respect of the Passenger Aircraft Cargo Business in 2022, it is assumed that the average annual growth rate in 2023 and 2024 will be 7%. The average annual growth rate of 7% is determined with reference to certain expected indicators of civil aviation development during the "14th Five-Year" period (i.e. the average annual growth rate of civil aviation passenger traffic volume of 5.9% and the average annual growth rate of guaranteed take-offs and landings of 6.5% during the "14th Five-Year" period (2021 to 2025)), while taking into account the expected gradual slowdown of the COVID-19 pandemic in the future and the situations such as the Group's future fleet size and capacity growth.

- In arriving at the annual caps for the amounts payable by the ACC Group to the Group in connection with the ground support services and other services provided by the Group for each of the three years ending 31 December 2024, the Company has considered, among other things, the historical transaction amounts and the estimated scale of the new business between the Group and the ACC Group from the effective date of the 2022 ACC Framework Agreement to 2024, primarily taking into account the increased demand for flight crew and aircraft and engine maintenance services from Air China Cargo due to its increase in aircraft capacity and for which the

Company can provide the corresponding personnel and services. Accordingly, it is expected that the transaction amount for the year 2022 to 2024 may continue to increase. A reasonable buffer is also included to cater for the operating needs from time to time.

- In arriving at the annual caps for the amounts payable by the ACC Group to the Group in connection with the properties leasing services provided by the Group for each of the three years ending 31 December 2024, the Company has considered, among other things, the annual rentals of the properties currently leased by the Group to the ACC Group of approximately RMB170 million and the potential additional rentals from the possible new properties leases projects from 2022 to 2024.

Amounts Payable by the Group to the ACC Group

- In arriving at the annual caps for the amounts payable by the Group to the ACC Group in connection with the ground support services and other services provided by the ACC Group for each of the three years ending 31 December 2024, based on the review of the historical transaction amounts and the estimation of the transaction amounts in 2022, including as the situation of the COVID-19 pandemic improves, and after taking into account the seasonal factors that affect air transport, it is estimated that the demand for the relevant business of the Group will further increase during the second half of year, as a result, the estimated transaction amounts in relation to ground services (cargo terminal services and airport apron services) will be approximately RMB700 million and the estimated transaction amounts in relation to other services (container and pallet management services and engine leasing services) will be approximately RMB300 million in 2022, hence, the Company intends to continue to set the annual cap for 2022 at RMB1.4 billion (i.e. the annual cap for 2022 which was approved at the general meeting of the Company held on 19 December 2019), and set the annual caps for 2023 and 2024 by assuming an average annual growth rate of 7% in the future. The average annual growth rate of 7% is determined with reference to certain expected indicators of civil aviation development during the "14th Five-Year" period (i.e. average annual growth rate of civil aviation passenger traffic volume of 5.9% and average annual growth rate of guaranteed take-offs and landings of 6.5% during the "14th Five-Year" period (2021 to 2025)), while taking into account the conditions such as expected gradual slowdown of the COVID-19 pandemic and the situations such as the Group's future fleet size and capacity growth.

10. Internal Control Procedures

The Group has adopted the following internal control procedures to ensure that the ACC Transactions will be conducted on normal commercial terms, and in accordance with the 2022 ACC Framework Agreement and the pricing policies of the Group:

- Before entering into individual ACC Transactions, the Finance Department, the Legal Department, the Asset Management Department (which has a dedicated sub-division responsible for the management of connected transactions) and if applicable, certain other relevant departments of the Company will review the proposed terms for the individual ACC Transactions and discuss with the relevant departments of the Group to ensure that such transactions are conducted on normal commercial terms and in compliance with the pricing policies of the Group before these relevant departments approve the finalized transaction agreements according to their authority within the Group.

- The Asset Management Department of the Company is responsible for overseeing the connected transactions of the Company. The Asset Management Department will monitor and collect detailed information on the ACC Transactions on a regular basis, including but not limited to the implementation of pricing policies, the Terms of the Agreement and actual transaction amount to ensure that the transactions are conducted in accordance with the framework agreement. In addition, the Asset Management Department is responsible for monitoring and reviewing the balance amount of the annual cap for the ACC Transactions on a monthly basis and if the annual cap for the ACC Transactions is expected to be exceeded for a particular year, it will report to the management and take appropriate measures in accordance with the relevant requirements of the Hong Kong Listing Rules and/or Shanghai Listing Rules.

- The Company's Internal Audit Department is responsible for performing annual assessment on the internal control procedures of the Group, including but not limited to the relevant information on the management of continuing connected transactions. In addition, the Internal Audit Department is responsible for compiling the annual internal control assessment report and submitting the report to the Board for examination and approval.

- The independent auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

The Company considers that the above internal control procedures could function as effective measures to regulate continuing connected transactions. The Company also provides accurate materials in relation to continuing connected transactions as always to facilitate the annual review conducted by the independent non-executive Directors and the independent auditor. Therefore, the Directors consider that the above internal control procedures could ensure the continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

11. Hong Kong Listing Rules Implications

As a non-wholly owned subsidiary of CNAHC, the Company's controlling shareholder, Air China Cargo is a connected person of the Company as defined under the Hong Kong Listing Rules, and accordingly the ACC Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the proposed annual caps of the transportation service fees of the Passenger Aircraft Cargo Business payable by the ACC Group under the ACC Transactions is, on an annual basis, higher than 5%, such transactions are therefore subject to the announcement, annual review, circular (including advice of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of ground support services and other services provided by the Group, as the highest applicable percentage ratio in respect of the proposed annual caps of amounts payable by the ACC Group is, on an annual basis, higher than 0.1% but less than 5%, these transactions are therefore subject to the announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirement.

In respect of ground support services and other services provided by the ACC Group, as the highest applicable percentage ratio in respect of the proposed annual caps of amounts payable by the Group is, on an annual basis, higher than 0.1% but less than 5%, these transactions are therefore subject to the announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirement.

In respect of properties leasing services provided by the Group, as the highest applicable percentage ratio in respect of the proposed annual caps of amounts payable by the ACC Group is, on an annual basis, higher than 0.1% but less than 5%, these transactions are therefore subject to the announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirement.

In respect of properties leasing services provided by the ACC Group, during the three years ending 31 December 2022, 2023 and 2024, it is expected that the total amounts payable to the Group for each year are below the de minimis threshold as stipulated under

Rule 14A.76(1)(a) of the Hong Kong Listing Rules, and therefore the transaction will be exempted from announcement, annual review and the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

12. Shanghai Listing Rules Implications

As Air China Cargo is controlled by CNAHC, the controlling shareholder of the Company, Air China Cargo is considered as a related party of the Company according to Shanghai Listing Rules. As a result, the transactions between the Group and the ACC Group constitute related transactions under Shanghai Listing Rules. According to Shanghai Listing Rules, the transaction amounts of the proposed annual caps exceed 5% of the latest audited net assets of the Company, and therefore shall be disclosed in a timely manner and be submitted to the general meeting of the Company for consideration and approval by unrelated shareholders of the Company (i.e. the Independent Shareholders).

Therefore, although the ground support services and other services and properties leasing services provided by the Group and the ground support services and other services and properties leasing services provided by the ACC Group are exempted from Independent Shareholders' approval under Hong Kong Listing Rules, they are required to be approved by the Independent Shareholders under the Shanghai Listing Rules.

III. CNACG TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2019 in relation to, amongst others, the CNACG Transactions. The current term of the CNACG Framework Agreement will expire on 31 December 2022. As the Company expects that the CNACG Transactions will continue to be conducted after 31 December 2022, on 20 September 2022, the Company proposed to renew the CNACG Framework Agreement with CNACG for a term of three years commencing from 1 January 2023 to 31 December 2025.

1. Parties and Connections of the Parties

The Company's principal business activity is air passenger, air cargo and airline-related services.

CNACG is both a substantial shareholder of the Company and a wholly-owned subsidiary of CNAHC, the Company's controlling shareholder, and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules. CNACG is an investment holding company established in Hong Kong whose principal businesses include passenger terminal operation, cargo terminal operation, airport ground handling services, airline catering services, finance/operating lease, aircraft maintenance, property investment, logistics and other businesses conducted through its subsidiaries. As at the date of this announcement, the State-owned Assets Supervision and Administration Commission of the

State Council is a controlling shareholder and de facto controller of CNAHC. CNAHC primarily operates all the state-owned assets and state-owned equity interests invested by the State in CNAHC and its invested entities, aircraft leasing and aviation equipment and facilities maintenance businesses.

2. Description of the CNACG Transactions

The CNACG Transactions contemplated under the CNACG Framework Agreement are as follows:

- **Finance and operating lease services:** CNACG Group will provide finance and operating lease services in respect of, including but not limited to, aircraft, engines, simulators, aircraft-related materials, equipment and vehicles to the Group; the Group will provide finance and operating lease services in respect of, including but not limited to, equipment and vehicles to CNACG Group.

  Set out below are the differences among (i) engines and aircraft-related materials sharing services provided by the ACC Group and the Group to each other, (ii) engines, equipment and vehicle leasing services provided by the CNACG Group to the Group, and (iii) equipment and vehicle leasing services provided by the Group to the CNACG Group:

  - o The engines and aircraft-related materials sharing services provided by the ACC Group and the Group to each other represent the short-term sharing of engines or aircraft-related materials (mainly high-price rotables) by one party to the other according to its temporary needs during the daily operation, generally for a relatively short period (mainly around three months);

  - o The engines, equipment and vehicle leasing services provided by the CNACG Group to the Group represent the leasing of engines, equipment (mainly airborne media equipment and baggage handling equipment) or vehicles by a subsidiary of CNACG specialising in leasing business to the Group under finance lease or operating lease for a leasing term of one year or above in general; and

  - o The Group provides relatively few equipment and vehicle leasing services to the CNACG Group, which include the leasing of catering trolleys by the Group to the CNACG Group according to the needs of CNACG Group from time to time for a leasing term of one year or above in general.

- **Ground support services and other services:** including but not limited to the following transactions conducted between any member of the Group on the one hand and any member of CNACG Group on the other hand: ground support services, aircraft maintenance services, aircraft repair services, property investment and management services, ticket and tourism services, logistics services, administrative management services, cleaning and washing services, resident security services, lounge supplies procurement services and aircraft material procurement services.

In particular, the services provided by the CNACG Group to the Group from time to time mainly include the ground support services, aircraft maintenance services, property investment and management services, ticket and tourism services, logistics services, administrative management services, cleaning and washing services and resident security services, while the services provided by the Group to the CNACG Group from time to time mainly include the aircraft repair services, lounge supplies procurement services and aircraft material procurement services.

3. Pricing Policies for the CNACG Transactions

The consideration of any specific CNACG Transactions shall be agreed on arm's length negotiations between the Group and the CNACG Group and on normal commercial terms, which shall be determined in accordance with the pricing policies set forth below on a case-by-case basis.

- **Finance and operating lease services:** The final transaction price will be determined on arm's length negotiations between both parties with reference to the prices for the same type of lease services offered by independent third parties and after taking into account certain factors. Such factors include purchasing price of the leasing subject, interest rate and arrangement fees (if any) (for finance lease), rental fee (for operating lease), the lease terms, the feature of the leasing subject and the comparable market rental prices. The final transaction price should not be higher than the transaction prices offered by at least two independent third parties on the same conditions.

- **Ground support services and other services:**

  The pricing policies for ground support services and other services provided to or by the Group are set forth below:

  (i) Follow the government pricing or guide price if it is available, including but not limited to the guidance from the Civil Aviation Administration of China (CAAC) and the International Air Transport Association on the prices of ground support services and other terms, and the requirements on the pricing of navigation information stipulated by CAAC and Air Traffic Management Bureau (ATMB). Generally, CAAC and the International Air Transport Association will publish the guidance on their official websites from time to time (for the International Air Transport Association, the guidance may also be provided by selling to customers).

(ii) If no government pricing or guide price is available, the final transaction price shall be determined on arm's length negotiations between the parties, with firstly making reference to the market prices offered by at least two independent third parties on the market for the same type of service, and after taking certain factors into account such as service standard, service scope, business volume and specific need of parties. If any service need of the service recipient changes, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in relevant costs, service quality or other factors.

(iii) If neither the above cases is applicable, the price will be determined on the basis of cost plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources and costs of facility, equipment and materials. Reasonable profit margin will be determined mainly making reference to the historical average prices on similar products or services (where possible) published regarding the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The profit margin of CNACG Group shall not exceed 10%. The final transaction prices shall be determined on terms that to the Group are no less favourable than those provided by independent third parties to the Group or those provided by CNACG Group to independent third parties (with regards to the receiving of services by the Group), or no more favourable than those provided by the Group to the independent third parties (with regards to the rendering of services by the Group). The Group generally may gain understanding on the historical average prices on the reasonable profit margin of similar products or services of the relevant industry by engaging third-party professional institutions or making its own enquiries through channels such as available data resources (e.g. Bureau van Dijk (BVD) and other large-scale databases) and the official websites of other listed companies. Besides, prior to entering into indvidual CNACG Transactions, the Group will request CNACG Group to provide and hence obtain the terms of similar and comparable transactions between the CNACG Group and independent third parties whenever possible as its reference for determining the transaction price. While making reference to the profit margin of comparable products and services disclosed by other listed companies, the Group will try to acquire comparable data as more as possible, and generally by referring to at least two listed companies' relevant data where practicable.

4. The Term of the CNACG Framework Agreement

The renewal of the CNACG Framework Agreement is subject to the approval of Independent Shareholders. If the approval of Independent Shareholders is obtained, the CNACG Framework Agreement will be renewed for a term of three years commencing from 1 January 2023 to 31 December 2025. Upon the expiry of such terms, the CNACG

Framework Agreement is automatically renewable for successive terms of three years, subject to the fulfilment of requirements under the Hong Kong Listing Rules/Shanghai Listing Rules and obtaining the required approval. Before expiry of the term of the CNACG Framework Agreement, the Board will re-assess the terms and conditions of the CNACG Framework Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules/Shanghai Listing Rules. During the term of the CNACG Framework Agreement, the agreement can be terminated on any 31 December by either party thereto by serving the other party a written notice of not less than three months.

Consistent with the common practice in the aviation industry, it is expected that the finance lease terms and the operating lease terms under the CNACG Framework Agreement will exceed three years in most cases, but will be capped within the useful life of the leasing subject of finance or operating lease by respective finance and operating lease agreement. The useful life of the aircraft and engines is usually over 10 years and the useful life of simulators, ground support equipment and special vehicles is usually 3 to 12 years. The Independent Financial Adviser has analysed the above lease terms. For details, please refer to the letter from the Independent Financial Adviser of this circular.

5. Reasons for and Benefits of the CNACG Transactions

In respect of the leasing business as a whole, entering into lease transactions with CNACG Group helps to streamline the process for the Group to secure relevant equipment that meets the specific needs of the Group with a lower cost of financing, higher flexibility and less impact on the Group's cash flow as compared to direct purchasing. In respect of the aircraft finance lease business, certain subsidiaries of CNACG Group, to be acting as the lessors, are registered in the free trade zones in the PRC and are entitled to certain favourable tax treatments which will further lower the transaction costs of the Group. In addition, the business team of CNACG Group has extensive experience in aircraft leasing and has a better understanding of the Group's business needs. Therefore, the communications of business between the Company and CNACG Group tend to be smoother and it will be easier for to reach an agreement in the best interests of both parties in the stage of negotiation. In terms of the aircraft finance lease, the Company expects that through adopting aircraft finance lease under the CNACG Framework Agreement with CNACG Group, the estimated total savable financing costs for the Group as compared to adopting secured loans arrangements with equivalent interest rates provided by the market over the same period will be approximately US$27.64 million, US$31.32 million and US$33.12 million, respectively for each of the years from 2023 to 2025.

In respect of ground support services and other services, the Group has entered into a series of continuing connected transactions with CNACG Group in its ordinary and usual course of business. CNACG Group possesses ample management experience and financial resources on airport ground support services and logistics business, and it is able to provide high-quality services to the Group.

6. Actual Amounts and Existing Annual Caps

The table below sets out (i) the annual caps of the Group for the three years ended/ending 31 December 2020, 2021 and 2022; and (ii) the actual aggregate amounts paid by the Group for each of the two years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022, and the estimated aggregate amounts payable for the year ending 31 December 2022.

Unit: RMB million

	Actual Historical Amounts			Estimated Future Amounts	Existing Annual Caps		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022	For the year ending 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022
Total value of right-of-use assets in relation to the finance and operating leases entered into by the Group as lessee	1,959	3,526	1,032	9,140	14,500	16,000	16,500
Amounts payable/paid to CNACG Group by the Group for ground support services and other services	111	91	51	553	600	696	807

The reasons for the lower utilization rate of the historical annual caps were: under the influence of the COVID-19 pandemic, the Company's existing aircraft orders were delayed in delivery, and the demand for the operating lease business of production and operation supporting equipment shrank or the arrangement was suspended, thus leading to lower utilization rate of the transaction annual caps for the finance and operating lease services. Also affected by the COVID-19 pandemic, the procurement of products and services related to the flights and passenger traffic declined due to the decrease of capacity of the Group (especially the relevant flights of the Group involving Hong Kong), which also resulted in lower utilization rate of the transaction annual caps for the ground support services and other services.

7. Proposed Annual Caps and Basis of Determination

The table below sets out the respective proposed annual caps for relevant transactions of the Group below for each of the three years ending 31 December 2023, 2024 and 2025, respectively:

Unit: RMB million

	Proposed Annual Caps		
Transactions	**For the year ending 31 December 2023**	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
Total value of right-of-use assets in relation to the finance and operating leases entered into by the Group as lessee	14,000	16,500	17,500
Annual rental fee for operating leases not accounted for as right-of-use assets provided by CNACG Group	100	140	220
Amounts payable to CNACG Group by the Group for ground support services and other services	750	800	850

In arriving at the annual caps of the total value of right-of-use assets in relation to the finance and operating leases entered into by the Group as lessee above, the Company has considered the following factors:

- Of the estimated total value of right-of-use assets in relation to the finance and operating leases entered into by the Group as lessee, about 95% is the value of right-of-use assets in relation to the finance lease of aircraft and other assets. When estimating the total value of right-of-use assets in relation to the aircraft finance lease in the following three years, the Company has considered the followings: (i) historical transaction amounts; (ii) it is assumed that 50% of the total amount of aircraft to be introduced during the period from 2023 to 2025 by the Company with no funding arrangements will be introduced by way of finance lease with CNACG Group, and it is expected that the number of aircraft delayed due to the COVID-19 pandemic will be delivered under the finance lease entered into by the Group in 2020 and 2021 within the next three financial years ending 31 December 2025, and the principal amount of the relevant finance lease is estimated accordingly; (iii) considering that the lease term of each leased aircraft is expected to be ten to twelve years, the market quoted interest rate (LPR) for loans of more than five years was used as the interest rate for calculating the interest of the aircraft finance lease transactions; (iv) according to the information currently available to the Group, CNACG Group is expected not to charge the Group the finance lease arrangement fees in the next three years, thus no arrangement fees considered when estimating the annual cap amount; (v) the Company's incremental borrowing rate is adopted as the discount rate; and (vi) it is assumed that the exchange rate of RMB against USD dollars ranges from 6.5 to 7.2:1.

- About 5% of estimated total value of right-of-use assets in relation to the finance and operating leases entered into by the Group as lessee is the value of right-of-use assets in relation to operating lease. When estimating the total value of right-of-use assets in relation to above-said lease in the following three years, the Company has considered the followings: (i) historical transaction amounts; (ii) the operation condition of the Group's engines, simulators, and equipment and the Group's commercial demand for operating leases in the following three years (based on information currently available to the Company, the Group may lease 2 to 4 used engines, 3 back-up engines and 8 equipment from CNACG Group in each of the three years from 2023 to 2025, respectively); and (iii) the operating lease price and terms of the same or similar assets in domestic market (for example, for a heavy aircraft tractor, its annual rental fee for operating lease in domestic market usually ranges from RMB600,000 to RMB900,000 and its lease term ranges from 3 years to 12 years).

- A reasonable buffer is included to cater for the Group's business needs from time to time.

- Based on the above, the Company expected that for the three years ending 31 December 2025, the total annual rental fee paid to CNACG Group throughout the lease term for the finance lease business entered into (as set under the Shanghai Listing Rules) will not exceed RMB15 billion, RMB17 billion and RMB18 billion each year, respectively; and the total annual rental fee paid to CNACG Group throughout the lease term for the operating lease business entered into (as set under the Shanghai Listing Rules) will not exceed RMB500 million, RMB700 million and RMB800 million each year, respectively. By adopting the incremental borrowing rate of the Company as the discount rate (4.9% for leases with terms over 5 years and 4.75% for leases with terms ranging from 1 to 5 years) to discount such estimated future total rental fee, the total value of the right-of-use assets under the finance and operating leases entered into by the Group as the lessee for the three years ending 31 December 2025 will be approximately RMB14 billion, RMB16.5 billion and RMB17.5 billion, respectively.

In arriving at the above annual caps of annual rental fee payable by the Group to the CNACG Group in relation to the operating leases not accounted for as right-of-use assets, the Company has considered, among other things, the historical transaction amounts and the following factors:

- the operation condition of the Group's engines, simulators, and equipment and the Group's commercial demand for operating leases in the following three years. The Group's annual rental fees paid for the lease with the CNACG Group that were not accounted for as right-of-use assets in the past were mainly related to some sporadic and temporary leases of engines and equipment, with an annual rental fee of approximately RMB25 million. As mentioned above, the Group may lease 2 to 4 used engines, 3 back-up engines and 8 equipment from the CNACG Group in each of the three years from 2023 to 2025, respectively. As the Group has not yet determined whether to adopt long-term leases of over 1 year (in this case, the leased assets will be accounted for as right-of-use assets) or short-term leases for the lease of such engines and equipment, the Company has also set the annual caps for the rental fees of operating leases not accounted for as right-of-use assets to ensure that the transaction amounts of such leases will be governed by corresponding annual caps regardless of the lease method. The Group will determine the lease method based on the actual business needs, taking into account the respective rental quotations for long-term and short-term leases and the financial impact on the Group. Based on the above, the Company expected that for the three years ending 31 December 2025, the annual rental fee of operating leases for engines, simulators and equipment not accounted for as right-of-use assets will be RMB59 million, RMB137 million and RMB217 million, respectively; and

- On the basis of the above estimated transaction amount, a reasonable buffer has been included by rounding to the nearest integer to cater for the Group's operating needs from time to time.

In arriving at the annual caps of above amount payable by the Group to the CNACG Group in relation to the ground support services and other services provided by the CNACG Group, the Company has considered, among other things, the historical transaction amounts and the following factors:

- Based on the research on the Group's business needs, it is expected that the trend of the COVID-19 pandemic will slow down in the future, and the Group will increase its capacity, including the resumption of flights related to Hong Kong. As such, the ground support services and other services provided by the CNACG Group to the Group is expected to increase accordingly for the year of 2023, and it is estimated that the transaction amount payable to the CNACG Group by the Group for such services will not exceed RMB683 million. On this basis, a reasonable buffer is added to cater for the Group's business needs from time to time, therefore the annual cap for the transaction amount for 2023 is set at RMB750 million; and

- Based on the above annual cap for 2023, assuming that the transaction amount will grow at a rate of approximately 7% in 2024 and 2025, with a reasonable buffer rounded to the nearest integer to meet the Group's business needs from time to time, the annual caps on transaction amount for 2024 and 2025 are set at RMB800 million and RMB850 million respectively. The average annual growth rate of 7% is based on certain estimated indicators of civil aviation development during the "14th Five-Year" period (i.e., the average annual growth rate of civil aviation passenger traffic of 5.9% and the average annual growth rate of guaranteed take-offs and landings of 6.5% during the "14th Five-Year" period (2021 to 2025)), taking into account the gradual slowdown of the COVID-19 pandemic and the situations such as the Group's future fleet size and capacity growth.

8. Internal Control Procedures

The Group has adopted the following internal control procedures to ensure that the CNACG Transactions will be conducted on normal commercial terms, and in accordance with the CNACG Framework Agreement and the pricing policies of the Group:

- Before entering into individual CNACG Transactions, the Finance Department, the Legal Department, the Asset Management Department (which has a dedicated subdivision responsible for the management of connected transactions) and if applicable, certain other relevant departments of the Company will review the proposed terms for the individual CNACG Transactions and discuss with the relevant business department of the Group to ensure that such transactions are conducted on normal commercial terms and in compliance with the pricing policies of the Group before these relevant departments approve the finalized transaction agreements according to their authority within the Group.

- The Asset Management Department of the Company is responsible for overseeing the connected transactions of the Company. The Asset Management Department will monitor and collect detailed information on the CNACG Transactions on a regular basis, including but not limited to the implementation of pricing policies, term of agreement and actual transaction amount of each finance lease transaction, operating lease transaction and ground support services and other services to ensure that the transactions are conducted in accordance with the framework agreement. In addition, the Asset Management Department is responsible for monitoring and reviewing the balance amount of the annual cap for the CNACG Transactions on a monthly basis and if the annual cap for the CNACG Transactions is expected to be exceeded for a particular year, it will report to the management and take appropriate measures in accordance with the relevant requirements of the Hong Kong Listing Rules and/or Shanghai Listing Rules.

- The Company's Internal Audit Department is responsible for performing annual assessment on the internal control procedures of the Group, including but not limited to the relevant information on the management of continuing connected transactions. In addition, the Internal Audit Department is responsible for compiling the annual internal control assessment report and submitting the report to the Board for examination and approval.

- The independent auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

9. Hong Kong Listing Rules Implications

CNACG is a connected person of the Company as defined under the Hong Kong Listing Rules, and accordingly the CNACG Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the proposed annual caps applicable to finance and operating lease services provided by CNACG Group under the CNACG Transactions is, on an annual basis, higher than 5% but less than 25%, these transactions are therefore subject to the announcement, annual review, circular (including advice of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and the requirements under Chapter 14 of the Hong Kong Listing Rules applicable to discloseable transactions.

In respect of the operating lease not accounted for as right-of-use assets provided by the CNACG Group, as the highest applicable percentage ratio in respect of the proposed annual caps of the rental fee payable by the Group is, on an annual basis, higher than 0.1% but less than 5%, these transactions are subject to the announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirement.

In respect of the ground support services and other services provided by CNACG Group, as the highest applicable percentage ratio in respect of the proposed annual caps of the amounts payable by the Group is, on an annual basis, higher than 0.1% but less than 5%, these transactions are subject to the announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirement.

In respect of the finance and operating lease services provided by the Group to CNACG Group, for each of the three years ending 31 December 2023, 2024 and 2025, the aggregate amounts payable to the Group is expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules, therefore, such transaction will be exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the ground support services and other services provided by the Group to CNACG Group, for each of the three years ending 31 December 2023, 2024 and 2025, the aggregate amounts payable to the Group is expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules, therefore, such transactions will be exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

10. Shanghai Listing Rules Implications

As CNACG is controlled by CNAHC, the controlling shareholder of the Company, CNACG is considered as a related party of the Company according to Shanghai Listing Rules. As a result, the transactions between the Group and CNACG Group constitute related party transactions under Shanghai Listing Rules. According to Shanghai Listing Rules, the transaction amounts of the proposed annual caps exceed 5% of the latest audited net assets of the Company, and therefore shall be disclosed in a timely manner and be submitted to the general meeting of the Company for consideration and approval by unrelated shareholders of the Company (i.e. the Independent Shareholders).

Therefore, although the ground support and other services provided by the CNACG Group are exempted from Independent Shareholders' approval under Hong Kong Listing Rules, they are required to be approved by the Independent Shareholders under the Shanghai Listing Rules.

IV. PROPOSED ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

Reference is made to the announcement dated 28 August 2020 and the circular dated 14 September 2020 of the Company in relation to, among other things, the CNAHC Financial Services Agreement entered into between CNAF (being a subsidiary of the Company) and CNAHC and the Trademark License Framework Agreement entered into between the Company and CNAHC. Reference is made to the announcement dated 29 October 2021 and the circular dated 12 November 2021 of the Company in relation to the Comprehensive Services Framework Agreement entered into between the Company and CNAHC and the Properties Leasing Framework Agreement entered into between the Company and CNAHC.

As Air China Cargo intends to apply for the initial public offering and listing of A shares, according to the relevant requirements under the "Administrative Measures for Initial Public Offering and Listing" issued by the CSRC, Air China Cargo shall maintain independence from

CNAHC and enter into a framework agreement with the Company separately. Therefore, the Company entered into the Supplemental Agreement with CNAHC, Air China Cargo and CNAF on 20 September 2022, pursuant to which:

(i) Since the effective date of the separate agreement entered into between Air China Cargo and the Company or CNAF, CNAHC Group no longer represents Air China Cargo or ACC Group in the corresponding framework agreement entered into between CNAHC and the Company or CNAF, and the CNAHC Financial Services Agreement, the Trademark License Framework Agreement, the Comprehensive Services Framework Agreement and the Properties Leasing Framework Agreement (together the "**Relevant CNAHC Group Framework Agreements**") no longer govern the relevant transactions between the Group and ACC Group (the "**Relevant ACC Group Transactions**"), and Air China Cargo will, as an independent entity, enter into the relevant connected transaction agreements with the Company and CNAF separately (the "A**CC Framework Agreements**");

(ii) Unless otherwise approved at the general meeting of the Company, during the term of each of the Relevant CNAHC Group Framework Agreements, the sum of the actual transaction amount of the relevant ACC Group Transactions that were originally regulated by the Relevant CNAHC Group Framework Agreements and then by the ACC Framework Agreements, plus the actual transaction amount between the Group or CNAF and CNAHC Group (excluding the Group and ACC Group) under each of the Relevant CNAHC Group Framework Agreements after this Supplemental Agreement takes effect shall not exceed the corresponding annual cap of the transaction amount under the Relevant CNAHC Group Framework Agreements approved at the general meeting of the Company, and as far as the Company or CNAF is concerned, the transaction conditions of the ACC Framework Agreements shall be no less favorable than those under the original corresponding Relevant CNAHC Group Framework Agreements; and

(iii) The Supplemental Agreement shall take effect upon (1) stamped by all parties and signed by their authorized representatives; and (2) considered and approved at the general meeting of the Company, the general manager's office meeting of CNAHC, the board meeting of CNAF and the general meeting of Air China Cargo.

Save for the aforementioned amendments, other terms (including the pricing policies) of the Relevant CNAHC Group Framework Agreements and the respective annual caps for the transactions thereunder remain unchanged. In order to comply with the above provisions under the Supplemental Agreement, the Company will continue to monitor to ensure that during the validity period of the Relevant CNAHC Group Framework Agreements, the actual transaction amount of the Relevant ACC Group Transactions plus the actual transaction amount of the remaining transactions under the Relevant CNAHC Group Framework Agreements do not exceed the existing annual caps under each of the Relevant CNAHC Group Framework Agreements, therefore, the annual caps for the remaining transactions under the CNAHC Group Framework Agreements are not increased as a result of the signing of the Supplemental Agreement. Based on the above, the signing of the Supplemental Agreement does not substantially change the Relevant CNAHC Group Framework Agreements' governing of the transactions contemplated thereunder, and the Supplemental Agreement does not constitute material amendment to the terms of the Relevant CNAHC Group Framework Agreements. Nevertheless, out of prudence, the Company will submit the Supplemental Agreement to the independent shareholders of the Company for consideration and approval of the relevant arrangements thereunder.

As of the date of this announcement, ACC Framework Agreements refer to the 2022 ACC Framework Agreement and the ACC Financial Services Agreement as mentioned below. For details of the 2022 ACC Framework Agreement, please refer to the section headed "ACC Transactions" in this circular. CNAF is expected to enter into a financial services agreement with Air China Cargo (the "**ACC Financial Services Agreement**") for the provision of deposit services, credit services and other financial services by CNAF to Air China Cargo before the end of 2022. The term of the ACC Financial Services Agreement will be until 31 December 2023. For the transactions contemplated under the ACC Financial Services Agreement, (i) the deposits placed by the ACC Group with CNAF are expected to be conducted on normal commercial terms or better, and not to be secured by the assets of the Group, therefore, it is fully exempted under Rule 14A.90 of the Hong Kong Listing Rules; (ii) the credit services and other financial services provided by CNAF will be carried out on normal commercial terms or better, and both of the daily balance of the credit services provided by CNAF to ACC Group and the annual fees to be paid by ACC Group for the other financial services provided by CNAF are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules. Therefore, the ACC Financial Services Agreement and the transactions contemplated thereunder will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules. If Air China Cargo and the Group enter into other ACC Framework Agreements in the future, the Company will comply with all applicable requirements under the Hong Kong Listing Rules in a timely manner.

V. DIRECTORS' CONFIRMATION

The Board (including the independent non-executive Directors) considers that the ACC Transactions, CNACG Transactions are on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group, and the terms and conditions contained therein and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Song Zhiyong, Mr. Ma Chongxian, Mr. Feng Gang, and Mr. Patrick Healy were considered to have material interest in the ACC Transactions and the signing of the Supplemental Agreement, and have abstained from voting on the relevant board resolutions. Mr. Song Zhiyong, Mr. Ma Chongxian, Mr. Feng Gang were considered to have material interest in the

CNACG Transactions and have abstained from voting on the relevant board resolutions. Save the above-mentioned Directors, no Director is required to abstain from voting on the relevant board resolutions.

VI. GENERAL INFORMATION

The Company will convene the EGM on 14 October 2022, to seek approval from Independent Shareholders for the entering into of the 2022 ACC Framework Agreement and the proposed annual caps for the ACC Transactions thereunder, the renewal of the CNACG Framework Agreement and the proposed annual caps for the CNACG Transactions thereunder, and the entering into of the Supplemental Agreement.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Non-exempt Transactions. Somerley has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

The register of members of H Shares will be closed from Tuesday, 11 October 2022 to Friday, 14 October 2022 (both days inclusive), during which period no transfer of H Shares will be effected in order to determine the list of holders of H Shares of the Company who will be entitled to attend and vote at the EGM. H Shareholders of the Company whose names appear on the H Share register of members of the Company after the close of business on Monday, 10 October 2022 are entitled to attend the EGM after completing the registration procedures. In order to qualify for attendance at the EGM, all the transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Monday, 10 October 2022.

A circular containing, among others, (i) details regarding the above transactions; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding its advice on the Non-exempt Transactions; and (iii) the recommendation from the Independent Board Committee regarding the Non-exempt Transactions, will be despatched to Shareholders on or around 28 September 2022 in accordance with the Hong Kong Listing Rules.

DEFINITIONS

"2019 ACC Framework Agreement"	the framework agreement dated 30 October 2019 entered into between the Company and Air China Cargo in respect of the ACC Transactions
"2022 ACC Framework Agreement"	the framework agreement dated 20 September 2022 entered into between the Company and Air China Cargo in respect of the ACC Transactions

"ACC Group"	Air China Cargo and the corporations or other entities in which Air China Cargo holds 30% or more equity interests or voting rights at the general meeting or the majority directors of which are controlled, directly or indirectly, by Air China Cargo
"ACC Transactions"	the continuing connected transactions contemplated under the 2019 ACC Framework Agreement and the 2022 ACC Framework Agreement, as applicable, between any member of the Group on the one hand, and any member of the ACC Group on the other hand
"Air China Cargo"	Air China Cargo Co., Ltd., a company incorporated under the laws of the PRC with limited liability
"Board"	the board of directors of the Company
"Cathay Pacific"	Cathay Pacific Airways Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, the principal activity of which is the operation of scheduled airline services
"Company"	Air China Limited, a company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange
"CNACG"	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CNAHC
"CNACG Group"	CNACG, its subsidiaries and 30%-controlled companies (as defined under Hong Kong Listing Rules)
"CNACG Framework Agreement"	the framework agreement dated 30 October 2019 entered into between the Company and CNACG in respect of the CNACG Transactions
"CNACG Transactions"	the continuing connected transactions contemplated under the CNACG Framework Agreement between the member of the Group on the one hand, and the member of the CNACG Group on the other hand, but excluding the various services, such as airline catering service, housing rental, etc., that have been included or will be included in the continuing connected transaction framework agreements entered into between the Company and CNAHC

"CNAF"	China National Aviation Finance Co., Ltd, a company incorporated under the laws of the PRC with limited liability and is held as to 51% and 49% by the Company and CNAHC. CNAF is primarily engaged in providing financial services to CNAHC's member companies. Since CNAHC can exercise more than 10% of the voting power at CNAF's general meeting, CNAF is a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules
"CNAHC"	China National Aviation Holding Corporation Limited, a PRC state-owned enterprise and the controlling shareholder of the Company, directly and indirectly holding approximately 51.70% of the issued share capital of the Company in aggregate as at the date of this announcement
"CNAHC Financial Services Agreement"	the CNAHC financial services agreement renewed by CNAF and CNAHC on 28 August 2020
"CNAHC Group"	CNAHC and the corporations or other entities in which CNAHC holds 30% or more equity interests or voting rights at the general meeting or the majority directors of which are controlled, directly or indirectly, by CNAHC (excluding the Group)
"Comprehensive Services Framework Agreement"	the framework agreement for the continuing related (connected) transactions of comprehensive services entered into between the Company and CNAHC on 29 October 2021
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on 14 October 2022
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Independent Board Committee"	a board committee comprising Mr. Li Fushen, Mr. He Yun, Mr. Xu Junxin and Ms. Winnie Tam Wan-chi, all being the independent non-executive Directors of the Company
"Independent Shareholders"	In terms of ACC Transactions and the Supplemental Agreement, the Shareholders of the Company excluding CNAHC, CNACG, Cathay Pacific and its associates; in terms of CNACG Transactions, the Shareholders of the Company excluding CNAHC and CNACG
"Non-exempt Transactions"	the relevant transactions of the Passenger Aircraft Cargo Business under the 2022 ACC Framework Agreement and the finance and operating leases entered into between the Group, as lessee, and CNACG Group
"Passenger Aircraft Cargo Business"	all passenger aircraft cargo businesses and a series of relevant business operation activities (including but not limited to sales, pricing and settlement of aircraft cargo space) operated by the Group (including all airlines controlled by the Group)
"PBOC"	People's Bank of China
"Properties Leasing Framework Agreement"	the framework agreement for the continuing related (connected) transactions of properties leasing entered into between the Company and CNAHC on 29 October 2021
"RMB"	the lawful currency of the PRC
"Shanghai Listing Rules"	the Listing Rules of Shanghai Stock Exchange
"Shareholder(s)"	the shareholder(s) of the Company
"Somerley" or "Independent Financial Adviser"	Somerley Capital Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise on the Non-exempt Transactions
"Supplemental Agreement"	the agreement for the matters related to the related (connected) transactions involving Air China Cargo entered into among the Company, CNAHC, Air China Cargo and CNAF on 20 September 2022

"Trademark License Framework Agreement"	the trademark license framework agreement entered into between the Company and CNAHC on 28 August 2020

By Order of the Board
Air China Limited
Huang Bin Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 20 September 2022

As at the date of this announcement, the directors of the Company are Mr. Song Zhiyong, Mr. Ma Chongxian, Mr. Feng Gang, Mr. Patrick Healy, Mr. Li Fushen, Mr. He Yun*, Mr. Xu Junxin* and Ms. Winnie Tam Wan-chi*.*

* *Independent non-executive director of the Company*