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**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)*

**CONNECTED TRANSACTIONS:
PROPOSED ISSUANCE OF NEW A SHARES TO CNAHC AND
ISSUANCE OF NEW H SHARES TO CNACG
UNDER SPECIFIC MANDATES**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



BAOQIAO PARTNERS CAPITAL LIMITED

**CONNECTED TRANSACTIONS: PROPOSED ISSUANCE OF NEW A SHARES TO
CNAHC AND ISSUANCE OF NEW H SHARES TO CNACG UNDER SPECIFIC
MANDATES**

On 22 December 2023, the Board approved: (1) the Issuance of A Shares to Specific Investor, pursuant to which the Company has entered into the A Share Subscription Agreement with CNAHC for the issuance of not more than 854,700,854 new A Shares to CNAHC at the A Share Issue Price (i.e. RMB7.02 per share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB6.00 billion; and (2) the Issuance of H Shares to Specific Investor, pursuant to which the Company will enter into the H Share Subscription Agreement with CNACG, for the issuance of not more than 392,927,308 new H Shares to CNACG at the H Share Issue Price (i.e. HK\$5.09 per share) with expected gross proceeds (before

deducting relevant issuance expenses) of not more than HK\$2.00 billion. The Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor are independent of each other and not a pre-requisite or condition for implementation upon each other.

LISTING RULES IMPLICATIONS

The new A Shares and new H Shares under the Issuance of A Shares and H Shares to Specific Investors will be issued pursuant to the specific mandates to be sought from the Shareholders at the EGM. The Issuance of A Shares and H Shares to Specific Investors is conditional upon the approval of the relevant resolutions at the EGM.

Since CNAHC is a substantial shareholder of the Company and CNACG is a wholly-owned subsidiary of CNAHC, CNAHC and CNACG are connected persons of the Company, and each of the Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements. An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the Issuance of A Shares and H Shares to Specific Investors. Baoqiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

GENERAL INFORMATION

The EGM will be convened by the Company for the Shareholders to consider and, if thought fit, approve the resolutions in respect of, among other things, the Issuance of A Shares and H Shares to Specific Investors. A circular containing, among others, details of the Issuance of A Shares and H Shares to Specific Investors together with a notice convening the EGM will be despatched to the Shareholders on or before 18 January 2024 to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

The Company wishes to draw the attention of its Shareholders and potential investors to the fact that each of the Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor is subject to the satisfaction of certain conditions, and therefore the Issuance of A Shares to Specific Investor and/or the Issuance of H Shares to Specific Investor may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

1. INTRODUCTION

On 22 December 2023, the Board approved: (1) the Issuance of A Shares to Specific Investor, pursuant to which the Company has entered into the A Share Subscription Agreement with CNAHC for the issuance of not more than 854,700,854 new A Shares to CNAHC at the A Share Issue Price (i.e. RMB7.02 per share) with expected gross proceeds (before deducting

relevant issuance expenses) of not more than RMB6.00 billion; and (2) the Issuance of H Shares to Specific Investor, pursuant to which the Company will enter into the H Share Subscription Agreement with CNACG, for the issuance of not more than 392,927,308 new H Shares to CNACG at the H Share Issue Price (i.e. HK\$5.09 per share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than HK\$2.00 billion.

The Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor are independent of each other and not a pre-requisite or condition for implementation upon each other.

In respect of the Issuance of A Shares and H Shares to Specific Investors, the Board has approved the following resolutions: (1) the resolution in relation to the satisfaction of the Company of the requirements for the Issuance of A Shares to Specific Investor; (2) the resolution in relation to the proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (3) the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (4) the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (5) the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investor by the Company in 2023; (6) the resolution in relation to the dilution of the Company's current return by issuing Shares to specific investors in 2023, the remedial measures and the undertakings made by the relevant entities in respect of such measures; (7) the resolution in relation to the report on use of proceeds from previous fund-raising activities of the Company; (8) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional A Share Subscription Agreement with specific subscriber by the Company; (9) the resolution in relation to the proposal of the Issuance of H Shares to Specific Investor by the Company in 2023; (10) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional H Share Subscription Agreement with specific subscriber by the Company; (11) the resolution in relation to the authorization by the general meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of this issuance of Shares to specific investors by the Company in their sole discretion; and (12) the resolution in relation to convening the 2024 first EGM of the Company.

2. ISSUANCE OF A SHARES TO SPECIFIC INVESTOR

Pursuant to the proposal of the Issuance of A Shares to Specific Investor, the Company has entered into the A Share Subscription Agreement with CNAHC for the issuance of not more than 854,700,854 new A Shares to CNAHC at the A Share Issue Price (i.e. RMB7.02 per share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB6.00 billion.

2.1 Proposal of the Issuance of A Shares to Specific Investor

Summary of the proposal of the Issuance of A Shares to Specific Investor is set out as follows:

- (1) Class and par value of Shares to be issued: A Shares with a par value of RMB1.00 each.

The new A Shares to be issued pursuant to the Issuance of A Shares to Specific Investor will rank pari passu with the existing A Shares in all respects.
- (2) Method and time of issue: This issuance will be undertaken by way of issuance to specific investor at an appropriate timing within the validity period upon obtaining the consent of the CSRC for registration and after the approval of Shanghai Stock Exchange.
- (3) Subscriber and method of subscription: The subscriber under the Issuance of A Shares to Specific Investor is CNAHC, which intends to subscribe in full in cash on a one-off basis.

As at the date of this announcement, since CNAHC is a substantial shareholder of the Company, CNAHC is a connected person of the Company and the Issuance of A Shares to Specific Investor will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company shall comply with relevant regulatory rules, as well as the respective transaction approval and disclosure procedures.

- (4) A Share Issue Price and pricing method: The A Share Issue Price is RMB7.02 per share, which is determined after taking into consideration of the following factors:

The pricing benchmark date shall be the date of the announcement of the resolution of the Board meeting of the Company convened for approving the Issuance of A Shares to Specific Investor.

The A Share Issue Price shall not be lower than the higher of 80% of the average trading price of A Shares in the 20 Trading Days prior to the pricing benchmark date (*Note 1*) and the Company's audited net assets per share attributable to ordinary shareholders of the parent company (*Note 2*) as at the end of the most recent period (calculation is rounded to two decimal places according to the "round up method").

Notes:

1. *The average trading price of A Shares in the 20 Trading Days prior to the pricing benchmark date = the total trading value of A Shares in the 20 Trading Days prior to the pricing benchmark date ÷ the total trading volume of A Shares in the 20 Trading Days prior to the pricing benchmark date.*
2. *The net assets per share attributable to ordinary shareholders of the parent company = total equity attributable to the shareholders of the parent company ÷ number of total issued ordinary shares of the Company.*

For illustration purpose only:

- (i) As at the date of the Board meeting for approving the Issuance of A Shares to Specific Investor (i.e. 22 December 2023), the closing price of the A Shares was RMB7.17 per share.
- (ii) 80% of the average trading price of A Shares in the 20 Trading Days prior to the pricing benchmark date is RMB6.20 per share.
- (iii) The Company's audited net assets per share attributable to ordinary shareholders of the parent company as at the end of the most recent period (i.e. 31 December 2022) in accordance with the PRC Accounting Standards for Business Enterprises was RMB1.63 (as disclosed in the 2022 annual report of the Company).

The above pricing principle of the A Share Issue Price was determined mainly based on the requirements of the Administrative Measures.

The net price to the Company of each new A Share to be issued will be determined and disclosed in accordance with the requirements of the Listing Rules upon completion of the Issuance of A Shares to Specific Investor and determination of the relevant expenses incurred or to be incurred in relation to the Issuance of A Shares to Specific Investor.

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period from the pricing benchmark date to the issuance date, the A Share Issue Price shall be adjusted accordingly.

(5) Number of new A Shares to be issued:

The number of new A Shares to be issued under the Issuance of A Shares to Specific Investor shall be not more than 854,700,854, as calculated by dividing the gross proceeds from the Issuance of A Shares to Specific Investor (i.e. not more than RMB6.00 billion) by the A Share Issue Price and rounded down to the nearest integer.

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities leading to changes in the A Share Issue Price during the period from the pricing benchmark date to the issuance date, the number of new A Shares to be issued under the Issuance of A Shares to Specific Investor shall be adjusted accordingly.

The final number of new A Shares to be issued under the Issuance of A Shares to Specific Investor shall comply with the Administrative Measures and other relevant laws and regulations, and shall be not more than 30% of the total share capital of the Company prior to the issuance (for illustration purpose only, 30% of the total share capital of the Company as of the date of this announcement is 4,860,237,851 Shares), and subject to the number of Shares finally permitted by the CSRC to be registered for issue.

- (6) Lock-up arrangement: CNAHC undertakes that the new A Shares subscribed under the Issuance of A Shares to Specific Investor shall not be transferred by any means within thirty-six (36) months from the date of completion of the issuance. If the CSRC and the stock exchanges where the Company's Shares are listed provide otherwise, adjustments will be made in accordance with the relevant regulations and the actual situation of the Company. In the event that the Company issues bonus shares or converts capital reserve into share capital, etc., leading to increase in number of Shares to be subscribed by CNAHC under the Issuance of A Shares to Specific Investor, such additional Shares shall also comply with the above lock-up arrangement.
- (7) Listing venue: Upon expiration of the lock-up period, the new A Shares to be issued under the Issuance of A Shares to Specific Investor will be listed and traded on the Shanghai Stock Exchange.
- (8) Arrangement relating to the accumulated undistributed profits prior to the issuance: Upon completion of the Issuance of A Shares to Specific Investor, new Shareholders and existing Shareholders are entitled to the accumulated undistributed profits of the Company prior to the Issuance of A Shares to Specific Investor on a pro-rata basis according to their respective shareholdings.
- (9) Amount and use of proceeds: Gross proceeds to be raised will be not more than RMB6.00 billion (inclusive), which will be used in the following ways after deducting issuance expenses:

Unit: RMB100 million

No.	Item	Total investment	Proposed proceeds to be applied
1	Project of purchasing 17 aircraft	75.71	42.00
2	Replenishing working capital	18.00	18.00
	Total:	93.71	60.00

Before the receipt of the proceeds, the Company will use its own funds or self-raised funds depending on the progress of the projects to be invested, and replace such funds according to relevant prescribed procedures upon receiving the proceeds.

- (10) Validity period of the resolution: It shall remain valid for twelve (12) months from the date on which relevant resolutions are considered and approved at a general meeting. If the national laws, administrative regulations, departmental rules and normative documents provide new requirements on the Issuance of A Shares to Specific Investor, the Company will adjust accordingly according to the new requirements.

2.2 A Share Subscription Agreement

Principal terms of A Share Subscription Agreement are set out as below:

- (1) Parties: 1. The Company (as the issuer); and
2. CNAHC (as the subscriber).
- (2) Date: 22 December 2023
- (3) Subscription price: CNAHC shall subscribe for new A Shares at A Share Issue Price (i.e. RMB7.02 per share).

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period from the date of the announcement of the resolution of the Board meeting of the Company convened for approving the Issuance of A Shares to Specific Investor to the issuance date, the subscription price shall be adjusted accordingly. The adjustment formula shall be as follows:

1. when only cash dividend is paid, adjusted according to the following formula: $P1=P0-D$
2. when only bonus shares are issued or capital reserve is converted into share capital, adjusted according to the following formula: $P1=P0/(1+N)$
3. when the above two items are carried out simultaneously, adjusted according to the following formula: $P1=(P0-D)/(1+N)$

whereas P0 represents the subscription price before adjustment, N represents the number of bonus shares issued per share or number of shares converted from capital reserve into share capital, D represents dividend per share and P1 represents the adjusted subscription price.

- (4) Subscription amount and payment: The subscription amount shall be the gross proceeds to be raised from the Issuance of A Shares to Specific Investor, being not more than RMB6.00 billion. Upon fulfilment of all the conditions precedent for the A Share Subscription Agreement and receipt of the payment notice for subscription amount issued by the Company, CNAHC shall pay the subscription amount in full in cash on a one-off basis within five (5) working days from the date of receipt of the payment notice in accordance with the requirements of the payment notice.
- (5) Subscription number: The number of new A Shares to be subscribed by CNAHC shall be not more than 854,700,854.
- The final subscription number is subject to adjustment in the manner as set forth in the above paragraph headed “(5) Number of new A Shares to be issued” under the section headed “2.1 Proposal of the Issuance of A Shares to Specific Investor” and confirmed accordingly.
- (6) Conditions precedent for the A Share Subscription Agreement: The A Share Subscription Agreement will be established upon executed and sealed by the legal representative or authorized representative of the parties and take effect when all the following conditions are met:
- (i) matters relating to the Issuance of A Shares to Specific Investor have been approved by the Board and the EGM of the Company;
 - (ii) matters relating to the Issuance of A Shares to Specific Investor have been approved by the internal decision-making body(ies) of CNAHC;
 - (iii) matters relating to the Issuance of A Shares to Specific Investor have been approved by the body performing the duty of supervision and management of state-owned assets;

- (iv) matters relating to the Issuance of A Shares to Specific Investor have been approved by the Shanghai Stock Exchange; and
- (v) matters relating to the registration of the Issuance of A Shares to Specific Investor have been consented to by the CSRC.

The effective date of the A Share Subscription Agreement shall be the date on which all the above conditions precedent are satisfied or waived.

As at the date of this announcement, the Issuance of A Shares to Specific Investor has been considered and approved by the Board of the Company. None of the other conditions under the A Share Subscription Agreement has been fulfilled.

In the event that the Issuance of A Shares to Specific Investor fails to obtain the necessary consent, approval or registration from general meeting of the Company, the regulatory department for state-owned assets or its authorized body, Shanghai Stock Exchange and CSRC according to the laws, the A Share Subscription Agreement shall be automatically terminated and both parties shall not be liable to each other for breach of contract.

(7) Others:

The arrangements relating to lock-up and accumulated undistributed profits prior to the Issuance of A Shares to Specific Investor are set out under the above section headed “2.1 Proposal of the Issuance of A Shares to Specific Investor”.

As at the date of this announcement, the Issuance of A Shares to Specific Investor is subject to the approval of the body performing the functions of supervision and management of state-owned assets, consideration and approval at the EGM of the Company, review and approval of the Shanghai Stock Exchange and consent and approval of the CSRC for registration. After obtaining the consent and approval of the CSRC for registration, the Company will apply to the Shanghai Stock Exchange and Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the issuance, registration and listing of the relevant new A Shares in accordance with the relevant law.

3. ISSUANCE OF H SHARES TO SPECIFIC INVESTOR

Pursuant to the proposal of the Issuance of H Shares to Specific Investor, the Company will enter into the H Share Subscription Agreement with CNACG for the issuance of not more than 392,927,308 new H Shares to CNACG at the H Share Issue Price (i.e. HK\$5.09 per share) with expected proceeds (before deducting relevant issuance expenses) of not more than HK\$2.00 billion.

3.1 Proposal of the Issuance of H Shares to Specific Investor

Summary of the proposal of the Issuance of H Shares to Specific Investor is set out as follows:

- | | |
|---|---|
| (1) Class and par value of Shares to be issued: | H Shares with a par value of RMB1.00 each |
| | The new H Shares to be issued pursuant to the Issuance of H Shares to Specific Investor will rank pari passu with the existing H Shares in all respects. |
| (2) Method and time of issue: | This issuance will be undertaken by way of issuance to specific investor at an appropriate timing within the validity period upon the authorization granted at the general meeting. |
| (3) Subscriber and method of subscription: | The subscriber under the Issuance of H Shares to Specific Investor is CNACG, which intends to subscribe in full in cash on a one-off basis. |

As at the date of this announcement, since CNAHC is a substantial shareholder of the Company and CNACG is a wholly-owned subsidiary of CNAHC, CNACG is a connected person of the Company and the Issuance of H Shares to Specific Investor will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company shall comply with relevant regulatory rules and be subject to transaction approval and disclosure procedures accordingly.

- (4) H Share Issue Price and pricing method: The H Share Issue Price is HK\$5.09 per share, which is determined based on the following pricing principles:

The H Share Issue Price shall be the higher of the average trading price of H Shares in the 20 Trading Days prior to the date of the Board meeting of the Company convened for purpose of approving the Issuance of H Shares to Specific Investor (the “**Board meeting date**”) (Note 1) and the Company’s audited net assets per share attributable to ordinary shareholders of the parent company (Note 2) as at the end of the most recent period (calculation is rounded to two decimal places according to the “round up method”).

Notes:

1. *The average trading price of H Shares in the 20 Trading Days prior to the Board meeting date = the total trading value of H Shares in the 20 Trading Days prior to the Board meeting date ÷ the total trading volume of H Shares in the 20 Trading Days prior to the Board meeting date.*
2. *The net assets per share attributable to ordinary shareholders of the parent company = equity attributable to the shareholders of the parent company ÷ number of total issued ordinary shares of the Company (an equivalent amount in HK\$ converted at the central parity rate announced by the People’s Bank of China on the Board meeting date).*

For illustration purpose only:

- (i) As at the Board meeting date (i.e. 22 December 2023), the closing price of the H Shares was HK\$4.70 per share.
- (ii) The average trading price of H Shares in the 20 Trading Days prior to the Board meeting date is HK\$5.09 per share.
- (iii) The Company’s audited net assets per share attributable to ordinary shareholders of the parent company as at the end of the most recent period (i.e. 31 December 2022) in accordance with the International Financial Reporting Standards was RMB1.62 (as disclosed in the 2022 annual report of the Company), which is equivalent to

HK\$1.78 (converted at the central parity rate announced by the People's Bank of China on the Board meeting date).

The net price to the Company of each new H Share to be issued will be determined and disclosed in accordance with the requirements of the Listing Rules upon completion of the Issuance of H Shares to Specific Investor and the determination of the relevant expenses incurred or to be incurred in relation to the Issuance of H Shares to Specific Investor.

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period from the Board meeting date to the issuance date, the H Share Issue Price shall be adjusted accordingly.

(5) Number of new H Shares to be issued:

The number of new H Shares to be issued under the Issuance of H Shares to Specific Investor shall be not more than 392,927,308, as calculated by dividing the gross proceeds from the Issuance of H Shares to Specific Investor (i.e. not more than HK\$2.00 billion) by the H Share Issue Price and rounded down to the nearest integer.

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities leading to changes in the H Share Issue Price during the period from the Board meeting date on which the Issuance of H Shares to Specific Investor is resolved to the issuance date, the number of new H Shares to be issued under the Issuance of H Shares to Specific Investor shall be adjusted accordingly.

- (6) Lock-up arrangement: CNACG undertakes that the new H Shares subscribed under the Issuance of H Shares to Specific Investor shall not be transferred by any means within thirty-six (36) months from the date of completion of the issuance, except for, if permitted under the laws of the PRC and other applicable laws and listing rules of the places where the Company's Shares are listed, the transfer to subsidiary(ies) directly or indirectly wholly-owned or controlled by CNAHC provided that the transferee will continue to comply with the above lock-up undertaking until its expiry. If the CSRC and the stock exchanges where the Company's Shares are listed provide otherwise, adjustments will be made in accordance with the relevant regulations and the actual situation of the Company. In the event that the Company issues bonus shares or converts capital reserve into share capital, etc., leading to increase in number of Shares to be subscribed by CNACG, such additional Shares shall also comply with the above lock-up arrangement.
- (7) Arrangement relating to the accumulated undistributed profits prior to the issuance: Upon completion of the Issuance of H Shares to Specific Investor, new Shareholders and existing Shareholders are entitled to the accumulated undistributed profits of the Company prior to the Issuance of H Shares to Specific Investor on a pro-rata basis according to their respective shareholdings.
- (8) Amount and use of proceeds: Gross proceeds of not more than HK\$2.00 billion (inclusive), after deducting issuance expenses, will be fully used to replenish the general working capital of the Company.

3.2 H Share Subscription Agreement

Principal terms of H Share Subscription Agreement are set out as below:

- (1) Parties:
 1. The Company (as the issuer); and
 2. CNACG (as the subscriber).
- (2) Subscription price: CNACG shall subscribe for new H Shares at H Share Issue Price (i.e. HK\$5.09 per share).

In the event that the Company distributes dividend, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period from the date of the Board meeting of the Company convened for purpose of approving the Issuance of H Shares to Specific Investor to the issuance date, the subscription price shall be adjusted accordingly. The adjustment formula shall be as follows:

1. when only cash dividend is paid, adjusted according to the following formula: $P1=P0-D$
2. when only bonus shares are issued or capital reserve is converted into share capital, adjusted according to the following formula: $P1=P0/(1+N)$
3. when the above two items are carried out simultaneously, adjusted according to the following formula: $P1=(P0-D)/(1+N)$

whereas $P0$ represents the subscription price before adjustment, N represents the number of bonus shares issued per share or number of shares converted from capital reserve into share capital, D represents dividend per share and $P1$ represents the adjusted subscription price.

- (3) Subscription amount and payment: The subscription amount shall be the gross proceeds to be raised from the Issuance of H Shares to Specific Investor, being not more than HK\$2.00 billion. Upon fulfilment of all the conditions precedent for the H Share Subscription Agreement and receipt of the payment notice for subscription amount issued by the Company, CNACG shall pay the subscription amount in full in cash on a one-off basis within five (5) working days from the date of receipt of the payment notice in accordance with the requirements of the payment notice.
- (4) Subscription number: The number of new H Shares to be subscribed by CNACG shall be not more than 392,927,308.

The final subscription number is subject to adjustment in the manner as set forth in the above paragraph headed “(5) Number of new H Shares to be issued” under the section headed “3.1 Proposal of the Issuance of H Shares to Specific Investor” and confirmed accordingly.

(5) Conditions precedent for the H Share Subscription Agreement:

The H Share Subscription Agreement will be established upon executed and sealed by the legal representative or authorized representative of the parties and take effect when all the following conditions are met:

- (i) matters relating to the Issuance of H Shares to Specific Investor have been approved by the Board and the EGM of the Company;
- (ii) matters relating to the Issuance of H Shares to Specific Investor have been approved by the internal decision-making body(ies) of CNACG;
- (iii) matters relating to the Issuance of H Shares to Specific Investor have been approved by the body performing the duty of supervision and management of state-owned assets; and
- (iv) approval for the listing of, and permission to deal in, the new H Shares to be issued under the Issuance of H Shares to Specific Investor have been granted by the Listing Committee of the Hong Kong Stock Exchange.

The effective date of the H Share Subscription Agreement shall be the date on which all the above conditions precedent are satisfied or waived.

As at the date of this announcement, the Issuance of H Shares to Specific Investor has been considered and approved by the Board of the Company. None of the other conditions under the H Share Subscription Agreement has been fulfilled.

In the event that the Issuance of H Shares to Specific Investor fails to obtain the necessary consent or approval from the general meeting of the Company, the body performing the duty of supervision and management of state-owned assets and the Hong Kong Stock Exchange according to the laws, the H Share Subscription Agreement shall be automatically terminated and both parties shall not be liable to each other for breach of contract.

(6) Others:

The arrangements relating to lock-up and accumulated undistributed profits prior to the Issuance of H Shares to Specific Investor are set out under the above section headed “3.1 Proposal of the Issuance of H Shares to Specific Investor”.

As at the date of this announcement, the Issuance of H Shares to Specific Investor is subject to the approval of the body performing the functions of supervision and management of state-owned assets, consideration and approval at the general meeting of the Company and the approval of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the new H Shares to be issued, and will be filed with the CSRC upon completion of the issuance.

The Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the new H Shares to be issued when appropriate.

4. DILUTIVE EFFECTS OF THE ISSUANCE OF A SHARES AND H SHARES TO SPECIFIC INVESTORS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

4.1 For illustration purpose only, set out below is the dilutive effects of the Issuance of A Shares to Specific Investor on the shareholding structure of the Company, assuming that (i) the size of proceeds raised from the Issuance of A Shares to Specific Investor is RMB6.00 billion based on the issuance of 854,700,854 new A Shares at the A Share Issue Price (i.e. RMB7.02 per share); (ii) the Issuance of H Shares to Specific Investor has not been completed; and (iii) no additional Shares will be issued by the Company after the date of this announcement until the completion of the Issuance of A Shares to Specific Investor:

Shareholders	As at the date of this announcement		Immediately upon completion of the Issuance of A Shares to Specific Investor	
	Total number of Shares held	Approximate percentage of the total number of Shares in issue	Total number of Shares held	Approximate percentage of the total number of Shares in issue
1. CNAHC and its associates:	8,123,096,767	50.14%	8,977,797,621	52.64%
(i) CNAHC	6,566,761,847	40.53%	7,421,462,701	43.51%
(A Shares)				
(ii) CNACG	1,556,334,920:	9.61%	1,556,334,920	9.13%
(i) 1,332,482,920	(A Shares)	8.22%	1,332,482,920	7.81%
(ii) 223,852,000	(H Shares)	1.38%	223,852,000	1.31%
2. Cathay Pacific	2,633,725,455	16.26%	2,633,725,455	15.44%
(H Shares)				
3. Public Shareholders:	5,443,970,616	33.60%	5,443,970,616	31.92%
(i) Public A Shareholders	3,738,864,707	23.08%	3,738,864,707	21.92%
(ii) Public H Shareholders	1,705,105,909	10.52%	1,705,105,909	10.00%
Sub-Total (H Shares):	4,562,683,364	28.16%	4,562,683,364	26.75%
Sub-Total (A Shares):	11,638,109,474	71.84%	12,492,810,328	73.25%
Total:	16,200,792,838	100%	17,055,493,692	100.00%

4.2 For illustration purpose only, set out below is the dilutive effects of the Issuance of H Shares to Specific Investor on the shareholding structure of the Company, assuming that (i) the size of proceeds raised from the Issuance of H Shares to Specific Investor is HK\$2.00 billion based on the issuance of 392,927,308 new H Shares at the H Share Issue Price (i.e. HK\$5.09 per share); (ii) the Issuance of A Shares to Specific Investor has not been completed; and (iii) no additional Shares will be issued by the Company after the date of this announcement until the completion of the Issuance of H Shares to Specific Investor:

Shareholders	As at the date of this announcement		Immediately upon completion of the Issuance of H Shares to Specific Investor	
	Total number of Shares held	Approximate percentage of the total number of Shares in issue	Total number of Shares held	Approximate percentage of the total number of Shares in issue
1. CNAHC and its associates:	8,123,096,767	50.14%	8,516,024,075	51.32%
(i) CNAHC	6,566,761,847	40.53%	6,566,761,847	39.57%
(A Shares)				
(ii) CNACG	1,556,334,920:	9.61%	1,949,262,228	11.75%
(i) 1,332,482,920		8.22%	1,332,482,920	8.03%
(A Shares)				
(ii) 223,852,000		1.38%	616,779,308	3.72%
(H Shares)				
2. Cathay Pacific	2,633,725,455	16.26%	2,633,725,455	15.87%
(H Shares)				
3. Public Shareholders:	5,443,970,616	33.60%	5,443,970,616	32.81%
(i) Public A Shareholders	3,738,864,707	23.08%	3,738,864,707	22.53%
(ii) Public H Shareholders	1,705,105,909	10.52%	1,705,105,909	10.28%
Sub-Total (H Shares):	4,562,683,364	28.16%	4,955,610,672	29.86%
Sub-Total (A Shares):	11,638,109,474	71.84%	11,638,109,474	70.14%
Total:	16,200,792,838	100%	16,593,720,146	100.00%

4.3 For illustration purpose only, set out below is the dilutive effects of the Issuance of A Shares and H Shares to Specific Investors on the shareholding structure of the Company, assuming that (i) the size of proceeds raised from the Issuance of A Shares to Specific Investor is RMB6.00 billion based on the issuance of 854,700,854 new A Shares at the A Share Issue Price (i.e. RMB7.02 per share); (ii) the size of proceeds raised from the Issuance of H Shares to Specific Investor is HK\$2.00 billion based on the issuance of 392,927,308 new H Shares at the H Share Issue Price (i.e. HK\$5.09 per share); and (iii) no additional Shares will be issued by the Company after the date of this announcement until the completion of the Issuance of A Shares and H Shares to Specific Investors:

Shareholders	As at the date of this announcement		Immediately upon completion of the Issuance of A Shares and H Shares to Specific Investors	
	Total number of Shares held	Approximate percentage of the total number of Shares in issue	Total number of Shares held	Approximate percentage of the total number of Shares in issue
1. CNAHC and its associates:	8,123,096,767	50.14%	9,370,724,929	53.71%
(i) CNAHC	6,566,761,847	40.53%	7,421,462,701	42.53%
	(A Shares)			
(ii) CNACG	1,556,334,920:	9.61%	1,949,262,228	11.17%
	(i) 1,332,482,920	8.22%	1,332,482,920	7.64%
	(A Shares)			
	(ii) 223,852,000	1.38%	616,779,308	3.53%
	(H Shares)			
2. Cathay Pacific	2,633,725,455	16.26%	2,633,725,455	15.09%
	(H Shares)			
3. Public Shareholders:	5,443,970,616	33.60%	5,443,970,616	31.20%
(i) Public A Shareholders	3,738,864,707	23.08%	3,738,864,707	21.43%
(ii) Public H Shareholders	1,705,105,909	10.52%	1,705,105,909	9.77%
Sub-total (H Shares):	4,562,683,364	28.16%	4,955,610,672	28.40%
Sub-total (A Shares):	11,638,109,474	71.84%	12,492,810,328	71.60%
Total:	16,200,792,838	100%	17,448,421,000	100.00%

Notes:

1. The percentages shown are rounded to the nearest 2 decimal places.
2. Upon completion of the Issuance of A Shares to Specific Investor and/or the Issuance of H Shares to Specific Investor, the Company continues to comply with the minimum public float as required by the Listing Rules and agreed by the Hong Kong Stock Exchange (being 24.20%).

5. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of this issuance, there will be changes in the registered share capital of the Company, and accordingly, the provisions of the Articles of Association relating to the registered share capital, total number of shares, etc. of the Company will be amended to reflect such changes. The Board requests the Shareholders to authorize the Board and its authorized person(s) to make corresponding amendments to the relevant provisions in the Articles of Association in accordance with the results of the Issuance of A Shares and H Shares to Specific Investors at the EGM.

6. LISTING RULES IMPLICATIONS

The new A Shares and new H Shares under the Issuance of A Shares and H Shares to Specific Investors will be issued pursuant to the specific mandates to be sought from the Shareholders at the EGM. The Issuance of A Shares and H Shares to Specific Investors is conditional upon the approval of the relevant resolutions at the EGM.

Since CNAHC is a substantial shareholder of the Company and CNACG is a wholly-owned subsidiary of CNAHC, CNAHC and CNACG are connected persons of the Company, and each of the Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements. An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the Issuance of A Shares and H Shares to Specific Investors. Baoqiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The Directors (including the independent non-executive Directors) are of the opinion that although the Issuance of A Shares and H Shares to Specific Investors is not in the ordinary and usual course of business of the Group, the terms and conditions of the Share Subscription Agreements to be entered into by the Company pursuant to the plan of the Issuance of A Shares and H Shares to Specific Investors are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Mr. Ma Chongxian, Mr. Wang Mingyuan, Mr. Feng Gang and Mr. Xiao Peng are considered to have a material interest in the Issuance of A Shares and H Shares to Specific Investors and therefore have abstained from voting on the following Board resolutions: (1) the resolution in relation to the proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (2) the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (3) the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investor by the Company in 2023; (4) the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investor by the Company in 2023; (5) the resolution

in relation to the related (connected) transaction concerning the entering into of the conditional A Share Subscription Agreement with specific investor by the Company; (6) the resolution in relation to the proposal of the Issuance of H Shares to Specific Investor by the Company in 2023; (7) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional H Share Subscription Agreement with specific investor by the Company; and (8) the resolution in relation to the authorization by the general meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of this issuance of Shares to specific investors by the Company in their sole discretion.

Save as mentioned above, none of other Directors has a material interest in the Issuance of A Shares and H Shares to Specific Investors and is required to abstain from voting on the relevant Board resolutions.

7. REASONS FOR AND BENEFIT OF THE ISSUANCE OF A SHARES AND H SHARES TO SPECIFIC INVESTORS

(I) Enhance fleet strength, consolidate competitive advantages and accelerate the realization of the Company's strategic planning

As a backbone central enterprise and the only national flag carrier in China, the Company bears the historical responsibility of building a national airline company model and implementing the “strategy of building China into a strong civil aviation powerhouse”. As of 30 September 2023, the Company operated a total of 899 aircraft. With continuously optimized fleet structure, extensive international route and a balanced domestic and international network layout, the most valuable customer base and the strongest brand influence, it has become a first-class air transport enterprise in the world. A reasonable fleet size and fleet age structure is a key prerequisite for the Company to further optimize the layout of its domestic and overseas route network in the future, and is also an important safeguard for the Company to fully implement the concept of safe development and provide more comfortable and reliable air travel for domestic and overseas passengers. Through the Issuance of A Shares and H Shares to Specific Investors, the Company intends to further optimize its fleet structure, rationally expand the fleet size, strengthen its security assurance capabilities, enhance the competitive advantage of its principal air transport business, and accelerate the realization of the Company's strategic planning.

(II) Replenish working capital, implement safety production responsibilities, and meet the Company's capital requirement for business development

The Company always takes safety as its primary political responsibility and top priority, fully implements the concept of safe development, strictly implements safety production responsibilities, continues to strengthen the construction of “four systems”, namely safety management, flight training, aircraft maintenance and operation management, and continues to strengthen the process control of safety production and key risk control based on the characteristics of production and operation. With the gradual recovery of the

demand for air passenger transportation, the Company's investment in transport capacity and operation scale will be expanded accordingly, and sufficient capital supply is a strong support for the Company to ensure aviation security. Replenishing working capital through the Issuance of A Shares and H Shares to Specific Investors will help the Company to continuously strengthen the risk prevention and control of flight operation, strengthen the security assessment of key routes, enhance the security guarantee capabilities, ensure safe operation, and consolidate safety work foundation.

(III) Improve capital structure, strengthen financial soundness and enhance the Company's comprehensive risk resistance capability

As the civil aviation industry is capital-intensive, the capital structure of the Company is under severe pressure due to force majeure factors. As at the end of the year of 2020, 2021 and 2022 and September 2023, the gearing ratio of the Company was 70.50%, 77.93%, 92.69% and 88.78%, respectively, which remained at a relatively high level. The high debt ratio has become a severe challenge for the Company on the road to create a world-class enterprise and a weakness in dealing with potential risks. The raising of funds to purchase aircraft through the Issuance of A Shares and H Shares to Specific Investors is more conducive to the Company to control the scale of interest-bearing liabilities, thereby reasonably controlling financial expenses, improving profitability, strengthening financial soundness and enhancing the Company's comprehensive risk resistance capability. The Issuance of A Shares and H Shares to Specific Investors will partially replenish the liquidity of the Company and also enhance the capital strength of the Company so as to meet the capital needs of the business development of the Company and facilitate the healthy and sustainable development of the Company.

(IV) Boost market confidence and promote the high-quality development of the Company through full subscription by controlling shareholder

The Issuance of A Shares and H Shares to Specific Investors to be fully subscribed by the controlling shareholder CNAHC and its wholly-owned subsidiary, CNACG, as the respective sole subscriber, will further increase their shareholding in the Company and undertake to set a 36-month lock-up period, promoting the high-quality development of the Company, demonstrating their strong confidence in the future development of the Company and recognition of the value of the Company, which is conducive to boosting market confidence and safeguarding the interests of the small and medium-sized Shareholders of the Company.

The Directors (including the independent non-executive Directors) are of the opinion that although the Issuance of A Shares and H Shares to Specific Investors is not in the ordinary and usual course of business of the Group, the terms of the Share Subscription Agreements to be entered into by the Company pursuant to the proposal of the Issuance of A Shares and H Shares to Specific Investors are fair and reasonable and in the interests of the Company and Shareholders as a whole.

8. FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

In January 2023, the Company issued a total of 1,675,977,653 A Shares at a price of RMB8.95 per share to 22 investors including CNAHC, raising gross proceeds of RMB14,999,999,994.35 and net proceeds of RMB14,993,016,587.32. The above proceeds were intended to be used for purchasing 22 aircraft and replenishing the working capital of the Company. As of 30 September 2023, the Company had unutilized proceeds of RMB390,822,529.35, representing 2.61% of the net proceeds. Subsequently, the Company will utilize the above proceeds as planned. For details, please refer to the announcements dated 2 August 2022, 20 September 2022, 14 November 2022, 8 December 2022 and 17 January 2023 and the circular dated 24 August 2022 of the Company respectively.

Save as disclosed above, the Company has not conducted any equity fund-raising activities during the twelve months immediately before the date of this announcement.

9. GENERAL INFORMATION OF THE PARTIES

The Company

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

CNAHC and CNACG

CNAHC directly holds 40.53% of the Company's shares and holds 9.61% of the Company's shares through its wholly-owned subsidiary CNACG, and is a controlling shareholder of the Company. As at the date of this announcement, the SASAC 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. CNACG is an investment holding company whose principal business is passenger terminal operation, cargo terminal operation, airport ground handling services, airline catering services, property investment, ticket and tourism services, logistics and other businesses through its subsidiaries.

10. EGM

The EGM will be convened by the Company for the Shareholders to consider and, if thought fit, approve the relevant resolutions in respect of, among other things, the Issuance of A Shares and H Shares to Specific Investors.

CNAHC and CNACG have material interests in the Issuance of A Shares and H Shares to Specific Investors. Therefore, CNAHC and its associates (including CNACG) shall abstain from voting on the relevant resolutions on the approval of the Issuance of A Shares and H Shares to Specific Investors at the EGM.

A circular containing, among others, details of the Issuance of A Shares and H Shares to Specific Investors together with a notice convening the EGM will be despatched to the Shareholders on or before 18 January 2024 to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

The Company wishes to draw the attention of its Shareholders and potential investors to the fact that each of the Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor is subject to the satisfaction of certain conditions, and therefore the proposed Issuance of A Shares to Specific Investor and/or the Issuance of H Shares to Specific Investor may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Administrative Measures”	the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》) issued by CSRC (the China Securities Regulatory Commission Decree, No. 206)
“A Share(s)”	the ordinary shares issued by the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholders”	holders of A Shares
“A Share Subscription Agreement”	the conditional subscription agreement dated 22 December 2023 entered into between the Company and CNAHC in respect of the Issuance of A Shares to Specific Investor, pursuant to which the Company agrees to issue, and CNAHC agrees to subscribe for, new A Shares in the amount of not more than RMB6.00 billion at the A Share Issue Price
“A Share Issue Price”	the issue price of the Issuance of A Shares to Specific Investor
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Cathay Pacific”	Cathay Pacific Airways Limited

“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CNAHC, which directly holds approximately 9.61% of the Company’s issued share capital as at the date of this announcement
“CNAHC”	China National Aviation Holding Corporation Ltd., a PRC state-owned enterprise and the controlling shareholder of the Company, which directly and indirectly holds an aggregate of approximately 50.14% of the Company’s issued share capital as at the date of this announcement
“Company”	Air China Limited, a company incorporated in the People’s Republic of China, 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
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the 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 convened for the Shareholders to consider and, if thought fit, approve the resolutions in respect of, among other things, the Issuance of A Shares and H Shares to Specific Investors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“H Share(s)”	the ordinary shares issued by the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“H Shareholders”	holders of the H Shares

“H Share Subscription Agreement”	the conditional subscription agreement to be entered into between the Company and CNACG in respect of the Issuance of H Shares to Specific Investor, pursuant to which, the Company agrees to issue, and CNACG agrees to subscribe for new H Shares in the amount of not more than HK\$2.00 billion at the H Share Issue Price
“H Share Issue Price”	the issue price of the Issuance of H Shares to Specific Investor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Financial Adviser” or “Baoqiao Partners”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which serves as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Issuance of A Shares and H Shares to Specific Investors
“Independent Shareholders”	the shareholders of the Company, other than CNAHC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Issuance of A Shares to Specific Investor”	the proposed issuance of not more than 854,700,854 new A Shares to CNAHC by the Company at the A Share Issue Price with expected total proceeds (before deducting relevant issuance expenses) of not more than RMB6.00 billion
“Issuance of H Shares to Specific Investor”	the proposed issuance of not more than 392,927,308 new H Shares to CNACG by the Company at the H Share Issue Price with expected proceeds (before deducting relevant issuance expenses) of not more than HK\$2.00 billion
“Issuance of A Shares and H Shares to Specific Investors”	the Issuance of A Shares to Specific Investor and the Issuance of H Shares to Specific Investor

“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC of the State Council”	the State Asset Supervision and Administration Commission of the State Council of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Trading Day”	a day on which the Shanghai Stock Exchange and/or the Hong Kong Stock Exchange (as the context may require) is open for dealing or trading in securities
“Shares”	A Shares and H Shares
“Share Subscription Agreements”	the A Share Subscription Agreement and the H Share Subscription Agreement
“Shareholders”	A Shareholders and H Shareholders
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

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

Beijing, the PRC, 22 December 2023

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

* *Independent non-executive Director of the Company*