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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)**

**(1) CONTINUING CONNECTED TRANSACTION:  
ENTERING INTO NEW TRADEMARK LICENSE FRAMEWORK  
AGREEMENT; AND**  
**(2) DISCLOSEABLE TRANSACTIONS AND CONTINUING CONNECTED  
TRANSACTIONS:  
PROPOSED REVISION OF ANNUAL CAP AND ENTERING INTO  
FINANCIAL SERVICES AGREEMENTS**

Reference is made to (i) the announcement dated 28 August 2020 and the circular dated 14 September 2020 of the Company in relation to the Existing Trademark License Framework Agreement, the Existing Air China Financial Services Agreement and the Existing CNAHC Financial Services Agreement; and (ii) the circular of the Company dated 28 September 2022 in relation to, among other things, the Supplemental Agreement.

On 30 March 2023, upon consideration and approval by the Board:

1. the Company and CNAHC entered into the New Trademark License Framework Agreement;
2. the Board resolved to revise the maximum daily balance of deposits (including accrued interests) of the deposit services provided by CNAF to the Group under the Existing Air China Financial Services Agreement for the year ending 31 December 2023 from RMB15 billion to RMB20 billion; and
3. the Financial Services Agreements were entered into, including: (1) the Company and CNAF entered into the Air China Financial Services Agreement; (2) CNAF and CNAHC entered into the CNAHC Financial Services Agreement; and (3) CNAF and Air China Cargo entered into the ACC Financial Services Agreement, pursuant to which, CNAF will continue to provide financial services to the Group, the CNAHC Group and the ACC Group for a term

of three years commencing from 1 January 2024 and ending on 31 December 2026. Meanwhile, the Board determined the annual caps of the relevant transactions under the Financial Services Agreements for three years ending 31 December 2026, including the Air China New Annual Caps, the CNAHC New Annual Caps and the ACC New Annual Caps.

Pursuant to the Hong Kong Listing Rules and/or the SSE Listing Rules, the above relevant transactions are subject to the Shareholders' approval at a general meeting. The Company will convene the AGM to consider and, if thought fit, approve, the aforesaid matters. As additional time is required to prepare the circular, the circular containing, among other things, a notice convening the AGM and the details of the above transactions, is expected to be dispatched to the Shareholders on or before 3 May 2023.

## **I. ENTERING INTO THE NEW TRADEMARK LICENSE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 28 August 2020 in relation to the Existing Trademark License Framework Agreement between the Company and CNAHC.

At the time of the incorporation of the Company, CNAHC contributed certain registered trademarks to the Company at nil consideration as the Company's intangible assets. As the trademarks are related to the daily business of CNAHC Group, the Company licensed certain trademarks to CNAHC Group at nil consideration for their use in its ordinary course of business as a reciprocal arrangement pursuant to the Trademark License Agreement since 1 November 2004. Given that it is necessary for CNAHC Group to continue using such trademarks for its future business and that CNAHC Group has duly performed its obligations under the Trademark License Agreement without causing any detriment to the reputation recognition of the Company's brands, the Company has renewed the above reciprocal arrangement by way of entering into new framework agreements.

As the Existing Trademark License Framework Agreement will expire on 31 December 2023, to maintain the consistency of the business operation and renew the above reciprocal arrangement, on 30 March 2023, the Company and CNAHC entered into the New Trademark License Framework Agreement upon consideration and approval by the Board, pursuant to which the Company granted CNAHC Group a non-exclusive license at nil consideration for the use of a total of 83 registered trademarks of the Company. The CNAHC Group undertook to use such licensed trademarks subject to the terms of the non-competition agreement between CNAHC and the Company dated 20 November 2004, and to ensure the quality of the services using the licensed trademarks in order to maintain their reputation.

Given the stable continuity of the reciprocal arrangement mentioned above, to save the relevant administrative costs in relation to the renewal, and taking into account of the duration of the relevant trademarks and the requirements on the term of agreement of transactions of similar nature under applicable laws and regulations, upon arm's length negotiation, the Company and CNAHC have agreed that the term of the New Trademark License Framework Agreement shall

be ten years commencing from 1 January 2024 and expiring on 31 December 2033. Unless otherwise terminated by the Company and CNAHC, the New Trademark License Framework Agreement will be automatically renewed for a term of ten years upon the expiry date, and is subject to limitations and requirements of the relevant laws and regulations and the listing rules. Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, as the term of the New Trademark License Framework Agreement exceeds three years, the Company has appointed BaoQiao Partners as the independent financial adviser, to explain why a term exceeding three years is required and to confirm that it is normal business practice for agreement of this type to be of such duration.

The Board considers that the transaction under the New Trademark License Framework Agreement is on normal commercial terms or better, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Hong Kong Listing Rules, the transaction under the New Trademark License Framework Agreement constitutes a continuing connected transaction of the Company. As the transaction is on normal commercial terms or better and on nil consideration basis, it falls below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules and therefore is fully exempt from Independent Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. Pursuant to the SSE Listing Rules, the transaction under the New Trademark License Framework Agreement is subject to the Independent Shareholders' approval at the AGM.

### **BaoQiao Partners' opinion on the term of the New Trademark License Framework Agreement**

As disclosed above, the Existing Trademark License Framework Agreement will expire on 31 December 2023. In order to maintain the consistency of the business operation, on 30 March 2023, the Company and CNAHC entered into the New Trademark License Framework Agreement upon consideration and approval by the Board, pursuant to which the Company granted CNAHC Group a non-exclusive license at nil consideration for the use of a total of 83 registered trademarks of the Company for a term of ten years from 1 January 2024 to 31 December 2033 (unless otherwise terminated by the Company and CNAHC, the New Trademark License Framework Agreement will be automatically renewed for a term of ten years upon the expiry date, and is subject to limitations and requirements of the relevant laws and regulations and the Listing Rules) (the "**License Period**" or "**Term**").

As the Term of the New Trademark License Framework Agreement exceeds three years, the Company has appointed BaoQiao Partners as the independent financial adviser to explain why a period exceeding three years is required and to confirm that it is normal business practice for agreement of this type to be of such duration. Pursuant to Rule 14A.52 of the Hong Kong

Listing Rules, BaoQiao Partners has formulated its opinion based on its research and analysis and the discussion with the management of the Company (the “**Management**”) in respect of the following:

***Background of the Company and CNAHC***

- (i) The Company is principally engaged in providing air passenger and cargo transportation services and other aviation-related services; and
- (ii) CNAHC is a controlling shareholder of the Company and it 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.

**Background and the terms of the New Trademark License Framework Agreement**

- (i) Based on BaoQiao Partners’ review of the Existing Trademark License Framework Agreement and the trademark license agreements dated 1 November 2004 and 28 October 2014 respectively entered into between the Company and CNAHC (the “**Trademark License Framework Agreements**”), CNAHC contributed certain registered trademarks to the Company at the time of the incorporation of the Company. As the trademarks are related to the daily business of CNAHC Group, the Company has licensed certain trademarks to CNAHC Group at nil consideration for its use in its ordinary course of business as a reciprocal arrangement since 2004;
- (ii) As abovementioned, the Company and CNAHC have been in cooperation since 2004 for the trademark licensing arrangements and CNAHC, as the controlling shareholder of the Company, 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, both the Company and CNAHC consider that the License Period of using such trademarks under the New Trademark License Framework Agreement of longer than three years is necessary to satisfy the daily operation needs of CNAHC Group;
- (iii) BaoQiao Partners notes that the terms of the New Trademark License Framework Agreement (save for the terms relating to the license period and/or updating the name of CNAHC and the parties’ correspondence addresses and/or the possible spin-off of Air China Cargo from CNAHC as disclosed in the announcement of Company dated 20 September 2022) are materially the same as those of the Trademark License Framework Agreements;
- (iv) As confirmed by the Management, CNAHC Group has duly performed its obligations under the Trademarks License Framework Agreements and undertook to use such trademarks subject to the terms of the non-competition agreement between CNAHC and

the Company dated 20 November 2004 to ensure the quality of the services using the trademarks and maintain their reputation without causing any detriment to the awareness and reputation of the Company's brands and business;

- (v) Based on BaoQiao Partners' review of 《中華人民共和國商標法》 (Trademark Law of the People's Republic of China<sup>1</sup>) (“**PRC Trademark Law**”), the period of validity under the PRC Trademark Law of a registered trademark shall be 10 years from the day the registration is approved and the validity of each renewal of registration shall be ten years. BaoQiao Partners notes that the validity period of about 98% of the said 83 trademarks will expire in 2030 or later and as confirmed by the Management, the renewal of registered trademarks involves largely administrative procedures and the Company has no record of unsuccessful renewal of any trademark registrations in the past. In this regard, it is commercially justifiable for the Term under the New Trademark License Framework Agreement to be over three years; and
- (vi) Having considered the aforesaid matters and the reasons for the Term of 10 years as disclosed in this announcement, in particular the stable continuity of the reciprocal arrangement, the duration of the relevant trademarks and the requirements on the term of agreement of transactions of similar nature under applicable laws and regulations, BaoQiao Partners concurs with the Management that it would be more cost effective for the Company to agree with CNAHC on a longer term under the New Trademark License Framework Agreement with a view to saving the relevant administrative costs and better allocating its management resources required for the renewal of the trademark licensing agreement for every other three years or less in accordance with Rule 14A.52 of the Hong Kong Listing Rules.

### ***Review of comparable transactions***

BaoQiao Partners has reviewed the continuing connected transaction announcements published by companies listed on the Stock Exchange since 2020, and noted that there were 3 comparable transactions in relation to the licensing arrangement of certain intellectual property rights, including, trademarks, patents and game adaptation rights, of which the terms of the underlying licensing framework agreements exceeded three years, from a term of 3.5 years to 10 years.

Having considered the principal factors discussed above, BaoQiao Partners is of the view that the Term under the New Trademark License Framework Agreement is on normal commercial term for a transaction of this nature and it is normal business practice for agreement of this type to be of such duration.

<sup>1</sup> For identification purpose only

## II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### (I) PROPOSED REVISION OF ANNUAL CAP

#### 1. *Introduction*

Reference is made to the announcement of the Company dated 28 August 2020 and the circular dated 14 September 2020 in relation to the Existing Air China Financial Services Agreement.

On 30 March 2022, the Board resolved to revise the maximum daily balance of deposits (including accrued interests) of the deposit services provided by CNAF to the Group under the Existing Air China Financial Services Agreement for the year ending 31 December 2023 from RMB15 billion to RMB20 billion.

As one or more of the applicable Percentage Ratios in respect of the Revised Annual Cap are more than 5% but less than 25%, the Proposed Revision of Annual Cap is subject to (i) the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules; and (ii) the reporting, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

#### 2. *Principal terms of the Existing Air China Financial Services Agreement*

The principal terms of the deposit services under the Existing Air Chain Financial Services Agreement are set out as follows:

**Parties:** the Company and CNAF

**Date:** 28 August 2020

**Financial services to be provided by CNAF to the Group:** Pursuant to the Existing Air China Financial Services Agreement, CNAF has agreed to provide the Group with a range of financial services including the deposit services.

**Pricing basis:**

The interest rates applicable to the Group for deposits with CNAF shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of deposits; (ii) be not lower than the interest rates offered by state-owned commercial banks to the Group for the same type of services under the same conditions; and (iii) be not lower than the interest rates for the same type of services provided by CNAF to other member companies of CNAHC Group under the same conditions.

**Risk control:**

Pursuant to the Existing Air China Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBIRC or any illegal activities. CNAF is not allowed, during the term of the Existing Air China Financial Services Agreement, to make use of the deposits of the Group for investments involving high risks, including but not limited to equity securities and corporate bond investments. CNAF is obliged to provide convenience for the auditors of the Company. If the auditors of the Company intend to inspect the accounts of CNAF, CNAF shall make arrangements for such inspection after receiving notice from the Company.

**Effective date and term:** The term of the Existing Air China Financial Services Agreement shall be three years commencing from 1 January 2021 and ending on 31 December 2023, which is automatically renewable for successive terms of three years after the expiry of the term subject to the fulfillment of the requirements under Hong Kong Listing Rules and the required approval procedures thereunder. Upon expiry of the Existing Air China Financial Services Agreement, the Board will re-assess the terms and conditions of the Existing Air China Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules. During the term of Existing Air China Financial Services Agreement, the agreement can be terminated on its expiry on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

### 3. *Proposed Revision of Annual Cap*

Set forth below is a summary of the historical annual caps and the actual maximum amount for the daily balance of deposits (including accrued interests) placed by the Group with CNAF and the Revised Annual Cap:

Transaction	Historical annual caps			Actual maximum amount			Revised
	For the	For the	For the	For the	For the	For the	Annual Cap
	year	year	year	year	year	period from	For the
	ended 31	ended 31	ending 31	ended 31	ended 31	1 January	ending 31
	December	December	December	December	December	2023 to 30	December
	2021	2022	2023	2021	2022	March 2023	2023
Daily balance of deposits (including accrued interests)	RMB15 billion	RMB15 billion	RMB15 billion	RMB10.798 billion	RMB13.588 billion	RMB8.682 billion	RMB20 billion

The above Revised Annual Cap is determined based on the following factors:

- a. The historical maximum amount of daily balance of deposits placed by the Group with CNAF by 30 March 2023 was RMB8.682 billion.



- b. Based on the historical maximum amount of the Group's daily deposit balance placed with CNAF and the projected future amount of the Group's cash and bank balance without taking into account the factors set out in paragraph c below, it is estimated that the amount of the Group's daily deposit balance placed with CNAF for the year ending 31 December 2023 will reach RMB15.2 billion; and
- c. The acquisition of Shandong Aviation Group Company by the Company will expand the scale of members of the Group, and combined with the cash and bank balance of the Shandong Aviation Group Corporation, the daily balance of deposits to be placed by the Group with CNAF during 2023 is expected to increase by RMB4.4 billion.

#### ***4. Reasons and benefits for the transaction***

The Directors believe that it is in the best interest of the Group to enter into the transactions under the Existing Air China Financial Services Agreement with CNAF having taken into account the following factors:

- a. in respect of transactions between the Group and CNAF, CNAF is able to provide more efficient settlement services compared with independent third party banks;
- b. CNAF is able to provide safe, convenient, fast, comprehensive and tailor-made financial services to the Group. From 2004 and up to the date of this announcement, the connected transactions between CNAF and the Group have been carried out in compliance with the relevant laws and regulations and the relevant listing rules, and CNAF has a good track record on compliance. With its continuous improvement of professional level and financial services, CNAF is fully qualified for providing the relevant services to the Group;
- c. as a professional financial institution in the Group, CNAF could act more proactively in protecting the interest of the Group than external institutions; and
- d. a good cooperative relationship has been established between CNAF and the relevant departments of the Group over the years which makes their cooperation more efficient.

The Directors (excluding the independent non-executive Directors) consider that the Existing Air China Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms

and conditions contained therein are fair and reasonable, and the Revised Annual Cap is also fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **(II) ENTERING INTO THE FINANCIAL SERVICES AGREEMENTS**

### **1. Introduction**

Reference is made to (i) the announcement of the Company dated 28 August 2020 and the circular dated 14 September 2020 in relation to the Existing Air China Financial Services Agreement and the Existing CNAHC Financial Services Agreement; and (ii) the circular of the Company dated 28 September 2022 in relation to, among other things, the Supplemental Agreement. After the entering into of the Supplemental Agreement, Air China Cargo and CNAF entered into the Existing ACC Financial Services Agreement separately on 25 November 2022 for a term ending on 31 December 2023.

As the Existing Financial Services Agreements will expire on 31 December 2023, on 30 March 2023, upon consideration and approval by the Board, (1) the Company and CNAF entered into the Air China Financial Services Agreement; (2) CNAF and CNAHC entered into the CNAHC Financial Services Agreement; and (3) CNAF and Air China Cargo entered into the ACC Financial Services Agreement, pursuant to which, CNAF will continue to provide financial services to the Group, the CNAHC Group and the ACC Group for a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

Meanwhile, the Board determined the annual caps of the relevant transactions under the Financial Services Agreements for three years ending 31 December 2026, including the Air China New Annual Caps, the CNAHC New Annual Caps and the ACC New Annual Caps. As one or more of the applicable Percentage Ratios in respect of each of the above new annual caps are more than 5% but less than 25%, such transactions are therefore subject to (i) the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules; and (ii) the reporting, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In addition, according to the relevant laws and regulations in the banking industry and the SSE Listing Rules, the CNAHC Financial Services Agreement and the ACC Financial Services Agreement put businesses (apart from loan businesses, including bill discounting, non-financing letters of guarantee, bill acceptances and other credit extension services) provided by CNAF to CNAHC Group and ACC Group and where credit risks are essentially borne by CNAF under unified management, and the Board has determined the credit lines of such comprehensive credit line business. As the comprehensive credit lines will be taken up in the form of balance for comprehensive credit line services, and the

credit lines may be taken up among different types of products, such credit lines can be used on a revolving basis. The above comprehensive credit lines are also subject to approval by the Independent Shareholders under the SSE Listing Rules.

## **2. The Air China Financial Services Agreement and the Annual Caps of the Relevant Transactions thereunder**

### ***(1) Principal terms of the Air China Financial Services Agreement***

<b>Parties:</b>	The Company and CNAF
<b>Date:</b>	30 March 2023
<b>Financial services to be provided by CNAF to the Group:</b>	<p>Pursuant to the Air China Financial Services Agreement, CNAF has agreed to provide the Group with a range of financial services including the following:</p> <ul style="list-style-type: none"><li>a. deposit services;</li><li>b. credit services, including loan, bill discounting and other credit services;</li><li>c. other financial services, including but not limited to:<ul style="list-style-type: none"><li>(i) non-financing letters of guarantee services;</li><li>(ii) bill acceptance services;</li><li>(iii) settlement and payment services;</li><li>(iv) trust loan services;</li><li>(v) bond underwriting services;</li><li>(vi) financial advisory services;</li><li>(vii) spot exchange settlement and sale services;</li><li>(viii) cross-border bilateral RMB capital pooling services; and</li></ul></li></ul>

- (ix) credit appraisal and consulting agency services.

Agency fees, handling fees, consultancy fees or other service fees will be charged by CNAF to the Group for the above “other financial services”.

**Pricing basis:**

*Deposit services*

The interest rates applicable to the Group for deposits with CNAF shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of deposits; and (ii) be not lower than the interest rates offered by state-owned commercial banks to the Group for the same type of services under the same conditions.

*Credit services*

The interest rates applicable to the credit services provided by CNAF to the Group shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of services; and (ii) be not higher than the interest rates charged by state-owned commercial banks to the Group for the same type of services under the same conditions.

*Other financial services*

The fees charged by CNAF to the Group for providing paid services in the other financial services shall (i) be in line with the relevant rate standards (if any) prescribed by PBOC, CBIRC, CSRC, NAFMII or other regulatory authorities; (ii) be not higher than the fees charged by state-owned commercial banks to the Group for the same type of services under the same conditions.

Currently, other financial services which are free of charge and provided by CNAF to the Group include the settlement services and financial information services (namely, providing statistics and information in relation to different types of financing products in the market). If CNAF charges fees for the settlement services and financial information services during the term of the Air China Financial Services Agreement, the pricing basis set out in the above paragraph shall apply, and the relevant transaction amount will be monitored closely to ensure that the aggregate annual fees to be paid by the Group to CNAF for other financial services will not exceed the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules.

**Risk control:**

Pursuant to the Air China Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBIRC or any illegal activities. Various risk monitoring indicators of CNAF shall be in line with the Administrative Measures for Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) and the relevant requirements of CBIRC. CNAF is not allowed, during the term of the Air China Financial Services Agreement, to make use of the deposits of the Group for investments involving high risks, including investments in fixed-income marketable securities and other products, and is required to satisfy the relevant requirements of the Administrative Measures for Finance Companies of Enterprise Groups. CNAF is obliged to provide convenience for the auditors of the Company. If the auditors of the Company intend to inspect the accounts of CNAF, CNAF shall make arrangements for such inspection after receiving notice from the Company.

**Effective date and term:** The Air China Financial Services Agreement is subject to the approval by the Independent Shareholders at a general meeting. If approved by the Independent Shareholders, the term of the Air China Financial Services Agreement shall be three years commencing from 1 January 2024 and ending on 31 December 2026, which is automatically renewable for successive terms of three years after the expiry of the term subject to the fulfillment of the requirements under Hong Kong Listing Rules and the required approval procedures thereunder. Upon expiry of the Air China Financial Services Agreement, the Board will re-assess the terms and conditions of the Air China Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules. During the term of the Air China Financial Services Agreement, the agreement can be terminated on its expiry on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

**(2) *Reasons and benefits for the transaction***

The Directors believe that it is in the best interest of the Group to enter into the transactions under the Air China Financial Services Agreement having taken into account the following factors:

- a. in respect of transactions between the Group and CNAF, CNAF is able to provide more efficient settlement services compared with independent third party banks;
- b. CNAF is able to provide safe, convenient, fast, comprehensive and tailor-made financial services to the Group. From 2004 and up to the date of this announcement, the connected transactions between CNAF and the Group have been carried out in compliance with the relevant laws and regulations and the relevant listing rules, and CNAF has a good track record on compliance. With its continuous improvement of professional level and financial services, CNAF is fully qualified for providing the relevant services to the Group;

- c. as a professional financial institution in the Group, CNAF could act more proactively in protecting the interest of the Group than external institutions; and
- d. a good cooperative relationship has been established between CNAF and the relevant departments of the Group over the years which makes their cooperation more efficient.

The Directors (excluding the independent non-executive Directors) consider that the Air China Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(3) Annual Caps of Deposit Services**

Set forth below is a summary of the historical annual caps and the actual maximum amount for the daily balance of deposits (including accrued interests) placed by the Group with CNAF and the Air China New Annual Caps:

Transaction	Historical annual caps			Actual maximum amount			Air China New Annual Caps		
	For the	For the	For the	For the	For the	For the	For the	For the	For the
	year	year	year	year	year	period	year	year	year
	ended 31	ended 31	ended 31	ended 31	ended 31	from 1	ending 31	ending 31	ending 31
	December	December	December	December	December	January	December	December	December
	2021	2022	2023	2021	2022	2023 to 30	2024	2025	2026
						March			
Daily balance of deposits (including accrued interests)	RMB15 billion	RMB15 billion	RMB15 billion	RMB10.798 billion	RMB13.588 billion	RMB8.682 billion	RMB22 billion	RMB23 billion	RMB23 billion

The above Air China New Annual Caps are determined based on the following factors:

- a. Based on the historical maximum amount of daily balance of deposits placed by the Group with CNAF, and the expected cash and bank balance of the Group in the future without taking into account of the factors set out in the paragraphs b and c below, it is expected that the daily balance of deposits to be

placed by the Group with CNAF during each of the three years ending 31 December 2026 will amount to RMB17 billion, RMB17.4 billion and RMB17 billion, respectively;

- b. Taking into account the Company's capital needs and current market condition, the Company may raise funds by way of direct financing in the next three years, which may lead to a temporary increase in the balance of deposits placed by the Group with CNAF, and the daily balance of deposits to be placed by the Group with CNAF during each of the three years ending 31 December 2026 is expected to increase by RMB0.5 billion, RMB0.9 billion and RMB1.3 billion, respectively; and
- c. The acquisition of Shandong Aviation Group Company by the Company will expand the scale of members of the Group, and combined with the cash and bank balance of the Shandong Aviation Group Corporation, the daily balance of deposits to be placed by the Group with CNAF during each of the three years ending 31 December 2026 is expected to correspondingly increase by RMB4.4 billion, RMB4.7 billion and RMB4.7 billion, respectively.

### **3. The CNAHC Financial Services Agreement and the Annual Caps of the Relevant Transactions thereunder**

#### ***(1) Principal terms of the CNAHC Financial Services Agreement***

<b>Parties:</b>	CNAF and CNAHC
<b>Date:</b>	30 March 2023
<b>Financial services to be provided by CNAF to CNAHC Group:</b>	<p>Pursuant to the CNAHC Financial Services Agreement, CNAF has agreed to provide the CNAHC Group with a range of financial services including the following:</p> <ul style="list-style-type: none"><li>a. deposit services;</li><li>b. comprehensive credit line services, including loan, bill discounting and non-financing letters of guarantee, bill acceptances and other credit line services;</li><li>c. other financial services, including but not limited to:<ul style="list-style-type: none"><li>(i) settlement and payment services;</li></ul></li></ul>



- (ii) trust loan services;
- (iii) bond underwriting services;
- (iv) financial advisory services;
- (v) spot exchange settlement and sale services;
- (vi) cross-border bilateral RMB capital pooling services; and
- (vii) credit appraisal and consulting agency services.

**Pricing basis:**

*Deposit services*

The interest rates applicable to CNAHC Group's deposits with CNAF shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of deposits; and (ii) be not higher than the interest rates offered by state-owned commercial banks to the CNAHC Group for the same type of services under the same conditions.

*Loan and bill discounting services*

The interest rates applicable to the loan and bill discounting services provided by CNAF to the CNAHC Group shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of services; and (ii) be not lower than the interest rates charged by state-owned commercial banks to the CNAHC Group for the same type of services under the same conditions.

### *Other financial services*

The fees charged by CNAF to the CNAHC Group for providing paid services in the other financial services shall (i) be in line with the relevant rate standards (if any) prescribed by PBOC, CBIRC, CSRC, NAFMII or other regulatory authorities; and (ii) be not lower than the fees charged by state-owned commercial banks to the CNAHC Group for the same type of services under the same conditions.

Currently, other financial services which are free of charge and provided by CNAF to the CNAHC Group include the settlement services and financial information services (namely, providing statistics and information in relation to different types of financing products in the market). If CNAF charges fees for the settlement services and financial information services during the term of the CNAHC Financial Services Agreement, the pricing basis set out in the above paragraph shall apply, and the relevant transaction amount will be monitored closely to ensure that the aggregate annual fees to be paid by the CNAHC Group to CNAF for other financial services will not exceed the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules.

**Risk control:**

Pursuant to the CNAHC Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBIRC or any illegal activities. Various risk monitoring indicators of CNAF shall be in line with the Administrative Measures for Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) and the relevant requirements of CBIRC. In providing comprehensive credit line services for the CNAHC Group, CNAF shall set credit lines prior to conducting specific business in accordance with the requirements of the business development procedures. CNAF shall approve each business in accordance with the established business approval authority. After the loan business is processed, the loan business shall be tracked and managed on a regular basis to ensure the recovery of funds. CNAF shall be entitled to recover the relevant loans in advance, in the event that the CNAHC Group is unable to settle any debts of other financial institutions, and undergoes the deterioration in its operating or financial condition, closedown, dissolution, suspension of operations, liquidation, bankruptcy, reorganization, settlement, rectification or similar legal proceedings, or all or a significant portion of its property is occupied, seized, frozen, impounded, enforced, expropriated, forfeited or taken over by an appointed trustee, receiver or similar officer, or other similar measures are implemented in respect of the property.

**Effective date and term:** The CNAHC Financial Services Agreement is subject to the approval by the Independent Shareholders at a general meeting. If approved by the Independent Shareholders, the term of the CNAHC Financial Services Agreement shall be three years commencing from 1 January 2024 and ending on 31 December 2026, which is automatically renewable for successive terms of three years after the expiry of above initial term subject to the fulfillment of the requirements under Hong Kong Listing Rules/SSE Listing Rules and the required approval procedures thereunder. Upon expiry of the CNAHC Financial Services Agreement, the Board will re-assess the terms and conditions of the CNAHC Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules/SSE Listing Rules. During the term of the CNAHC Financial Services Agreement, the agreement can be terminated on its expiry on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

**(2) *Reasons and benefits for the transaction***

CNAF has been providing financial services to the CNAHC Group for years. The business with the CNAHC Group contributed a steady and significant portion to CNAF's revenues in the past. Such transaction is beneficial for CNAF to make full use of its function as a financial platform to further improve the utilization efficiency and effectiveness of funds, as well as enhance its gains on capital, which is in line with the needs of the Company's operation and development. The Directors believe that it would be in the best interest of CNAF and the Group to continue the provision of financial services by CNAF to the CNAHC Group.

The Directors (excluding the independent non-executive Directors) consider that the CNAHC Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(3) *Annual caps of comprehensive credit line services*

Set forth below is a summary of the historical annual caps and actual maximum amount of the maximum balance of daily loans (including accrued interests) granted or to be granted by CNAF to the CNAHC Group and the CNAHC New Annual Caps:

Transaction	Historical annual caps			Actual daily maximum balance			CNAHC New Annual Caps		
	For the	For the	For the	For the	For the	For the	For the	For the	For the
	year	year	year	year	year	period	year	year	year
	ended 31	ended 31	ending 31	ended 31	ended 31	from 1	ending 31	ending 31	ending 31
	December	December	December	December	December	January	December	December	December
	2021	2022	2023	2021	2022	2023 to 30	2024	2025	2026
						March			
Daily balance of loans (including accrued interests) <i>(note)</i>	RMB 6.5 billion	RMB 6.5 billion	RMB 6.5 billion	RMB 90 million	RMB 120 million	RMB 130 million	RMB 5.5 billion	RMB 5.5 billion	RMB 5.5 billion

*Notes:*

1. For the two years ended 31 December 2022 and for the period from 1 January 2023 to 30 March 2023, CNAF did not provide any credit services to the ACC Group.
2. The low utilization rate of the historical annual caps is due to the facts that (i) as CNAHC Group strengthened the use of direct financing such as super short-term commercial papers and corporate bonds while Air China Cargo successfully brought in strategic investors, the CNAHC Group had ample liquidity on an overall basis, therefore its demands for loans were much lower than expected; and (ii) some members of the CNAHC Group who had loan demands could choose to borrow their loans from independent third-party banks rather than CNAF.

The above CNAHC New Annual Caps are determined based on the following factors:

- a. The historical maximum amount of daily balance of credit services provided by CNAF to the CNAHC Group;
- b. CNAF will further make full use of its functions in loan business as a finance company. On the premise that CNAHC will maintain the same level of demand for liquidity loans in the next three years, and assuming that an amount equivalent to 50% of the direct financing previously obtained by the CNAHC can be borrowed through CNAF in the future, it is expected that CNAF may provide further loan services to CNAHC with an amount of RMB3.85 billion for each of the three years ending 31 December 2026;

- c. According to the loan demand of certain subsidiaries of CNAHC regarding their liquidity planning, it is expected that such subsidiaries of CNAHC will therefore have additional demands for loans from CNAF with an amount of approximately RMB770 million, RMB847 million and RMB932 million for the next three years; and
- d. A buffer of approximately RMB500 million is applied for each of the three years ending 31 December 2026 to cater the CNAHC Group's needs from time to time.

According to the relevant laws and regulations in the banking industry and the SSE Listing Rules, the CNAHC Financial Services Agreement put businesses (apart from loan businesses, including bill discounting, non-financing letters of guarantee, bill acceptances and other credit extension services) provided by CNAF to the CNAHC Group and where credit risks are essentially borne by CNAF under unified management as comprehensive credit line services, and has determined the credit lines in relation thereto. As the comprehensive credit lines will be taken up in the form of balance for such comprehensive credit line services business, and the credit lines may be shared among different types of products, such credit lines can be used on a revolving basis. After taking into account the actual amount of credit lines granted by CNAF to the CNAHC Group in the past (i.e. the sum of the maximum credit line granted by CNAF to the relevant member companies of the CNAHC Group upon assessing the credit status of the relevant member companies prior to processing the specific comprehensive credit line business for such member Companies), the future demand for comprehensive credit line services (mainly in loans and guarantee letter business) of the CNAHC Group and the latest credit status of relevant member companies, the credit lines of comprehensive credit line services provided by CNAF to the CNAHC Group shall be RMB7.5 billion, RMB8 billion, RMB9 billion and RMB9 billion for the year ending 31 December 2023 and each of the three years ending 31 December 2026, respectively.

#### 4. The ACC Financial Services Agreement and the Annual Caps of the Relevant Transactions thereunder

##### *(1) Principal terms of the ACC Financial Services Agreement*

**Parties:** CNAF and Air China Cargo

**Date:** 30 March 2023

**Financial services to be provided by CNAF to the ACC Group:** Pursuant to the ACC Financial Services Agreement, CNAF has agreed to provide the ACC Group with a range of financial services, including the following:

- a. deposit services;
- b. comprehensive credit line services, including loan, bill discounting, non-financing letters of guarantee, bill acceptances and other credit line services;
- c. other financial services, including but not limited to:
  - (i) settlement and payment services;
  - (ii) trust loan services;
  - (iii) bond underwriting services;
  - (iv) financial advisory services;
  - (v) spot exchange settlement and sale services;
  - (vi) cross-border bilateral RMB capital pooling services; and
  - (vii) credit appraisal and consulting agency services.

**Pricing basis:**

*Deposit services*

The interest rates applicable to the ACC Group's deposits with CNAF shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of deposits; and (ii) be not higher than the interest rates offered by state-owned commercial banks to the ACC Group for the same type of services under the same conditions.

*Loan and bill discounting services*

The interest rates applicable to the loan and bill discounting services provided by CNAF to the ACC Group shall (i) be in compliance with the requirements on interest rates prescribed by PBOC for such type of services; and (ii) be not lower than the interest rates charged by state-owned commercial banks to the ACC Group for the same type of services under the same conditions.

*Other financial services*

The fees charged by CNAF to the ACC Group for providing paid services in the other financial services shall (i) be in line with the relevant rate standards (if any) prescribed by the PBOC, CBIRC, CSRC, NAFMII or other regulatory authorities; and (ii) be not lower than the fees charged by state-owned commercial banks to the ACC Group for the same type of services under the same conditions.



Currently, other financial services which are free of charge and provided by CNAF to the ACC Group include the settlement services and financial information services (namely, providing statistics and information in relation to different types of financing products in the market). If CNAF charges fees for the settlement services and financial information services during the term of the ACC Financial Services Agreement, the pricing basis set out in the above paragraph shall apply, and the relevant transaction amount will be monitored closely to ensure that the aggregate annual fees to be paid by the ACC Group to CNAF for other financial services will not exceed the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules.

**Risk control:**

Pursuant to the ACC Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBIRC or any illegal activities. Various risk monitoring indicators of CNAF shall be in line with the Administrative Measures for Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) and the relevant requirements of CBIRC. In providing comprehensive credit line services for the ACC Group, CNAF shall set credit lines prior to conducting specific business in accordance with the requirements of the business development procedures. CNAF shall approve each business in accordance with the established business approval authority. After the loan business is processed, the loan business shall be tracked and managed on a regular basis to ensure the recovery of funds. CNAF shall be entitled to recover the relevant loans in advance, in the event that the ACC Group is unable to settle any debts of other financial institutions, and undergoes deterioration in its operating or financial condition, closedown, dissolution, suspension of operations, liquidation, bankruptcy, reorganization, settlement, rectification or similar legal proceedings, or all or a significant portion of its property is occupied, seized, frozen, impounded, enforced, expropriated, forfeited or taken over by an appointed trustee, receiver or similar officer, or other similar measures are implemented in respect of the property.

**Effective date and term:** The renewal of the ACC Financial Services Agreement is subject to the approval by the Independent Shareholders at the AGM. If approved by the Independent Shareholders, the term of the ACC Financial Services Agreement shall be renewed for three years commencing from 1 January 2024 and ending on 31 December 2026, which is automatically renewable for successive terms of three years after the expiry of the above initial term subject to the fulfillment of the requirements under Hong Kong Listing Rules/SSE Listing Rules and the required approval procedures thereunder. Upon expiry of the ACC Financial Services Agreement, the Board will re-assess the terms and conditions of the ACC Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules/SSE Listing Rules. During the term of the ACC Financial Services Agreement, the agreement can be terminated on its expiry on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

**(2) *Reasons and benefits for the transaction***

CNAF has been providing financial services to the ACC Group for years. The business with the ACC Group contributed a steady portion to CNAF's revenues in the past. Such transaction is beneficial for CNAF to make full use of its function as a financial platform to further improve the utilization efficiency and effectiveness of funds, as well as enhance its gains on capital, which is in line with the needs of the Company's operation and development. The Directors believe that it would be in the best interest of CNAF and the Group to continue the provision of financial services by CNAF to the ACC Group.

The Directors (excluding the independent non-executive Directors) consider that the ACC Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(3) Annual caps of Comprehensive Credit Line Services**

Set forth below is a summary of the historical annual caps and actual maximum amount of the maximum balance of daily loans (including accrued interests) granted or to be granted by CNAF to the ACC Group and the ACC New Annual Caps:

Transaction	Historical annual caps			Actual daily maximum amount			ACC New Annual Caps		
	for the year	for the year	for the year	for the year	for the year	for the	for the year	for the year	for the year
	ended 31	ended 31	ended 31	ended 31	ended 31	period from	ended 31	ended 31	ended 31
	December	December	December	December	December	1 January	December	December	December
	2021	2022	2023	2021	2022	2023 to 30	2024	2025	2026
						March 2023			
Maximum balance of daily loans (including accrued interests) (note)	-	-	-	RMB 0 billion	RMB0 billion	RMB0 billion	RMB0 billion	RMB2.0 billion	RMB2.5 billion

*Note:* As of the date of this announcement, the sum of the actual amount incurred under the Existing ACC Financial Services Agreement and the actual transaction amount incurred under the Existing CNAHC Financial Services Agreement did not exceed the annual caps for the transaction amount of the Existing CNAHC Group Framework Agreement as approved at the Company's general meeting.

The above ACC New Annual Caps are determined based on the following factors:

- a. As Air China Cargo has sufficient funding in recent years, there're not expected to be any loan demands from the ACC Group for the year of 2024;
- b. With the possible continuous expansion of the business of ACC Group to enhance its capacity level and expand its operating network layout, according to the loan demands of the ACC Group regarding their liquidity planning based on possible business expansion, it is expected that the ACC Group will therefore have demands for loans from CNAF with an amount of approximately RMB1.5 billion and RMB2.0 billion for the years of 2025 and 2026 respectively; and
- c. A buffer of approximately RMB0.5 billion is applied for each of the years ending 31 December 2025 and 2026 to cater the ACC Group's needs from time to time.

According to the relevant laws and regulations in the banking industry and the SSE Listing Rules, the ACC Financial Services Agreement put businesses (apart from loan businesses, including bill discounting, non-financing letters of guarantee, bill acceptances and other credit extension services) provided by CNAF to the ACC Group and where credit risks are essentially borne by CNAF under unified management as comprehensive credit line services, and has determined the credit lines in relation thereto. Pursuant to the SSE Listing Rules, CNAF will determine the annual total credit lines for such credit line services. As the comprehensive credit lines will be taken up in the form of balance for such comprehensive credit line services business, and the credit lines may be shared among different types of products, such credit lines can be used on a revolving basis. After taking into account the amount of credit lines actually granted by CNAF to the ACC Group in the past (i.e. the sum of the maximum credit line granted by CNAF to the relevant member companies of the ACC Group upon assessing the credit status of the relevant member companies prior to processing the above-mentioned specific comprehensive credit line business for such member Companies), the future demand for comprehensive credit line services of the ACC Group and the latest credit status of relevant member companies, the annual credit lines of comprehensive credit line services provided by CNAF to the ACC Group shall be RMB4 billion for each of the three years ending 31 December 2026. No comprehensive credit line service is expected to occur under the Existing ACC Financial Services Agreement for the year ending 31 December 2023.

### **(III) RISK PROFILE AND MANAGEMENT OF CNAF**

CNAF, as a non-banking financial institution providing financial services to the Group, the CNAHC Group and the ACC Group, is subject to regulations promulgated by CBIRC from time to time. These regulations may not be the same as those regulating commercial banks. As CNAF and commercial banks have different target customers for their respective financial services, they may be subject to different risk profiles. Set out below are the major risk exposures of CNAF:

#### **Compliance risks**

According to the Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) issued by the CBIRC on 27 July 2004 (as last amended on 13 November 2022), CNAF shall comply with various ratios in respect of its assets and liabilities, including the capital adequacy ratio, total extra-group liabilities to net capital ratio, total investment to net capital ratio, and net self-owned fixed assets to net capital ratio. Since its establishment until the date of this announcement, CNAF has complied with all the relevant requirements from the CBIRC in respect of the above-mentioned ratios and the applicable rules and regulations stipulated by the CBIRC.

## **Liquidity risks**

CNAF utilises deposits received by it by lending the funds out to members of the Group, the CNAHC Group and the ACC Group. Since the terms of the deposits and loans are often different, CNAF faces liquidity risks if any deposit becomes due and it has no immediately available fund for making payment. The nature of such risk does not differ materially from the liquidity risks faced by PRC commercial banks.

To manage its liquidity risks, CNAF strictly adheres to a 25% current ratio requirement (i.e. its current liabilities shall not exceed 25% of its current assets). The liquidity risks of CNAF are also mitigated as it could obtain financing through inter-bank loans or pledged repurchase from the inter-bank market if and when necessary. In addition, since the customers of CNAF are limited to the members of the Group, the CNAHC Group and the ACC Group, CNAF is shielded from the risk of bank runs by individual depositors faced by commercial banks. Since its establishment until the date of this announcement, CNAF had always been able to meet the repayment schedules in respect of deposits placed by its customers.

## **Credit risks**

Like state-owned commercial banks, CNAF faces credit risks in providing its loans and other credit services to its customers. CNAF, being a member of the CNAHC Group, is in a better position to gain information on the member companies who are its customers in a more timely and comprehensive manner as opposed to other PRC commercial banks who conduct business with clients of various credit ratings and backgrounds. To control the credit risks, CNAF carefully evaluates the operation situation and financial position of the member companies within the Group, the CNAHC Group and the ACC Group when receiving loan applications from them and only provides loans to member companies who have sound financial position and cash flow. CNAF normally requires guarantees from the shareholders of the applicant if the applicant's credit standing exposes CNAF to relatively high risks. If a loan is approved, CNAF conducts regular post-loan examination on the borrower to monitor and safeguard against the credit risks. If a borrower defaults on the loan or falls into financial difficulty in repayments, CNAF may enforce the guarantee provided by the shareholders of the borrower. Moreover, according to the relevant laws and regulations promulgated by the CBIRC and as set out in the articles of association of CNAF, in the event that CNAF falls into financial difficulty in payments, CNAHC has the obligation to take all necessary steps including injecting capital into CNAF based on its funding needs, to restore its financial position. Due to the careful management of the credit risks, CNAF has not had any non-performing loan since its establishment until the date of this announcement.

## **Directors' view**

Based on the foregoing, the Directors are of the view that the risk profile of CNAF, as a provider of financial services to the Group, the CNAHC Group and the ACC Group, has remained not greater than that of PRC commercial banks.

#### **(IV) INTERNAL CONTROL MEASURES FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

To safeguard the interest of the Group, the Group will adopt the following internal control measures in respect of the deposit services to be provided by CNAF to the Group and the comprehensive credit line services to be provided by CNAF to the CNAHC Group and the ACC Group, respectively.

##### **Deposit services under the (Existing) Air China Financial Services Agreement**

The Company would take the following review procedure against the following assessment criteria when obtaining the deposit services from CNAF under the (Existing) Air China Financial Services Agreement:

- a. the Company and CNAF set up designated posts to monitor the deposit balance of the Group with CNAF within the scope of the list of the Company's subsidiaries on a daily basis to ensure that it does not exceed the relevant annual caps;
- b. the Company sets up designated posts to update the list of the Company's subsidiaries on a regular basis to ensure the aggregate deposit balance of the Group (including the subsidiaries in the updated list) with CNAF does not exceed the relevant annual caps; and
- c. the designated staff of the Company would compare the rates and terms offered by CNAF and several state-owned commercial banks when the need for deposit arises to ensure those rates and terms of the Group's deposits with CNAF are in line with the relevant pricing basis.

##### **Comprehensive credit line services under the CNAHC Financial Services Agreement and the ACC Financial Services Agreement**

CNAF would take the following review procedure process against the following assessment criteria when providing the comprehensive credit line services to the CNAHC Group under the CNAHC Financial Services Agreement and to the ACC Group under the ACC Financial Services Agreement:

- a. The credit department of CNAF conducts analysis and assessment based on the general situation, financial and operating conditions and credit status of the members of the CNAHC Group and ACC Group, and risk management department of CNAF issues a report to the loan review committee of CNAF after its examination. After the loan review committee of CNAF has approved the comprehensive credit line services and determined the amount of the comprehensive credit line services, the general manager makes the final decision;

- b. after receiving the credit demand from members of the CNAHC Group and ACC Group, the credit department of CNAF would carry out the following works: verifying the credit demand of the applicant, considering the credit risk and financing ability of the applicant, checking the records such as if CNAF has provided the same type of services to the members of the CNAHC Group and ACC Group respectively under the same condition, learning about the current level of market interest charged by state-owned commercial banks and offering quotation;
- c. after securing the loan business, CNAF would issue a report to the loan review committee of CNAF, which in turn would determine the approval of the loan business, including loan interest rate, and the general manager would make the final decision;
- d. if it is discovered in the various quotations for a transaction under the same conditions that the loan interest rates intended to be offered by CNAF to the CNAHC Group and ACC Group are more favorable than those provided by independent third parties to the CNAHC Group and ACC Group respectively, such findings shall be reported to the loan review committee of CNAF. The loan review committee of CNAF would assess whether to adjust the price for services provided by CNAF or to amend relevant conditions with reference to various factors, such as loan demand and the applicant's qualifications and credibility, and the general manager would make the final decision;
- e. CNAF would complete the approval procedures of the risk management department, and grant the loan to the applicant after obtaining approval from the leader of credit department and leaders of CNAF;
- f. after the grant of the loan, the credit department of CNAF will conduct regular post-loan examination on the applicant and issue examination reports; and
- g. the accounting department of CNAF will deduct the principal and accumulated interests of the loan from the applicants' deposit accounts in CNAF on the loan repayment date. If the applicant falls short of cash to repay the loan, the applicant should request for extension in writing to CNAF prior to the maturity of the loan, and may carry out relevant formalities upon obtaining approval.

Since the Group has established adequate and appropriate internal control procedures to review the Non-exempt Continuing Connected Transactions, the Directors (including the independent non-executive Directors) consider that such methods and procedures can ensure and safeguard the Non-exempt Continuing Connected Transactions will be conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.



## (V) LISTING RULES IMPLICATIONS

### 1. Proposed Revision of Annual Cap

Pursuant to the Hong Kong Listing Rules, as one or more of the applicable Percentage Ratios in respect of the Revised Annual Cap are more than 5% but less than 25%, the Proposed Revision of Annual Cap is subject to (i) the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules; and (ii) the reporting, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

### 2. Entering into Financial Services Agreements

#### (1) *Air China Financial Services Agreement*

##### *Deposit services*

As the highest applicable Percentage Ratio in respect of the Air China New Annual Caps under the Chapter 14 of the Hong Kong Listing Rules exceeds 5% but below 25% and the highest applicable Percentage Ratio under the Chapter 14A of the Hong Kong Listing Rules exceeds 5%, the deposit services to be provided to the Group by CNAF under the Air China Financial Services Agreement are subject to (i) the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules; and (ii) the reporting, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

##### *Credit Services*

Credit services to be provided to the Group by CNAF are expected to be conducted on normal commercial terms or better, and not to be secured by the assets of the Group. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions in accordance with Rule 14A.90 of the Hong Kong Listing Rules.

*Other financial services*

The other financial services to be provided by CNAF to the Group will be carried out on normal commercial terms or better and the aggregate annual fees to be paid by the Group to CNAF for such services for each of the three years ending 31 December 2024, 2025 and 2026 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions under the Hong Kong Listing Rules.

**(2) *CNAHC Financial Services Agreement and ACC Financial Services Agreement***

As at the date of this announcement, as Air China Cargo is a subsidiary of CNAHC, the transactions of similar type under the CNAHC Financial Services Agreement and the ACC Financial Services Agreement shall be aggregated under the Hong Kong Listing Rules.

*Deposit services*

The deposits placed by the CNAHC Group and 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, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions as provided under Rule 14A.90 of the Hong Kong Listing Rules.

*Comprehensive credit  
line services*

Pursuant to Chapter 14A of the Hong Kong Listing Rules, as (i) the highest of the applicable Percentage Ratios in respect of the CNAHC New Annual Caps exceeds 5% on a standalone basis; and (ii) the highest of the applicable Percentage Ratios in respect of the ACC New Annual Caps, although does not exceed 5% on a standalone basis, exceeds 5% when aggregated with the CNAHC New Annual Caps, the loan services to be provided to the CNAHC Group by CNAF under the CNAHC Financial Services Agreement and the loan services to be provided to the ACC Group by CNAF under the ACC Financial Services Agreement are subject to the reporting, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Chapter 14 of the Hong Kong Listing Rules, as the highest of the applicable Percentage Ratios does not exceed 5% on a standalone basis in respect of each of the CNAHC New Annual Caps and the ACC New Annual Caps, while exceeds 5% but below 25% when aggregated with each other, the loan services to be provided to the CNAHC Group by CNAF under the CNAHC Financial Services Agreement and the loan services to be provided to the ACC Group by CNAF under the ACC Financial Services Agreement are also subject to the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

Furthermore, the credit lines of the comprehensive credit line services provided by CNAF to the CNAHC Group under the CNAHC Financial Services Agreement and the credit lines of the comprehensive credit line services provided by CNAF to the ACC Group under the ACC Financial Services Agreement are also subject to approval by the Independent Shareholders under the SSE Listing Rules.

*Other financial services*

The other financial services to be provided by CNAF to the CNAHC Group under the CNAHC Financial Services Agreement and the other financial services provided by CNAF to the ACC Group under the ACC Financial Services Agreement will be carried out on normal commercial terms or better and the aggregated total annual fees to be paid by the CNAHC Group and ACC Group to CNAF for such services for each of the three years ending 31 December 2024, 2025 and 2026 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions under the Hong Kong Listing Rules.

#### **IV. GENERAL INFORMATION**

At the board meeting on 30 March 2023, Mr. Ma Chongxian, Mr. Feng Gang and Mr. Xiao Peng were considered to have material interest in the transactions under the New Trademark License Framework Agreement and the Financial Services Agreements and have abstained from voting on the relevant board resolutions and the Proposed Revision of Annual Cap. Save the above-mentioned Directors, no Director is required to abstain from voting on the relevant board resolutions. Besides, Mr. Wang Mingyuan was not eligible to attend the above board meeting to vote as he was not appointed as a Director at the time of the meeting until the extraordinary general meeting convened later on the same day.

The Company will convene the AGM on 25 May 2023 to consider and, if thought fit, approve, among other things, the aforesaid matters. As additional time is required to prepare the circular, the circular containing, a notice convening the AGM and the details of the above transactions, is expected to be dispatched to the Shareholders on or before 3 May 2023.

The Independent Board Committee comprising all independent non-executive Directors has been set up to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions. BaoQiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

#### **V. DEFINITION**

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

“AGM”	the annual general meeting of the Company for the year ended 31 December 2022 to be held on 25 May 2023
“Air China Cargo”	Air China Cargo Co., Ltd., a company incorporated under the laws of the PRC with limited liability and is owned as to approximately 45% by CNAHC as at the date of this announcement, being a subsidiary of CNAHC. Air China Cargo is principally engaged in air cargo and mail transportation business.
“ACC Financial Services Agreement”	the financial services framework agreement entered into between Air China Cargo and CNAF on 30 March 2023, with a term commencing from 1 January 2024 and ending on 31 December 2026
“ACC Group”	Air China Cargo and its wholly-owned and controlling subsidiaries
“ACC New Annual Caps”	RMB0 billion, RMB2.0 billion and RMB2.5 billion, being the proposed maximum daily balance of loans (including accrued interests) to be provided by CNAF to the ACC Group under the ACC Financial Services Agreement for the three years ending 31 December 2024, 2025 and 2026, respectively
“Air China Financial Services Agreement”	the financial services framework agreement entered into between the Company and CNAF on 30 March 2023, with a term commencing from 1 January 2024 and ending on 31 December 2026
“Air China New Annual Caps”	RMB0 billion, RMB22 billion, RMB23 billion and RMB23 billion, being the proposed maximum daily balance of deposits (including accrued interests) to be placed by the Group with CNAF under the Air China Financial Services Agreement for the three years ending 31 December 2024, 2025 and 2026, respectively
“Articles of Association”	the articles of association of the Company

“BaoQiao Partners”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the Non-exempt Continuing Connected Transactions, and also being the independent financial adviser to advise on the term of the New Trademark License Framework Agreement
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CNAHC, directly holding approximately 9.61% of the issued share capital of the Company as at the date of this announcement
“CNAF”	China National Aviation Finance Co., Ltd., a company incorporated under the laws of the PRC with limited liability and is held as to approximately 51% and 49% by the Company and CNAHC as at the date of this announcement, being a connected subsidiary of the Company and thus a connected person of the Company under the Hong Kong Listing Rules. CNAF is primarily engaged in providing financial services to member companies of CNAHC Group
“CNAHC”	China National Aviation Holding Corporation Limited, a PRC state-owned enterprise and the controlling shareholder of the Company, directly and through its wholly-owned subsidiary CNACG, holding approximately 50.14% of the issued share capital of the Company in aggregate as at the date of this announcement. 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. The State-owned Assets Supervision and Administration Commission of the State Council is a controlling shareholder and de facto controller of CNAHC

“CNAHC Financial Services Agreement”	the financial services framework agreement entered into between CNAHC and CNAF on 30 March 2023, with a term commencing from 1 January 2024 and ending on 31 December 2026
“CNAHC Group”	CNAHC and the corporations or other entities in which CNAHC holds 30% or more equity interests or voting powers or the majority of the directors of which is controlled, directly or indirectly, by CNAHC, as well as any other CNAHC Group member company which, in accordance with the listing rules of the places where the shares of the Company are listed as in force and as amended from time to time, is a connected person or related party of the Company (excluding the Group, Air China Cargo and the corporations or other entities in which Air China Cargo holds 30% or more equity interests or voting powers or the majority of the directors of which are controlled, directly or indirectly, by Air China Cargo)
“CNAHC New Annual Caps”	RMB5.5 billion, RMB5.5 billion and RMB5.5 billion, being the proposed maximum daily balance of loans (including accrued interests) to be provided by CNAF to the CNAHC Group under the CNAHC Financial Services Agreement for the three years ending 31 December 2024, 2025 and 2026, respectively
“Company”	Air China Limited, a company incorporated in the PRC, whose H shares are listed on the 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. The Company is principally engaged in providing air passenger, air cargo and related services
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Existing Air China Financial Services Agreement”	the financial services framework agreement renewed by the Company and CNAF on 28 August 2020, for a term commencing from 1 January 2021 and ending on 31 December 2023

“Existing ACC Financial Services Agreement”	the financial services framework agreement entered into between Air China Cargo and CNAF on 25 November 2022, with a term ending on 31 December 2023
“Existing CNAHC Financial Services Agreement”	the financial services framework agreement renewed by CNAHC and CNAF on 28 August 2020, for a term commencing from 1 January 2021 and ending on 31 December 2023
“Existing Financial Services Agreements”	the Existing Air China Financial Services Agreement, the Existing CNAHC Financial Services Agreement and the Existing ACC Financial Services Agreement
“Existing Trademark License Framework Agreement”	the trademark license framework agreement entered into between the Company and CNAHC on 28 August 2020, with a term commencing from 1 January 2021 and ending on 31 December 2023
“Financial Services Agreements”	the Air China Financial Services Agreement, the CNAHC Financial Services Agreement and the ACC Financial Services Agreement
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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, to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	the Shareholders who do not have material interests in the Non-exempt Continuing Connected Transactions and the transaction under the New Trademark License Framework Agreement
“NAFMII”	National Association of Financial Market Institutional Investors



“New Trademark License Framework Agreement”	the trademark license framework agreement dated 30 March 2023 entered into between the Company and CNAHC, with a term commencing from 1 January 2024 and ending on 31 December 2033
“Non-exempt Continuing Connected Transactions”	the Proposed Revision of Annual Cap, the deposit services provided by CNAF to the Group under the Air China Financial Services Agreement within the Air China New Annual Caps, the loan services provided by CNAF to the CNAHC Group under the CNAHC Financial Services Agreement within the CNAHC New Annual Caps and the loan services provided by CNAF to the ACC Group under the ACC Financial Services Agreement within the ACC New Annual Caps
“PBOC”	the People’s Bank of China
“Percentage Ratio”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Proposed Annual Caps”	Revised Annual Cap, Air China New Annual Caps, CNAHC New Annual Caps and ACC New Annual Caps
“Proposed Revision of Annual Cap”	revision of the maximum daily balance of deposits (including accrued interests) to be placed by the Group with CNAF under the Existing Air China Financial Services Agreement for the year ending 31 December 2023 from RMB15 billion to RMB20 billion
“Revised Annual Cap”	RMB20 billion, being the proposed revised maximum daily balance of deposits (including accrued interests) to be placed by the Group with CNAF under the Existing Air China Financial Services Agreement for the year ending 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	The State-owned Assets Supervision and Administration Commission of the State Council
“Shandong Aviation Group Corporation”	Shandong Aviation Group Company Limited and its wholly-owned and controlled subsidiaries

“Shandong Aviation Group Company”	Shandong Aviation Group Company Limited
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement for the matters in relation to the related (connected) transactions involving Air China Cargo entered into among the Company, CNAHC, Air China Cargo and CNAF on 20 September 2022, pursuant to which, among other things, Air China Cargo will, as an independent entity, enter into financial services agreement(s) with CNAF separately, and such transactions will no longer be regulated by the financial services agreement entered into between CNAF and CNAHC; the sum of the actual amount incurred from such transactions and the actual transaction amount incurred under the Existing CNAHC Financial Services Agreement shall not exceed the annual caps for the transaction amount of the Existing CNAHC Financial Services Agreement as approved at the Company’s general meeting
“Trademark License Agreement”	the trademark license agreement entered into between the Company and CNAHC on 1 November 2004, with a term ended on 31 December 2014

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

Beijing, the PRC, 30 March 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*