
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Air China Limited, you should at once hand this circular and the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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) CONNECTED TRANSACTION PROPOSED ISSUANCE OF A SHARES TO SPECIFIC INVESTORS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



BAOQIAO PARTNERS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 30 of this circular.

A letter from the Independent Board Committee, containing its advice to the Independent Shareholders of the Company, is set out on pages 31 to 32 of this circular.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company, is set out pages 33 to 52 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 16 December 2025 at The Conference Room C713, No. 30, Tianzhu Road, Shunyi District, Beijing, the PRC, is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for convening the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

28 November 2025

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
I. Introduction	4
II. Proposed Issuance of A Shares to Specific Investors	5
III. EGM	28
IV. Recommendation of the Board	29
V. Additional Information	30
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	31
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	33
APPENDIX I – FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS IN 2025	I-1
APPENDIX II – REPORT ON USE OF PROCEEDS FROM PREVIOUS FUND- RAISING ACTIVITIES	II-1
APPENDIX III – DILUTION OF THE COMPANY’S CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS IN 2025, THE REMEDIAL MEASURES AND THE UNDERTAKINGS MADE BY THE RELEVANT ENTITIES IN RESPECT OF SUCH MEASURES	III-1
APPENDIX IV – FUTURE PLAN FOR DIVIDEND RETURN TO THE SHAREHOLDERS FOR THE COMING THREE YEARS (2025-2027)	IV-1
APPENDIX V – GENERAL INFORMATION	V-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

In this circular, 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)
“Articles of Association”	the articles of association of the Company
“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 the A Shares
“associate(s)”	has the meaning ascribed to it under the Hong Kong 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 and a substantial shareholder of the Company, which directly holds approximately 11.18% of the Company’s issued share capital as at the Latest Practicable Date
“CNAC Holding”	China National Aviation Capital Holding Co., Ltd., a wholly-owned subsidiary of CNAHC
“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 53.71% of the issued share capital of the Company in aggregate as at the Latest Practicable Date
“Company” or “Air China”	Air China Limited, a company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A Shares are listed on the Shanghai Stock Exchange. The Company is principally engaged in providing air passenger, air cargo and related services
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary shareholders’ meeting of the Company to be convened at 11:00 a.m. on Tuesday, 16 December 2025 at The Conference Room C713, No. 30, Tianzhu Road, Shunyi District, Beijing, the PRC for the Shareholders to consider and, if thought fit, approve the resolutions in respect of, among other things, the Issuance
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange as primary listing venue and have been admitted into the Official List of the UK Listing Authority as secondary listing venue
“H Shareholders”	holders of the H Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	a board committee comprising Mr. Xu Niansha, Mr. He Yun, Ms. Winnie Tam Wan-chi and Mr. Gao Chunlei, all being the independent non-executive Directors
“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, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the Issuance of A Shares to Specific Investors
“Independent Shareholders”	the shareholders of the Company, other than CNAHC and its associates
“Issuance of A Shares to Specific Investors”, “Issuance of Shares to Specific Investors”, “Issuance of A Shares” or “Issuance”	the Company’s issuance of A Shares to CNAHC and CNAC Holding by way of issuance of shares to specific investors

DEFINITIONS

“Issue Price”	the issue price of the Issuance, being RMB6.57 per Share
“Latest Practicable Date”	25 November 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shanghai Stock Exchange” or “SSE”	the Shanghai Stock Exchange
“Share(s)”	shares of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Subscription Agreement”	the conditional A share subscription agreement dated 30 October 2025 entered into among the Company, CNAHC and CNAC Holding in respect of the Issuance of A Shares to Specific Investors, pursuant to which, the Company agreed to issue, and CNAHC and CNAC Holding agreed to subscribe for new A Shares in the amount of not more than RMB20.00 billion at the Issue Price
“substantial shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Trading Day”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
“%”	per cent

LETTER FROM THE BOARD



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)

Directors:

Executive Directors:

Mr. Liu Tiexiang (*Chairman*)

Mr. Wang Mingyuan

Non-Executive Directors:

Mr. Cui Xiaofeng

Mr. Patrick Healy

Employee Representative Director:

Mr. Xiao Peng

Independent Non-Executive Directors:

Mr. Xu Niansha

Mr. He Yun

Ms. Winnie Tam Wan-chi

Mr. Gao Chunlei

Registered Address:

1st Floor-9th Floor 101

Building 1

30 Tianzhu Road

Shunyi District

Beijing, the PRC

Principal Place of Business in Hong Kong:

5th Floor, CNAC House

12 Tung Fai Road

Hong Kong International Airport

Hong Kong

28 November 2025

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
PROPOSED ISSUANCE OF A SHARES TO SPECIFIC INVESTORS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2025 in relation to, among others, the Issuance of A Shares to Specific Investors.

LETTER FROM THE BOARD

On 30 October 2025, the Board approved the Issuance of A Shares to Specific Investors, pursuant to which the Company has entered into the Subscription Agreement with CNAHC and CNAC Holding for the issuance of not more than 3,044,140,030 new A Shares (inclusive) to CNAHC and CNAC Holding aggregately at the Issue Price (i.e. RMB6.57 per Share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB20.00 billion (inclusive). Among which, CNAHC agreed to subscribe for no less than 761,035,008 new A Shares (inclusive), corresponding to a subscription amount of no less than RMB5.00 billion (inclusive), and CNAC Holding agreed to subscribe for no more than 2,283,105,022 new A Shares (inclusive), corresponding to a subscription amount of no more than RMB15.00 billion (inclusive).

The EGM will be convened by the Company for the Shareholders to consider and approve the Issuance of A Shares to Specific Investors. In this regard, resolutions to be proposed at the EGM consist (1) the resolution in relation to the satisfaction of the Company of the conditions for the Issuance of A Shares to Specific Investors; (2) the resolution in relation to the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (3) the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (4) the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (5) the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investors by the Company in 2025; (6) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional A share subscription agreement with specific investors by the Company; (7) the resolution in relation to the report on the use of proceeds from previous fund-raising activities of the Company; (8) the resolution in relation to the dilution of the Company's current return by the Issuance of Shares to Specific Investors in 2025, the remedial measures and the undertakings made by the relevant entities in respect of such measures; (9) the resolution in relation to future plan for dividend returns to the Shareholders for the coming three years (2025-2027); and (10) the resolution in relation to the authorization by the Shareholders' meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of the Issuance of Shares to Specific Investors by the Company in their sole discretion. The above resolutions No. 1, No. 7, No. 8 and No. 9 are ordinary resolutions; the remaining resolutions are special resolutions.

The purpose of this circular is to provide you with further information on the Issuance of A Shares to Specific Investors so that you may make an informed decision on voting in respect of the relevant resolutions at the EGM.

II. PROPOSED ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

(I) Details of Issuance of A Shares to Specific Investors

Pursuant to the proposal of the Issuance of A Shares to Specific Investors, the Company has entered into the Subscription Agreement with CNAHC and CNAC Holding for the issuance of not more than 3,044,140,030 new A Shares (inclusive) to CNAHC and CNAC Holding aggregately at the Issue Price (i.e. RMB6.57 per Share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB20.00 billion (inclusive).

LETTER FROM THE BOARD

1. Proposal of the Issuance of A Shares to Specific Investors

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

- | | |
|--|--|
| (1) Type and par value of Shares issued: | The type of shares to be issued to specific investors is domestically listed Renminbi ordinary shares (A Shares), with a nominal value of RMB1.00 per Share. |
|--|--|

The new A Shares to be issued pursuant to the Issuance of A Shares to Specific Investors will rank pari passu with the existing A Shares in all respects.

- | | |
|-------------------------------|---|
| (2) Method and time of issue: | The Issuance of A Shares will be undertaken by way of issuance to specific investors at an appropriate timing within the valid term after the review and approval of the Shanghai Stock Exchange and upon obtaining the consent of the CSRC for registration. |
|-------------------------------|---|

The consent of the CSRC for registration is valid for one year from the date on which it is issued. The Company will submit the application for the Issuance to the SSE as soon as practicable following the approval at the shareholders' meeting, and will make further announcement(s) regarding the relevant subsequent review progress.

LETTER FROM THE BOARD

- (3) Subscribers and method of subscription: The subscribers under the Issuance of A Shares to Specific Investors are CNAHC and CNAC Holding. CNAHC and CNAC Holding intend to subscribe in cash for all the A Shares to be issued by the Company under the Issuance. Among which, CNAHC intends to subscribe for no less than RMB5 billion and CNAC Holding intends to subscribe for no more than RMB15 billion.

As at the Latest Practicable Date, since CNAHC is the controlling shareholder of the Company and CNAC Holding is a wholly owned subsidiary of CNAHC, CNAHC and CNAC Holding are connected persons of the Company and the Issuance of A Shares to Specific Investors will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company shall comply with relevant regulatory rules, as well as the respective transaction approval and disclosure procedures.

- (4) Issue Price and pricing method: The pricing benchmark date (the “**Pricing Benchmark Date**”) for the Issuance of A Shares to Specific Investors shall be the date on which the resolution(s) of the ninth meeting of the seventh session of the Board was announced, being 31 October 2025.

The price for the Issuance of A Shares to Specific Investors is RMB6.57 per Share, which is not lower than the higher of 80% of the average trading price of A Shares over 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 over the 20 Trading Days prior to the Pricing Benchmark Date = the total trading value of*

LETTER FROM THE BOARD

A Shares over the 20 Trading Days prior to the Pricing Benchmark Date ÷ the total trading volume of A Shares over 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.*

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

For illustrative purpose, the Issue Price (i.e. RMB6.57 per Share) represents:

- (i) a discount of approximately 18.49% to the closing price of A Shares at the Latest Practicable Date (i.e. RMB8.06 per A Share);
- (ii) a discount of approximately 23.16% to the closing price of A Shares (i.e. RMB8.55 per A Share) as at the date of Board meeting (i.e. 30 October 2025);
- (iii) a discount of approximately 19.93% compared to the average trading price of A Shares over the 20 Trading Days immediately prior to the Pricing Benchmark Date (i.e. approximately RMB8.20 per A Share);
- (iv) a premium of approximately 153.92% over the audited net assets per share attributable to ordinary shareholders of the parent company as at 31 December 2024 (i.e. approximately RMB2.59 as prepared in accordance with the PRC Accounting Standards for Business Enterprises); and

LETTER FROM THE BOARD

- (v) a premium of approximately 147.32% over the unaudited net assets per share attributable to ordinary shareholders of the parent company as at 30 September 2025 (i.e. approximately RMB2.66 which was prepared in accordance with the PRC Accounting Standards for Business Enterprises).

Considering that (i) the Issue Price is determined under the pricing principle in compliance with relevant regulatory requirements of the CSRC; (ii) the discount of the Issue Price to the average trading price of A Shares over the 20 Trading Days immediately prior to the Pricing Benchmark Date is less than 20%; (iii) the Issue Price represents a premium over the net asset value per share as at the end of the most recent period; (iv) the theoretical dilution effect (as defined under Rule 7.27B of the Hong Kong Listing Rules) of the Issuance is approximately -2.22%, and the cumulative theoretical dilution effect of the Issuance and the 2024 Issuance of A Shares is approximately -1.90%; and (v) the recent trading prices of the A Shares, the Board is of the view that the Issue Price is fair and reasonable.

The net price to be received by the Company for each new A Share to be issued will be determined and disclosed in accordance with the requirements of the Hong Kong Listing Rules upon completion of the Issuance of A Shares to Specific Investors and after the relevant expenses incurred or to be incurred in relation to the Issuance of A Shares to Specific Investors have been ascertained.

LETTER FROM THE BOARD

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 between the announcement date of the Board resolution for the Issuance and the issuance date, the Issue Price will be adjusted accordingly. The adjustment formula is as follows:

1. when only cash dividend is paid:
 $P_1 = P_0 - D$
2. when only bonus shares are issued or capital reserve is converted into share capital:
 $P_1 = P_0 / (1 + N)$
3. when the above two items are carried out simultaneously:
 $P_1 = (P_0 - D) / (1 + N)$

whereas P_0 represents the Issue Price before adjustment, N represents the number of bonus shares or capital reserve conversion per share, D represents dividend per share and P_1 represents the adjusted Issue Price.

As at the Latest Practicable Date, the Company has no plan to distribute dividend, issue bonus shares, convert capital reserve into share capital or carry out any other ex-right or ex-dividend activities between the announcement date of the Board resolution for the Issuance and the issuance date.

(5) Number of issuance:

The number of Shares to be issued under the Issuance of A Shares to Specific Investors shall be no more than 3,044,140,030 (inclusive), which shall not exceed 30% of the total share capital of the Company prior to the Issuance.

LETTER FROM THE BOARD

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 Issue Price between the announcement date of the Board resolution for the Issuance of A Shares and the issuance date, the number of Shares to be issued under the Issuance of A Shares to Specific Investors will be adjusted accordingly. The number of A Shares to be issued to the specific investors shall be subject to the final consent of the CSRC for registration.

If the proposed amount of proceeds or the number of shares to be issued under the Issuance is adjusted due to changes in regulatory policies or due to requirements of the issuance review or registration documents, the number of shares to be issued under the Issuance shall be adjusted accordingly. In such cases, the Board is authorized by the Shareholders' meeting to determine the final number of shares to be issued in consultation with the sponsor (the lead underwriter) based on the actual circumstances.

The Company will announce such adjustment to the number of new A Shares to be issued under the Issuance of A Shares to Specific Investors in a timely manner, and will continue to strictly maintain the minimum public float in compliance with the Hong Kong Listing Rules and the consent granted by the Hong Kong Stock Exchange (being 24.20%).

LETTER FROM THE BOARD

- (6) Lock-up arrangement:
- Upon the completion of the Issuance of Shares to Specific Investors, the shares acquired by the subscribers, CNAHC and CNAC Holding, through the Issuance shall not be transferred for a period of 18 months from the date of completion of the Issuance of Shares to Specific Investors. Any shares derived by the subscribers from the Issuance of Shares to Specific Investors through stock dividends distributed by the Company, capitalization of capital reserves or similar circumstances shall also be subject to the aforementioned lock-up arrangement. If the regulatory authorities governing the Issuance of Shares to Specific Investors impose additional requirements regarding the lock-up period for shares subscribed by the subscribers or the transfer of shares upon expiration of the lock-up period, the aforementioned lock-up period shall be adjusted accordingly in accordance with the policies of the securities regulatory authorities.
- Upon the expiration of the lock-up period, the subscribers shall comply with the relevant provisions of laws, regulations, rules, normative documents including the Company Law, the Securities Law, the Shanghai Listing Rules, and the Articles of Association when reducing their holdings of Shares obtained through the Issuance of Shares to Specific Investors.
- (7) Listing venue:
- The A Shares to be issued to the specific investors will be listed and traded on the main board of the SSE upon expiration of the lock-up period.
- (8) Arrangement relating to the accumulated undistributed profits prior to the Issuance:
- The accumulated undistributed profits of the Company prior to the Issuance of A Shares to Specific Investors shall be shared by both new and existing shareholders on a pro-rata basis according to their respective shareholdings upon completion of the Issuance of A Shares to Specific Investors.

LETTER FROM THE BOARD

- (9) Amount and use of proceeds: Gross proceeds to be raised from the Issuance of A Shares to Specific Investors will be not more than RMB20.00 billion (inclusive), all the net proceeds of which are used for debt repayment and working capital replenishment after deducting the relevant issuance expenses.

The specific amount of the net proceeds from the Issuance will be determined and disclosed in accordance with the Hong Kong Listing Rules upon completion of the Issuance, after the number of shares issued, the amount of total proceeds and the related expenses incurred in connection with the Issuance are finalized.

The net proceeds from the Issuance are intended to be used in full for debt repayment and working capital replenishment, which is an integral arrangement aimed at enhancing the Company's financial stability. As of 30 September 2025, based on the PRC Accounting Standards, the Group's interest-bearing debts exceeded RMB230 billion, with short-term borrowings and non-current liabilities due within one year totaling over RMB52 billion. The Company will utilize the net proceeds in accordance with their intended use as soon as practicable after receipt and will disclose the subsequent use of the net proceeds in periodic reports in compliance with the Hong Kong Listing Rules.

- (10) Validity period of the resolution on the Issuance: The resolution on the Issuance of A Shares to Specific Investors shall remain in full force and effect for a period of 12 months from the date on which the issuance proposal for the Issuance of Shares to Specific Investors is approved at the shareholders' meeting of the Company. If the national laws, administrative regulations, departmental rules or normative documents provide new requirements on the issuance of shares to specific investors, the Company will adjust accordingly in accordance with the new requirements.

LETTER FROM THE BOARD

The Company will complete the issuance within the validity period of such resolution.

2. *The Subscription Agreement*

Principal terms of the Subscription Agreement are set out as below:

- | | |
|-------------------------|--|
| (1) Parties: | (i) The Company (as the issuer); and

(ii) CNAHC (as the subscriber); and

(iii) CNAC Holding (as the subscriber). |
| (2) Date: | 30 October 2025 |
| (3) Subscription Price: | CNAHC and CNAC Holding shall subscribe for new A Shares at the Issue Price (i.e. RMB6.57 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 between the announcement date of the Board resolution(s) of the Company for the Issuance and the issuance date, the Issue Price will be adjusted accordingly. The adjustment formula is as follows:

1. when only cash dividend is paid, adjusted according to the following formula:
$$P_1 = P_0 - D$$
2. when only bonus shares are issued or capital reserve is converted into share capital, adjusted according to the following formula:
$$P_1 = P_0 / (1 + N)$$
3. when the above two items are carried out simultaneously, adjusted according to the following formula:
$$P_1 = (P_0 - D) / (1 + N)$$

LETTER FROM THE BOARD

whereas P_0 represents the Issue Price before adjustment, N represents the number of bonus shares or capital reserve conversion per share, D represents dividend per share and P_1 represents the adjusted Issue Price.

- (4) Subscription number and amount: The number of A Shares to be issued under the Issuance is not more than 3,044,140,030 shares (inclusive), which shall not exceed 30% of the total share capital of the Company prior to the Issuance. 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 Issue Price between the announcement date of the Board resolution(s) for the Issuance and the issuance date, the number of A Shares to be issued under the Issuance will be adjusted accordingly. The number of A Shares to be issued under the Issuance is subject to the final consent of the CSRC for registration.

If the proposed amount of proceeds or the number of shares to be issued under the Issuance is adjusted due to changes in regulatory policies or due to requirements of the issuance review or registration documents, the number of shares to be issued under the Issuance shall be adjusted accordingly. In such cases, the Board is authorized by the Shareholders' meeting to determine the final number of shares to be issued in consultation with the sponsor (the lead underwriter) based on the actual circumstances.

LETTER FROM THE BOARD

CNAHC and CNAC Holding will subscribe for all A Shares to be issued by the Company under the Issuance, with a subscription amount equal to the gross proceeds of the Issuance, which shall not be more than RMB20.00 billion (inclusive). Among which, CNAHC subscribes for no less than 761,035,008 A Shares (inclusive) under the Issuance, corresponding to a subscription amount of no less than RMB5.00 billion (inclusive), and CNAC Holding subscribes for no more than 2,283,105,022 A Shares (inclusive) under the Issuance, corresponding to a subscription amount of no more than RMB15.00 billion (inclusive). The final number of A Shares under the Issuance of the Company to be subscribed by each of CNAHC and CNAC Holding and the corresponding subscription amounts will be determined separately through consultations between the parties and the sponsor (the lead underwriter) of the Issuance.

- | | |
|--|--|
| (5) Payment method and arrangements for accumulated undistributed profits: | (i) Upon satisfaction of all conditions precedent under the Subscription Agreement and following receipt of the Company's payment notice, CNAHC and CNAC Holding shall, in accordance with the requirements specified in the payment notice (including the payment deadline and other matters), remit the full subscription amount in a single cash payment to the bank account specifically established by the sponsor (the lead underwriter) for the Issuance of A Shares to Specific Investors. Such payment shall be made within five (5) business days upon receipt of the payment notice. Upon completion of capital verification and deduction of related expenses, the proceeds shall be transferred to the Company's designated deposit account for proceeds of the Issuance. |
|--|--|

LETTER FROM THE BOARD

- (ii) The accumulated undistributed profits of the Company prior to the Issuance shall be shared by both new and existing shareholders on a pro-rata basis according to their respective shareholdings upon completion of the Issuance.
- (6) Registration for issuing the subscribed shares and lock-up:
 - (i) Within 15 business days from the date the Company receives the subscription amount for the Issuance of A Shares from CNAHC and CNAC Holding, the Company shall engage an accounting firm with securities-related practice qualifications to conduct a capital verification, and promptly complete the registration procedures for the relevant industrial and commercial changes as well as the share registration procedures with China Securities Depository and Clearing Corporation Limited, thereby enabling CNAHC and CNAC Holding to become the legal holders of the subscribed shares.
 - (ii) From the date of registration of the subscribed shares, CNAHC and CNAC Holding shall legally own the subscribed shares and enjoy the corresponding shareholder's rights.
 - (iii) CNAHC and CNAC Holding undertake that, Shares obtained by CNAHC and CNAC Holding through the Issuance will not be transferred in any manner within 18 months from the completion date of the Issuance (the "**Lock-up Period**"). If the CSRC and the exchange(s) on which Shares of the Company are listed have differing provisions, CNAHC and CNAC Holding agree to make adjustments based on the Company's actual circumstances, provided such adjustments comply with the relevant regulations.

LETTER FROM THE BOARD

Any additional Shares of the Company subscribed by CNAHC and CNAC Holding resulting from the Company's issuance of bonus shares or conversion of capital reserve into share capital after completion of the Issuance shall also be subject to the aforementioned Lock-up Period arrangements. Following the expiration of the Lock-up Period, the relevant Shares shall remain subject to rules of regulatory authorities including the CSRC and the Shanghai Stock Exchange.

(7) Conditions precedent for the Subscription Agreement:

The parties agreed and confirmed that, unless all parties otherwise consent in writing to a waiver, and if such waiver is permitted under applicable laws and regulations, the Subscription Agreement will be established upon signing and affixing of seals by the legal representative or authorized representative of the parties and take effect when all the following conditions are satisfied:

- (i) matters relating to the Issuance having been approved by the Board and the shareholders' meeting of the Company;
- (ii) matters relating to subscribing the shares to be issued under the Issuance having been approved by the internal decision-making body(ies) of CNAHC and CNAC Holding;
- (iii) matters relating to the Issuance having been approved by the body performing the duty of supervision and administration of state-owned assets;
- (iv) matters relating to the Issuance having been considered and approved by the Shanghai Stock Exchange; and
- (v) the registration of the Issuance having been consented to by the CSRC.

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, the Issuance of A Shares to Specific Investors has been considered and approved by the Board and the respective internal decision-making body(ies) of CNAHC and CNAC Holding, and has been approved by the body performing the duty of supervision and administration of state-owned assets. None of the other conditions under the Subscription Agreement has been fulfilled.

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

As at the Latest Practicable Date, matters relating to the Issuance of A Shares to Specific Investors are still subject to the consideration and approval at the Shareholders' meeting of the Company, the review and approval by the Shanghai Stock Exchange and the registration with the CSRC, and may be implemented after obtaining the consent of the CSRC for registration. Following the receipt of the CSRC's consent for registration, the Company will apply to the Shanghai Stock Exchange and Shanghai Branch of China Securities Depository and Clearing Corporation Limited for handling the share issuance, registration and listing in accordance with the laws.

3. Dilutive Effects of the Issuance of A Shares to Specific Investors on the Shareholding Structure of the Company

As at the Latest Practicable Date, the Company has a total of 17,488,421,000 issued Shares, comprising 4,955,610,672 H Shares and 12,492,810,328 A Shares.

For illustration purpose only, set out below is the dilutive effects of the Issuance of A 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 Investors is no more than RMB20.00 billion based on the issuance of 3,044,140,030 new A Shares at the Issue Price (i.e.

LETTER FROM THE BOARD

RMB6.57 per Share, among which, 761,035,008 shares will be subscribed for by CNAHC and 2,283,105,022 shares will be subscribed for by CNAC Holding; and (ii) no additional Shares will be issued by the Company after the Latest Practicable Date until the completion of the Issuance of A Shares to Specific Investors:

The above 3,044,140,030 new A Shares represent: (i) 24.37% and 17.45% of the Company's existing issued A Shares and total issued Shares as at the Latest Practicable Date, respectively; and (ii) 19.59% and 14.85% of the Company's enlarged issued A Shares and enlarged total issued Shares upon completion of the Issuance of A Shares to Specific Investors as above, respectively.

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Issuance of A 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:	9,370,724,929	53.71%	12,414,864,959	60.58%
(i) CNAHC	7,421,462,701	42.53%	8,182,497,709	39.93%
(A Shares)				
(ii) CNACG	1,949,262,228	11.18%	1,949,262,228	9.51%
(i) 1,332,482,920		7.64%	(i) 1,332,482,920	6.50%
(A Shares)			(A Shares)	
(ii) 616,779,308		3.54%	(ii) 616,779,308	3.01%
(H Shares)			(H Shares)	
(iii) CNAC Holding	--	--	2,283,105,022	11.14%
			(A Shares)	
2. Cathay Pacific	2,633,725,455	15.09%	2,633,725,455	12.85%
(H Shares)			(H Shares)	
3. Public Shareholders:	5,443,970,616	31.20%	5,443,970,616	26.57%
(i) Public A	3,738,864,707	21.43%	3,738,864,707	18.24%
Shareholders				
(ii) Public H	1,705,105,909	9.77%	1,705,105,909	8.32%
Shareholders				
Sub-total (H Shares):	4,955,610,672	28.40%	4,955,610,672	24.18%
Sub-total (A Shares):	12,492,810,328	71.60%	15,536,950,358	75.82%
Total:	17,448,421,000	100.00%	20,492,561,030	100.00%

Notes:

- The percentages shown are rounded to the nearest two decimal places. The percentage figures listed in the table above may not add up to 100% due to rounding.
- Upon completion of the Issuance of A Shares to Specific Investors, the Company continues to comply with the minimum public float as required by the Hong Kong Listing Rules and agreed by the Hong Kong Stock Exchange (being 24.20%).

LETTER FROM THE BOARD

4. *Proposed Amendments to the Articles of Association*

Upon completion of the Issuance of A Shares to Specific Investors, there will be changes in, among others, the registered capital and total number of shares of the Company, and accordingly, the provisions of the Articles of Association relating to the registered capital, total number of shares, etc. of the Company will be amended to reflect such changes. The Board proposed to 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 to Specific Investors at the EGM.

5. *Hong Kong Listing Rules Implications*

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

Since CNAHC is the controlling shareholder of the Company and CNAC Holding is a wholly owned subsidiary of CNAHC, CNAHC and CNAC Holding are connected persons of the Company, and the Issuance of A Shares to Specific Investors constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Issuance of A 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.

Mr. Liu Tiexiang, Mr. Wang Mingyuan, Mr. Cui Xiaofeng and Mr. Xiao Peng, being the Directors of the Company also holding directorship in CNAHC, are considered to have a material interest in the Issuance of A 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 Investors by the Company in 2025; (2) the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (3) the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (4) the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investors by the Company in 2025; (5) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional A share subscription agreement with specific investors by the Company; and (6) the resolution in relation to the authorization by the Shareholders' meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of the Issuance of Shares to Specific Investors by the Company in their sole discretion.

LETTER FROM THE BOARD

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

6. *Reasons for and Benefit of the Issuance of A Shares to Specific Investors*

After taking into consideration of the following factors, the Board considers that it is fair and reasonable and in the interests of the Company and Shareholders as a whole to raise funds by the Issuance of A Shares to Specific Investors.

(I) Enhancing Air Transportation Service Capabilities to Support the National Development Strategy

As a core central state-owned enterprise, the Company undertakes the mission of building a national flagship carrier, supporting the implementation of major decisions of the Central Committee of the Communist Party of China, and facilitating key national strategies. Strengthening the Company's overall capabilities is of strategic importance for the Company to seize industry development opportunities, better serve national strategies, and actively adapt to the rapidly changing market environment. As of 30 June 2025, the Company operated a total fleet of 934 aircraft, with continuous optimization of its fleet structure. The Company maintains an extensive and balanced global and domestic route network, a high-value customer base and strong brand influence. The Issuance will significantly improve the Company's asset-liability structure, further enhance overall fleet operational efficiency and safety, optimize the route network layout, strengthen coverage supporting major national regional development strategies and markets along the Belt and Road initiative, and consolidate the Company's core competitive advantages in the air transport sector.

(II) Optimizing Asset-Liability Structure to Enhance Development Quality

The aviation industry is notably capital-intensive, and maintaining a sound capital structure is essential for the Company's long-term and stable development. In recent years, the Company's capital structure has been under significant pressure. At the end of 2022, 2023, 2024 and September 2025, the Company's gearing ratios were 92.69%, 89.48%, 88.16% and 87.88%, respectively, remaining at relatively high levels. The proceeds from the Issuance will be used for debt repayment and working capital replenishment, which will help the Company in controlling interest-bearing debt levels, optimizing its asset-liability structure and enhancing financial stability. At the same time, it will strengthen the Company's capital base, secure funding for business development needs, enhance profitability and risk resilience, and provide strong support for the Company's high-quality development.

LETTER FROM THE BOARD

(III) Full Subscription by Controlling Shareholder and its Associate Demonstrates Development Confidence

As a core central state-owned enterprise in the aviation sector, the Company places great importance on high-quality development and strives to enhance operational efficiency and profitability, promoting the continuous growth in investment value of the Company.

The Issuance will be fully subscribed by the controlling shareholder, CNAHC, and its controlled subsidiary, CNAC Holding, as the subscribers. This will further increase shareholdings of the controlling shareholder in the Company, support the Company's high-quality development, demonstrate their firm confidence in the Company's future prospects, and convey recognition of the Company's value, and help boost market confidence while safeguarding the interests of the Company's minority Shareholders.

The Directors (including the independent non-executive Directors) are of the opinion that although the Issuance of A Shares to Specific Investors is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement entered into by the Company pursuant to the proposal of the Issuance of A Shares to Specific Investors are fair and reasonable and the transaction contemplated thereunder is conducted on normal commercial terms or better and in the interests of the Company and Shareholders as a whole.

Before deciding to conduct the Issuance of A Shares to Specific Investors, the Company has considered the feasibility of alternative fund-raising methods including debt financing and other forms of equity financing such as public issuance of shares, placing of convertible bonds, rights issue and open offer. However, considering (i) that public issuance of shares, placing of convertible bonds, rights issue and open offer may incur higher transaction costs and/or require longer time; (ii) that equity financing by way of H Shares such as placing of new shares and convertible bonds, rights issue or open offer may involve an issuance price at a relatively large discount to the prevailing market price for A Shares; (iii) compared to debt financing, equity financing is more conducive to optimizing the Company's capital structure, reducing future debt repayment pressure and cash outflow, and facilitating the implementation of the Company's long-term development strategy. Bank loans and other forms of debt financing offer relatively limited amounts and come with relatively higher financing costs. If the proceeds to be raised in the Issuance were raised entirely through bank loans or other debt financing, it would lead to a further increase in the Company's debt-to-asset ratio, adversely affecting its financial stability and increasing financial risks. Furthermore, the relatively high financial costs would erode the Company's overall profit level, which is not conducive to the Company's steady operation. Accordingly, the Company considers the Issuance of A Shares to Specific Investors to be an appropriate fundraising method for the Group.

LETTER FROM THE BOARD

7. *Fund-Raising Activities in the Past Twelve Months*

On 10 December 2024, the Company issued 854,700,854 A Shares to CNAHC at the issue price of RMB7.02 per share (the “**2024 Issuance of A Shares**”), raising gross proceeds of RMB5,999,999,995.08 and the net proceeds of RMB5,995,841,631.45. The aforementioned proceeds were intended to be used for the introduction of 17 aircraft and replenishing working capital of the Company. As at 30 September 2025, RMB5,973,146,757.25 has been utilized in accordance with the prescribed purposes, with a remaining balance of RMB 29,910,724.79 in the fundraising account. The Company will continue to utilize the remaining proceeds in accordance with the prescribed purposes. For details, please refer to the announcements of the Company dated 22 December 2023, 26 January 2024, 21 October 2024, 12 November 2024 and 12 December 2025 and the circular of the Company dated 9 January 2024.

Save as disclosed above, the Company has not conducted any equity fund-raising activities during the twelve months immediately before the Latest Practicable Date.

8. *General Information of the Parties*

The Company

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

CNAHC

As at the Latest Practicable Date, CNAHC directly holds 42.53% of the Company’s shares and holds 11.18% of the Company’s shares through its wholly-owned subsidiary CNACG, and is the controlling shareholder of the Company. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the State Council is the 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.

CNAC Holding

As at the Latest Practicable Date, CNAC Holding is a wholly owned subsidiary of CNAHC. CNAC Holding is a limited liability company established in the PRC whose principal businesses include financing and capital raising, asset and investment management, centralized treasury management and value-added financial services.

(II) **Resolutions to be Proposed at the EGM**

The resolutions with regard to the Issuance of A Shares to Specific Investors to be proposed at the EGM are set out below:

LETTER FROM THE BOARD

1. *Resolution in Relation to the Satisfaction of the Company of the Requirements for the Issuance of A Shares to Specific Investors*

The Board, in accordance with the requirements of the Company Law, the Securities Law of the PRC, the Administrative Measures, the “Opinions on the Application of Article 9, Article 10, Article 11, Article 13, Article 40, Article 57 and Article 60 of the ‘Administrative Measures for the Registration of Securities Offerings by Listed Companies’ – Securities and Futures Legal Application Opinions No. 18” and other relevant laws, regulations and normative documents, has conducted a line-by-line review of the Company’s actual circumstances and related matters, and confirmed that the Company meets the conditions for the Issuance of A Shares to Specific Investors and has approved the Company’s application to proceed with the Issuance of A Shares to Specific Investors.

The above resolution will be submitted, by way of ordinary resolution, for the Shareholders’ consideration and approval at the EGM.

2. *Resolution in Relation to the Proposal of the Issuance of A Shares to Specific Investors by the Company in 2025*

For details of the proposal of the Issuance of A Shares to Specific Investors, please refer to the section headed “ (I) Details of Issuance of A Shares to Specific Investors – 1. Proposal of the Issuance of A Shares to Specific Investors” as set out above.

The above resolution will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

3. *Resolution in Relation to the Preliminary Proposal of the Issuance of A Shares to Specific Investors by the Company in 2025*

For details of the preliminary proposal of the Issuance of A Shares to Specific Investors, please refer to the overseas regulatory announcement of the Company dated 30 October 2025.

The above resolution will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

4. *Resolution in Relation to the Discussion and Analysis Report on the Proposal of the Issuance of A Shares to Specific Investors by the Company in 2025*

For the discussion and analysis report of the Issuance of A Shares to Specific Investors, please refer to the overseas regulatory announcement of the Company dated 30 October 2025.

The above resolution will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

LETTER FROM THE BOARD

5. *Resolution in Relation to the Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Investors by the Company in 2025*

For the Feasibility Analysis Report on the Use of Proceeds of Issuance of A Shares to Specific Investors in 2025 by the Company, please refer to the “Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Investors in 2025” contained in Appendix I to this circular.

The above resolution will be submitted, by way of special resolution, for the Shareholders’ consideration and approval at the EGM.

6. *Resolution in Relation to the Related (Connected) Transaction Concerning the Entering into of the Conditional A Share Subscription Agreement with Specific Investors by the Company*

For the details of the resolution, please refer to the section headed “ (I). Details of Issuance of A Shares to Specific Investors – 2. The Subscription Agreement” as set out above.

The above resolution will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

7. *Resolution in Relation to the Report on Use of Proceeds from Previous Fund-raising Activities of the Company*

For the Report on Use of Proceeds from Previous Fund-raising Activities of the Company, please refer to Appendix II to this circular.

The above resolution will be submitted, by way of ordinary resolution, for the Shareholders’ consideration and approval at the EGM.

8. *Resolution in Relation to the Dilution of the Company’s Current Return by the Issuance of Shares to Specific Investors in 2025, the Remedial Measures and the Undertakings Made by the Relevant Entities in Respect of Such Measures*

For the details in relation to the dilution of the Company’s current return by the Issuance of Shares to Specific Investors in 2025, the remedial measures and the undertakings made by the relevant entities in respect of such measures, please refer to Appendix III to this circular.

The above resolution will be submitted, by way of ordinary resolution, for the Shareholders’ consideration and approval at the EGM.

LETTER FROM THE BOARD

9. *Resolution in relation to the Company's future plan for dividend returns to the Shareholders for the coming three years (2025 – 2027)*

For the Company's future plan for dividend returns to the Shareholders for the coming three years (2025 – 2027), please refer to Appendix IV to this circular.

The above resolution will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

10. *Resolution in Relation to the Authorization by the Shareholders' Meeting to the Board and its Authorized Person(s) to Proceed with Relevant Matters in Respect of the Issuance of Shares to Specific Investors by the Company in Their Sole Discretion*

For the smooth implementation of the Issuance of A Shares to Specific Investors, it is proposed to the EGM to authorize the Board and its authorized persons to, in their sole discretion, proceed with the matters related to the Issuance of A Shares to Specific Investors:

- (i) to authorize the Board to handle all matters within the scope of the resolution of the Shareholders' meeting and the consent of the CSRC for registration relating to the proposal of the Issuance, including but not limited to, the specific decision on the size of issuance, the timing of issuance, start and end dates of the issuance, number of issuance, termination of the issuance, the specific subscription method and subscription portions of the Issuance of A Shares to Specific Investors, etc.;
- (ii) to authorize the Board to handle all matters in relation to the application for the approval of and registration with relevant authorities for the Issuance, formulate, prepare, amend, improve and execute all documentary materials relating to the Issuance, approve and handle the information disclosure relating to the Issuance (including but not limited to issue shareholders' circular and other related announcements and disclosure documents);
- (iii) to authorize the Board to adjust the specific arrangements for the projects to be funded with the raised proceeds within the scope of the approval of the shareholders' meeting;
- (iv) in case of any new requirements of issuance to specific investors by the laws, regulations and securities regulatory departments and any changes of market conditions, to authorize the Board to adjust the proposal of the Issuance and the application of the raised proceeds and continue to handle the Issuance in accordance with the national regulations and the requirements of governmental departments and securities regulatory departments (including the review feedbacks to the application of the Issuance), the market conditions and the actual operation conditions of the Company, except for those subject to reconsideration of the shareholders' meeting in accordance with the relevant laws and regulations and the Articles of Association;

LETTER FROM THE BOARD

- (v) to authorize the Board to open a special deposit account for the raised proceeds and proceed with the capital verification procedures related to the Issuance;
- (vi) to authorize the Board to execute, submit, report and perform the material contracts during the Issuance and the implementation of the investment projects funded by the raised proceeds, including but not limited to the subscription agreement, supplemental agreements to the subscription agreement and other documents to be executed for the completion of the transactions thereunder, the sponsor agreement, the underwriting agreement, the proceed supervision agreement and the intermediaries' engagement agreement, etc.;
- (vii) to authorize the Board to handle matters on the share registration, lock-up and listing and submission of relevant documents upon the completion of the Issuance;
- (viii) to authorize the Board to amend the relevant articles in relation to registered capital, total share capital and others in the Articles of Association upon the completion and the results of the Issuance, and carry out relevant registration and filing procedures of the change of registered capital and Articles of Association of the Company, including but not limited the registration and filing of change in registered industrial and commercial item, without the need to convene a shareholders' meeting;
- (ix) to authorize the Board to handle all other matters in relation to the Issuance.

To agree that the Board, after obtaining the aforesaid authorizations from the shareholders' meeting, directly delegates the authority to the chairman or vice-chairman of the Board of the Company and his authorized person(s) to proceed with the aforesaid matters, i.e. the chairman or vice-chairman of the Board of the Company will be granted the aforesaid authority from the Board immediately upon the consideration and approval of this resolution at the shareholders' meeting without convening a separate board meeting; and the chairman or vice-chairman of the Board may delegate the authority to others separately.

The above authorization shall remain valid for twelve (12) months from the date on which this resolution is approved by the Shareholders at the EGM.

The above resolution will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

III. THE EGM

The Company will convene the EGM at 11:00 a.m. on Tuesday, 16 December 2025 at The Conference Room C713, No. 30, Tianzhu Road, Shunyi District, Beijing, the PRC to consider and, if thought fit, approve the resolutions in respect of, among other things, the Issuance of A Shares to Specific Investors. Votes on the resolutions to be considered at the EGM shall be taken by way of poll. A form of

LETTER FROM THE BOARD

proxy is also enclosed herein, and published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.airchina.com.cn). The notice of EGM is reproduced in this circular.

CNAHC and CNACG have material interests in the Issuance of A Shares to Specific Investors. As at the Latest Practicable Date, CNACG is a wholly-owned subsidiary of CNAHC. As at the Latest Practicable Date, CNAHC and CNACG, in aggregate, held 9,370,724,929 shares of the Company, representing approximately 53.71% of the issued share capital of the Company, controlled or were entitled to control over the voting right in respect of the shares held by them in the Company. CNAHC and its associates (including CNACG) shall therefore abstain from voting on the following resolutions approving the Issuance of A Shares to Specific Investors at the EGM: (1) the resolution in relation to the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (2) the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (3) the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025; (4) the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investors by the Company in 2025; (5) the resolution in relation to the related (connected) transaction concerning the entering into of the conditional A share subscription agreement with specific investors by the Company; and (6) the resolution in relation to the authorization by the Shareholders' meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of the Issuance of Shares to Specific Investors by the Company in their sole discretion. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the resolutions on matters relating to the Issuance of A Shares to Specific Investors or should be required to abstain from voting on the relevant resolutions at the EGM.

The register of members of H shares will be closed from Thursday, 11 December 2025 to Tuesday, 16 December 2025 (both days inclusive), during which no transfer of H shares will be effected in order to determine the list of holders of H shares of the Company who will be entitled to attend and vote at the EGM. H Shareholders of the Company whose names appear on the H share register of members of the Company at the close of business on Wednesday, 10 December 2025 are entitled to attend the EGM after completing the registration procedures. In order to qualify for attendance at the EGM, all the transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Wednesday, 10 December 2025.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon as soon as practicable but in any event not less than 24 hours before the time appointed for convening the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

IV. RECOMMENDATION OF THE BOARD

The Board considers that the matters to be proposed to the Shareholders for voting at the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions at the EGM.

LETTER FROM THE BOARD

V. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out in this circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Issuance of A Shares to Specific Investors.

Your attention is also drawn on the letter from the Independent Financial Adviser as set out in this circular, which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Issuance of A Shares to Specific Investors as well as the principal factors and reasons considered by it in concluding its advice.

Your attention is also drawn to the additional information set out in Appendices to this circular.

The Company advises its Shareholders and potential investors to note that the Issuance of A Shares to Specific Investors is subject to certain conditions being satisfied, and therefore the Issuance of A Shares to Specific Investors may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Air China Limited
Liu Tiexiang
Chairman

Beijing, the PRC

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Independent Board Committee:

Mr. Xu Niansha

Mr. He Yun

Ms. Winnie Tam Wan-chi

Mr. Gao Chunlei

28 November 2025

To the Independent Shareholders of the Company

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

We refer to the circular dated 28 November 2025 published by the Company (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 30 October 2025, the Board approved the Issuance of A Shares to Specific Investors, pursuant to which the Company has entered into the Subscription Agreement with CNAHC and CNAC Holding for the issuance of not more than 3,044,140,030 new A Shares (inclusive) to CNAHC and CNAC Holding aggregately at the Issue Price (i.e. RMB6.57 per Share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB20.00 billion (inclusive).

As disclosed in the Circular, since CNAHC is the controlling shareholder of the Company and CNAC Holding is a wholly owned subsidiary of CNAHC, CNAHC and CNAC Holding are connected persons of the Company and the Issuance of A Shares to Specific Investors constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements.

The terms and the reasons for the Issuance of A Shares to Specific Investors are summarized in the Letter from the Board of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed to form the Independent Board Committee to make a recommendation to the Independent Shareholders on whether the terms of the Subscription Agreement are fair and reasonable for the Independent Shareholders, whether the Issuance of A Shares to Specific Investors are in the interests of the Company and its Shareholders as a whole, and how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. BaoQiao Partners Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Issuance of A Shares to Specific Investors, the terms of the Subscription Agreements and the basis for determining such terms. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the Issuance of A Shares to Specific Investors as set out in the Letter from the Independent Financial Adviser in the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, considers that although the Issuance of A Shares to Specific Investors are not entered into in the ordinary and usual course of business of the Group, the terms and conditions of the Subscription Agreement are fair and reasonable, and the connected transaction contemplated thereunder is on normal commercial terms or better and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the relevant resolutions as set out in the notice of the EGM respectively.

Yours faithfully

Independent Board Committee

Mr. Xu Niansha	Mr. He Yun	Ms. Winnie Tam Wan-chi	Mr. Gao Chunlei
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from BaoQiao Partners Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Issuance of A Shares to Specific Investors which has been prepared for the purpose of inclusion in this circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Room C01, 26/F, United Centre,
95 Queensway, Admiralty, Hong Kong

28 November 2025

*To the Independent Board Committee and the Independent Shareholders of
Air China Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Issuance of A Shares to Specific Investors, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 28 November 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 October 2025, the Board approved the Issuance of A Shares to Specific Investors, pursuant to which the Company has entered into the Subscription Agreement with CNAHC and CNAC Holding for the issuance of not more than 3,044,140,030 new A Shares (inclusive) to CNAHC and CNAC Holding aggregately at the Issue Price (i.e. RMB6.57 per A Share) with expected gross proceeds (before deducting relevant issuance expenses) of no more than RMB20.00 billion (inclusive). Among which, CNAHC agreed to subscribe for no less than 761,035,008 new A Shares (inclusive), corresponding to a subscription amount of no less than RMB5.00 billion (inclusive), and CNAC Holding agreed to subscribe for no more than 2,283,105,022 new A Shares (inclusive), corresponding to a subscription amount of no more than RMB15.00 billion (inclusive).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, since CNAHC is the controlling Shareholder of the Company and CNAC Holding is the wholly-owned subsidiary of CNAHC, both CNAHC and CNAC Holding are connected persons of the Company and the Issuance of A Shares to Specific Investors constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to the announcement, reporting and the Independent Shareholders' approval requirements.

The Independent Board Committee comprising Mr. Xu Niansha, Mr. He Yun, Ms. Winnie Tam Wan-chi and Mr. Gao Chunlei has been established to advise the Independent Shareholders on whether the terms of the Subscription Agreement are fair and reasonable for the Independent Shareholders, whether the Issuance of A Shares to Specific Investors is in the interests of the Company and its Shareholders as a whole, and how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, BaoQiao Partners was appointed as the independent financial adviser by the Company (i) to advise the independent board committee and the independent shareholders of the Company in respect of the connected transaction involving the proposed issuance of A Shares and H Shares to specific investors, as set out in the circular of the Company dated 9 January 2024; (ii) to advise of the Board in respect of the opinion pursuant to Rule 14A.52 of the Hong Kong Listing Rules, as set out in the announcement and circular of the Company dated 30 October 2024 and 18 November 2024 respectively; (iii) to advise the independent board committee and independent shareholders of the Company in respect of the continuing connected transactions of the Group's passenger aircraft cargo businesses, as set out in the circular of the Company dated 18 November 2024; and (iv) to advise the independent board committee and independent shareholders of the Company in respect of certain continuing connected transactions with CNACG, as set out in the circular of the Company dated 4 June 2025.

As at the Latest Practicable Date, we do not have any relationship with, or have any interest in the Company, CNAHC, CNACG, CNAC Holding and their respective associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the Company's management (the "**Management**"). We have reviewed, among others, the announcement of the Company dated 30 October 2025 in relation the proposed Issuance of A Shares to Specific Investors (the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“**Announcement**”), the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”), the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”) and the information set out in the Circular.

We have assumed that all information and representations that have been provided by the Directors and/or the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and/or the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors/the Management, which have been provided to us.

All Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CNAHC, CNACG, CNAC Holding, and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Issuance of A Shares to Specific Investors. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any A Shares or H Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Subscription Agreement and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for publication on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.airchina.com.cn) as required under the Hong Kong Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. Background information on the Company, CNAHC and CNAC Holding

Information on the Company

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

Set out below is a summary of the audited consolidated financial information of the Group prepared in accordance with International Financial Reporting Standards (“**IFRS**”) for the years ended 31 December 2024 (“**FY2024**”) and 31 December 2023 (“**FY2023**”) as extracted from the 2024 Annual Report and the unaudited consolidated financial information of the Group for the six months ended 30 June 2025 (“**HY2025**”) and 30 June 2024 (“**HY2024**”) as extracted from the 2025 Interim Report:

	FY2024	FY2023	HY2025	HY2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
Airline Operations				
– Passenger	151,789	130,517	73,196	73,137
– Cargo and mail	7,414	4,165	3,577	3,328
– Others	2,184	2,082	1,097	973
	161,387	136,764	77,870	77,438
Other Operations	<u>5,312</u>	<u>4,336</u>	<u>2,887</u>	<u>2,082</u>
	166,699	141,100	80,757	79,520
Loss before taxation	(1,599)	(1,650)	(2,788)	(3,286)
Loss attributable to equity shareholders of the Company	(233)	(1,038)	(1,805)	(2,779)
			As at 31 December 2024	As at 30 June 2025
			<i>RMB'million</i>	<i>RMB'million</i>
			(Audited)	(Unaudited)
Total assets			345,750	347,539
Total liabilities			304,824	309,309
Net assets attributable to equity shareholders of the Company			45,128	42,624

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance of the Group

FY2024 vs FY2023

According to the 2024 Annual Report, the Group reported a revenue of approximately RMB166,699 million, representing a year-on-year increase of approximately 18.14% or RMB25,599 million which was mainly attributable to the increase in both the Group's air passenger revenue and air cargo and mail revenue for FY2024 by around 16.30% or RMB21,272 million and 78.01% or RMB3,249 million respectively as compared with that for FY2023. For FY2024, in line with the increase in revenue, the Group's overall operating expenses increased by approximately 17.98% or RMB26,188 million to approximately RMB171,801 million for FY2024, which was attributable to the increase in the number of take-off and landings, flying hours, the number of passengers and the consumption of jet fuel in 2024.

As a result of the above, the Group reported loss before taxation of approximately RMB1,599 million for FY2024 as compared to approximately RMB1,650 million for FY2023 and loss for the year attributable to equity shareholders of the Company decreased from approximately RMB1,038 million for FY2023 to loss of approximately RMB233 million for FY2024. As disclosed in the 2024 Annual Report, losses allocated to non-controlling interests of the Company (primarily attributable to the Group's non-wholly owned subsidiaries, Shenzhen Airlines and Shandong Aviation) increased for FY2024.

HY2025 vs HY2024

According to the 2025 Interim Report, the Group recorded slight increase in revenue of approximately 1.56% or RMB1,237 million from approximately RMB79,520 million for HY2024 to approximately RMB80,757 million for HY2025. Air traffic revenue (which comprised air passenger revenue and air cargo and mail revenue) remained as the principal source of income of the Group for HY2025 and the Group recorded air traffic revenue of approximately RMB76,773 and approximately RMB76,465 million for HY2025 and HY2024 respectively. For HY2025, the Group's overall operating expenses increased by approximately 1.45% or RMB1,217 million to approximately RMB85,070 million for HY2025, as a result of the combined effect of the decrease in jet fuel costs due to the decrease in jet fuel prices and the increase in the number of take-off and landings, flying hours, the number of passengers, etc. as a result of the increase in revenue.

As a result of the above, the Group reported loss before taxation of approximately RMB2,788 million for HY2025 as compared to approximately RMB3,286 million for HY2024 and loss for the year attributable to equity shareholders of the Company of approximately RMB1,805 million for HY2025 as compared to approximately RMB2,779 million for HY2024.

Financial position of the Group

As at 30 June 2025 and 31 December 2024, the major assets of the Group include (i) property, plant and equipment primarily consisting of self-owned aircrafts and flight equipment, buildings and construction in progress of the Group which amounted to approximately RMB124,153 million and RMB122,181 million respectively; (ii) right-of-use assets primarily consisting of, among others

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

aircrafts and engines under finance leases and operating leases of the Group which amounted to approximately RMB112,988 million and RMB118,832 million respectively; (iii) cash and cash equivalents amounted to approximately RMB25,331 million and RMB21,039 million respectively; and (iv) advance payments for aircraft and flight equipment amounted to approximately RMB23,335 million and RMB24,690 million respectively. The carrying value of property, plant and equipment, right-of-use assets, cash and cash equivalents and advance payments for aircraft and flight equipment together accounted for approximately 82.24% and 82.93% of the total assets of the Group as at 30 June 2025 and 31 December 2024 respectively.

As at 30 June 2025 and 31 December 2024, the Group recorded net current liabilities of approximately RMB78,459 million and RMB96,923 million with current ratio of 0.38 times and 0.30 times respectively. As at 30 June 2025, the gearing ratio, calculated as total liabilities divided by total assets of the Group was 89.00%, representing an increase of 0.84 percentage points from that of 88.16% as at 31 December 2024. As at 30 June 2025, the Group's interest-bearing borrowings amounted to approximately RMB165,752 million, of which approximately RMB60,029 million were current liabilities, which mainly included secured and unsecured borrowings of approximately RMB47,300 million and unsecured corporate bond and short-term commercial papers of approximately RMB12,730 million due within one year.

The net asset value (NAV) attributable to equity shareholders of the Company prepared in accordance with IFRS and China Accounting Standards for Business Enterprises ("CAS") was approximately RMB45,128 million and RMB45,147 million as at 31 December 2024 and approximately RMB42,624 million and RMB42,642 million respectively as at 30 June 2025. The NAV per Share (including the A Shares and the H Shares) under IFRS (the "**IFRS NAV per Share**") was approximately RMB2.44 as at 31 December 2024 and RMB2.59 as at 30 June 2025 and CAS (the "**CAS NAV per Share**") was approximately RMB2.44 as at 31 December 2024 and RMB2.59 as at 30 June 2025.

Information on CNAHC and CNAC Holding

With reference to the Letter from the Board, as at the Latest Practicable Date, CNAHC directly holds 42.53% of the Company's shares and holds 11.18% of the Company's shares through its wholly-owned subsidiary CNACG, and is the controlling shareholder of the Company. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the State Council is the 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.

As at the Latest Practicable Date, CNAC Holding is a wholly-owned subsidiary of CNAHC. CNAC Holding is a limited liability company established in the PRC whose principal businesses include financing and capital raising, asset and investment management, centralized treasury management and value-added financial services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Issuance of A Shares to Specific Investors and Use of Proceeds

As set out in the Letter from the Board, as a core central state-owned enterprise, the Company undertakes the mission of building a national flagship carrier, supporting the implementation of major decisions of the Central Committee of the Communist Party of China, and facilitating key national strategies. As of 30 June 2025, the Company operated a total fleet of 934 aircraft, with continuous optimization of its fleet structure. The Issuance will significantly improve the Company's asset-liability structure, further enhance overall fleet operational efficiency and safety, optimize the route network layout, strengthen coverage supporting major national regional development strategies and markets along the Belt and Road initiative, and consolidate the Company's core competitive advantages in the air transport sector.

In addition, the aviation industry is notably capital-intensive, and maintaining a sound capital structure is essential for the Company's long-term and stable development. In recent years, the Company's capital structure has been under significant pressure. At the end of 2022, 2023, 2024, and September 2025, the Company's gearing ratios were 92.69%, 89.48%, 88.16% and 87.88%, respectively, remaining at relatively high levels. The net proceeds from the Issuance will be used for debt repayment and working capital replenishment, which will help the Company in controlling interest-bearing debt levels, optimizing its asset-liability structure and enhancing financial stability. At the same time, it will strengthen the Company's capital base, secure funding for business development needs, enhance profitability and risk resilience, and provide strong support for the Company's high-quality development.

The full subscription by the controlling shareholder, CNAHC, and its controlled subsidiary, CNAC Holding demonstrate their firm confidence in the Company's future prospects and help boost market confidence while safeguarding the interests of the Company's minority Shareholders.

Details of the reasons for and benefits of the Issuance of A Shares to Specific Investors are set out under section headed "6. Reasons for and benefits of the Issuance of A Shares to Specific Investors" in the Letter from the Board.

Use of proceeds

As set out in the Letter from the Board, the maximum amount of gross proceeds to be raised from the Issuance of A Shares to Specific Investors will be no more than RMB20.00 billion (inclusive), which will be used in full for debt repayment and working capital replenishment after deducting issuance expenses, which is an integral arrangement aimed at enhancing the Company's financial stability. The Company will utilize the net proceeds in accordance with their intended use as soon as practicable after receipt of funds and will disclose the subsequent use of the net proceeds in periodic reports in compliance with the Hong Kong Listing Rules.

Debt Repayment and Replenishing Working Capital

The net proceeds from the Issuance of A Shares to Specific Investors will be used for debt repayment and working capital replenishment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As we note from the 2025 Interim Report, as at 30 June 2025, the Group reported, among the current liabilities, interest-bearing liabilities (short-term borrowings, bonds and commercial papers due and payable within one year) amounted to approximately RMB60,029 million with net current liabilities of approximately RMB78,459 million. The proceeds from the Issuance of A Share to Specific Investors can replenish the working capital of the Group thereby improving its financial and liquidity position while it can also enable the Company to flexibly and prudently arrange funds for fulfilling its debt commitment and repayment for interest bearing loans, this could reduce the financing costs and the gearing level of the Group. Thus, we consider the Issuance can strengthen the Company's capital base and improve its ability to withstand financial risk, herby supporting the business development of the Group and promoting the sustained growth of the Company's principal business.

Having considered the above, we concur with the Company's view that the Company is in need to recapitalise its equity and improve its financial and liquidity position and we are of the view that there is a reasonable commercial rationale for the proposed Issuance of A Shares to Specific Investors and therefore the proposed Issuance of A Shares to Specific Investors is in the interests of the Company and Shareholders as a whole.

Other fund-raising methods available to the Company

As set out in the Letter from the Board, other than the Issuance of A Shares to Specific Investors, the Company has considered the feasibility of alternative fund-raising methods including debt financing and other forms of equity financing such as public issuance of shares, placing of convertible bonds, rights issue and open offer.

As set out in the Letter from the Board, (i) public issuance of share, placing of convertible bonds, rights issue and open offer may incur higher transaction costs and/or require longer time; (ii) equity financing by way of H Shares such as placing of new shares and convertible bonds, rights issue or open offer may involve an issuance price at a relatively large discount to the prevailing market price of A Shares; and (iii) compared to debt financing, equity financing is more conducive to optimizing the Company's capital structure, reducing future debt repayment pressure and cash outflow, and facilitating the implementation of the Company's long-term development strategy. Bank loans and other forms of debt financing offer relatively limited amounts and come with relatively higher financing costs. If the proceeds to be raised in the Issuance were raised entirely through bank loans or other debt financing, it would lead to a further increase in the Company's debt-to-asset ratio, adversely affecting its financial stability and increasing financial risks. Furthermore, the relatively high financial costs would erode the Company's overall profit level, which is not conducive to the Company's steady operation.

Having considered the above, the Company considered that the Issuance of A Shares to Specific Investors is an appropriate fundraising method for the Group. Based on the foregoing, after considering (i) the existing gearing ratio and borrowings of the Group; and (ii) debt financing and other forms of equity financing are less favourable fundraising alternatives as compared to the Issuance of A Shares to Specific Investors, we concur with the Company that the Issuance of A Shares to Specific Investors is a more desirable fundraising approach for the Group to improve its financial and liquidity position and also avoid incurring interest expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Issuance of A Share to Specific Investors

Pursuant to the proposal of the Issuance of A Shares to Specific Investors, the Company has entered into the Subscription Agreement with CNAHC and CNAC Holding for the issuance of not more than 3,044,140,030 new A Shares (inclusive) to CNAHC and CNAC Holding aggregately at the Issue Price (i.e. RMB6.57 per A Share) with expected gross proceeds (before deducting relevant issuance expenses) of no more than RMB20.00 billion (inclusive).

(a) Principal terms of the Subscription Agreement

The principal terms and conditions of the Subscription Agreement are summarised below. Please refer to the “Letter from the Board” set out in the Circular for further details.

Date

30 October 2025

Parties

- (i) The Company (as the issuer);
- (ii) CNAHC (as the subscriber); and
- (iii) CNAC Holding (as the subscriber).

Number of A Shares to be subscribed for

The number of new A Shares to be issued under the Issuance is not more than 3,044,140,030 shares (inclusive), which shall not exceed 30% of the total share capital of the Company prior to the Issuance. 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 Issue Price between the announcement date of the Board resolution(s) for the Issuance and the issuance date, the number of A Shares to be issued under the Issuance will be adjusted accordingly. The number of A Shares to be issued under the Issuance is subject to the final consent of the CSRC for registration.

CNAHC and CNAC Holding will subscribe for all A Shares to be issued by the Company under the Issuance, with a subscription amount equal to the gross proceeds of the Issuance, which shall not be more than RMB20.00 billion (inclusive). Among which, CNAHC subscribes for no less than 761,035,008 A Shares (inclusive) under the Issuance, corresponding to a subscription amount of no less than RMB5.00 billion (inclusive), and CNAC Holding subscribes for no more than 2,283,105,022 A Shares (inclusive) under the Issuance, corresponding to a subscription amount of no more than RMB15.00 billion (inclusive). The final number of A Shares under the Issuance of the Company to be subscribed by each of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CNAHC and CHAC Holding and the corresponding subscription amounts will be determined separately through consultations between the parties and the sponsor (the lead underwriter) of the Issuance.

As disclosed in the Letter from the Board, the maximum new A Shares to be issued (i.e. 3,044,140,030 new A Shares), represents (1) 24.37% and 17.45% of the Company's (a) existing issued A Shares; and (b) total issued Shares as at the Latest Practicable Date, respectively; and (2) the 19.59% and 14.85% of the Company's (a) enlarged issued A Shares; and (b) enlarged total issued Shares upon completion of the Issuance of A Shares to Specific Investors, respectively.

Issue Price and basis of determination

The Issue Price is RMB6.57 per A Share, which is determined after taking into consideration of the following factors:

The Pricing Benchmark Date for the Issuance of A Shares to Specific Investors shall be the date on which the resolution(s) of the ninth meeting of the seventh session of the Board was announced, being 31 October 2025.

The Issue Price of the Issuance of A Shares to Specific Investors is RMB6.57 per A Share, which is not lower than the higher of 80% of the average trading price of A Shares over 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 (i.e. 31 December 2024) (calculation is rounded to two decimal places according to the "round up method").

Notes:

1. The average trading price of A Shares over the 20 Trading Days prior to the Pricing Benchmark Date = the total trading value of A Shares over the 20 Trading Days prior to the Pricing Benchmark Date ÷ the total trading volume of A Shares over 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.

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

The net price to be received by the Company for each new A Share to be issued will be determined and disclosed in accordance with the requirements of the Hong Kong Listing Rules upon completion of the Issuance of A Shares to Specific Investors and after the relevant expenses incurred or to be incurred in relation to the Issuance of A Shares to Specific Investors have been ascertained.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the Company distributes dividends, issues bonus shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities between the announcement date of the Board resolution(s) of the Company for the Issuance and the issuance date, the Issue Price will be adjusted accordingly. The adjustment formula is as follows:

1. when only cash dividend is paid: $P_1 = P_0 - D$
2. when only bonus shares are issued or capital reserve is converted into share capital: $P_1 = P_0 / (1 + N)$
3. when the above two items are carried out simultaneously: $P_1 = (P_0 - D) / (1 + N)$

whereas P_0 represents the Issue Price before adjustment, N represents the number of bonus shares or capital reserve conversion per share, D represents dividend per share and P_1 represents the adjusted Issue Price.

Conditions precedent to the Subscription Agreement

The parties agreed and confirmed that, unless all parties otherwise consent in writing to a waiver, and if such waiver is permitted under applicable laws and regulations, the Subscription Agreement will be established upon signing and affixing of seals by the legal representative or authorized representative of the parties and take effect when all the following conditions are satisfied:

- (i) matters relating to the Issuance having been approved by Board and the shareholders' meeting of the Company;
- (ii) matters relating to the subscribing the shares to be issued under the Issuance having been approved by the internal decision-making body(ies) of CNAHC and CNAC Holding;
- (iii) matters relating to the Issuance having been approved by the body performing the duty of supervision and administration of state-owned assets;
- (iv) matters relating to the Issuance having been considered and approved by the Shanghai Stock Exchange; and
- (v) the registration of the Issuance having been consented by the CSRC.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Issuance of A Shares to Specific Investors has been considered and approved by the Board and the respective internal decision-making body(ies) of CNAHC and CNAC Holding, and has been approved by the body performing the duty of supervision and administration of state-owned assets. None of the other conditions under the Subscription Agreement has been fulfilled.

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

Lock-up Arrangement

Upon the completion of the Issuance of A Shares to Specific Investors, the shares acquired by the subscribers, CNAHC and CNAC Holding, through the Issuance shall not be transferred for a period of eighteen (18) months from the date of completion of the Issuance of A Shares to Specific Investors ("**Lock-up Period**"). Any shares derived by the subscribers from the Issuance of A Shares to Specific Investors through stock dividends distributed by the Company, capitalization of capital reserves, or similar circumstances shall also be subject to the aforementioned lock-up arrangement. If the regulatory authorities governing the Issuance of A Shares to Specific Investors impose additional requirements regarding the lock-up period for shares subscribed by the subscribers or the transfer of shares upon expiration of the lock-up period, the aforementioned Lock-up Period shall be adjusted accordingly in accordance with the policies of the securities regulatory authorities.

Upon the expiration of the Lock-up Period, the subscribers shall comply with the relevant provisions of laws, regulations, rules, normative documents, including the Company Law, the Securities Law, the Shanghai Listing Rules and the Articles of Association when reducing their holdings of Shares obtained through the Issuance of A Shares to Specific Investors.

(b) Analysis of the principal terms of the Subscription Agreement

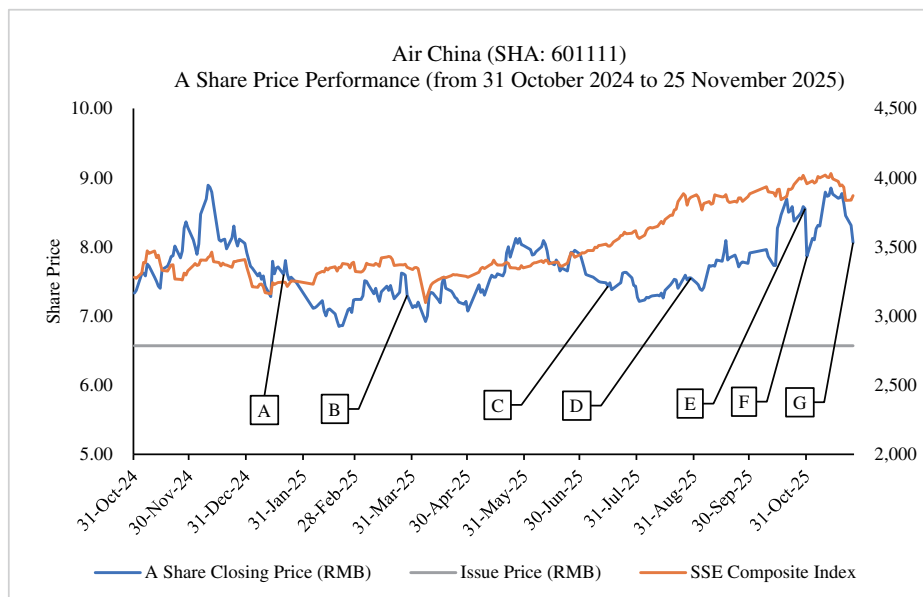
In order to assess the fairness and reasonableness of the principal terms of the Subscription Agreement, we have performed the following analysis:

Review of historical A Share closing prices

We have analysed the historical closing price of the A Shares during the period commencing from 31 October 2024 up to the Latest Practicable Date (the "**Historical Price Period**"), being a period covering one year prior to the Pricing Benchmark Date up to and including the Latest Practicable Date which we consider a reasonable and sufficient period to provide a general and fair overview of the recent trend of the closing price of the A Shares of the Company free from the influence of, if any, short term market volatility when assessing the Issue Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following share price chart of the Company illustrates the daily closing price of the A Shares as quoted on the Shanghai Stock Exchange including a comparison with the Shanghai Stock Exchange Composite Index (the “**SSE Composite Index**”) during the Historical Price Period against the Issue Price:



Source: Bloomberg

Date	Key Events
18 January 2025 (Saturday, a non-Trading Day)	(A) Publication of pre-loss announcement of annual results for FY2024 (“ 2024 Pre-Loss Announcement ”)
28 March 2025	(B) Publication of annual report of 2024
15 July 2025	(C) Publication of pre-loss announcement of interim results for HY2025
29 August 2025	(D) Publication of interim report of 2025
30 October 2025	(E) Date of Board Meeting
31 October 2025	(F) Pricing Benchmark Date
25 November 2025	(G) Latest Practicable Date

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The A Shares were traded within a range between RMB6.85 per A Share and RMB8.89 per A Share during the Historical Price Period with an average closing price of approximately RMB7.70 per A Share. The lowest closing price of the A Shares was RMB6.85 per A Share, recorded on 19 February 2025 and the highest closing price of the A Shares of RMB8.89 per A Share, recorded on 10 December 2024.

The closing price of the A Shares generally showed an upward trend from 31 October 2024 to mid-December 2024, rising from RMB6.90 per A Share to a peak of RMB8.89 per A Share on 10 December 2024. This was followed by a downward trajectory and following the publication of the 2024 Pre-Loss Announcement on 18 January 2025, the closing prices of A Shares continued to decline, reaching the lowest at RMB6.85 per A Share on 19 February 2025. The closing prices of A Shares subsequently fluctuated between RMB6.86 per A Share and RMB8.12 per A Share during the period after publication the 2024 Pre-Loss Announcement until the early September 2025. Since then the closing prices of A Shares showed a renewed upward trend broadly tracking the performance of the SSE Composite Index during the same period. The A Shares were traded within a range between RMB7.86 and RMB8.85 per A Share from the date of Board Meeting up to the Latest Practicable Date.

Under the pricing mechanism of the Issuance of A Shares to Specific Investors (the “**Pricing Mechanism**”), the Pricing Benchmark Date of the Issuance of A Shares to Specific Investor shall be the announcement date of the resolution(s) of the ninth meeting of the seventh session of the Board, being 31 October 2025. For the purpose of our analysis, the issue price would be at least RMB6.56 per A Share (the “**Floor Issue Price**”), being the 80% of the average trading price of the A Shares in the 20 trading days prior to the Pricing Benchmark Date and the Issue Price of RMB6.57 per A Share represents a premium of 0.15% over the Floor Issue Price.

The Issue Price of RMB6.57 per A Share represents:

- (i) a discount of approximately 18.49% to the closing price A Shares as at the Latest Practicable Date (i.e. RMB8.06 per A Share);
- (ii) a discount of approximately 23.16% to the closing price of A Shares (i.e. RMB8.55 per A Share) as at the date of the Board meeting (i.e. 30 October 2025);
- (iii) a discount of approximately 19.93% compared to the average trading price of A Shares in the 20 Trading Days immediately prior to the Pricing Benchmark Date (i.e. approximately RMB8.20 per A Share);
- (iv) a premium of approximately 153.92% over the audited net assets per share attributable to ordinary shareholders of the parent company as at 31 December 2024 (i.e. approximately RMB2.59 as prepared in accordance with the CAS); and
- (v) a premium of approximately 147.32% over the unaudited net assets per share attributable to ordinary shareholders of the parent company as at 30 September 2025 (i.e. approximately RMB2.66 as prepared in accordance with the CAS).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Pricing Mechanism were determined in compliance with the regulatory requirements in relation to changes in state-owned shares of listed companies set forth by the CSRC; (ii) the Issue Price is higher than the Floor Issue Price; and (iii) the Issue Price represents a premium over the net assets value per Share, we consider the Pricing Mechanism are acceptable. Investors should also consider our analysis below to assess the fairness and reasonableness of the Issue Price.

Comparison with comparable issuance

Pursuant to the Measures for Administration and Registration of the Issue of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》) (the “**Administrative Measures**”) issued by CSRC on 17 February 2023, in which, among others, (i) the issue price of A shares under issuance of A shares to Specific Investor shall be not less than 80% of the average trading price of the company’s shares during the 20 trading days preceding the Pricing Benchmark Date; and (ii) the pricing benchmark date shall be the Pricing Benchmark Date (the “**Pricing Criteria**”).

As disclosed in the Letter from the Board, the Issue Price shall be not less than the higher of (i) 80% of the average trading price of the A Shares as quoted on the Shanghai Stock Exchange in the 20 trading days immediately prior to the Pricing Benchmark Date; and (ii) 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 2024) and the Lock-up Period for the Specific Investors is 18 months. Accordingly, we consider that such basis of determination of the Issue Price and such lock-up period is in compliance with the Administrative Measures.

To further assess the fairness and reasonableness of the principal terms of the Subscription Agreement, we have compared the terms of the Issuance of A Shares to Specific Investors against those of similar issuance of A shares to specific targets (the “**Transaction Comparable(s)**”) proposed by companies listed on both (i) the Hong Kong Stock Exchange and (ii) either the Shenzhen Stock Exchange or Shanghai Stock Exchange from 1 October 2024 up to the Latest Practicable Date. We consider comparison of the terms of the Transaction Comparables and that of the Subscription Agreement (in particular the Pricing Mechanism and the Lock-up Period) to be fair and representative. To the best of our knowledge, we have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

identified seven (7) Transaction Comparables, which represent an exhaustive list under the above selection criteria and we consider the sample size is sufficient to reflect the recent market practices. Summarised below are our relevant findings:

No.	Company Name (Stock code)	Announcement Date	Issue Price	Premium/ (discount) to the closing price as at the last trading day immediately prior to the pricing benchmark date	Premium/ (discount) to the latest audited net asset value per share attributable to the ordinary shareholders of the listed company as at the most recent period prior to the issuance	Basis for the determination of issue price	Additional basis for A Shares issue price (other than the Pricing Criteria)	Subscriber	Lock-up period
1	China Longyuan Power Group Corporation Limited (916.HK) (001289.SZ)	30 October 2025	Not Specified (Note 1)	N/A (Note 1)	N/A (Note 1)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	Not lower than the company's latest audited net asset value per share attributable to the ordinary shareholders of the listed company as at the most recent period prior to the issuance	no more than 35 specific investors	6 months
2	Jiangsu Lopal Tech. Group Co., Ltd. (2465.HK) (603906.SH)	20 August 2025	Not Specified (Note 1)	N/A (Note 1)	N/A (Note 1)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	N/A	no more than 35 specific investors	6 months
3	Bank of Communica- tions Co., Ltd. (3328.HK) (601328.SH)	30 March 2025	RMB8.71	18.34%	(43.13%)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	N/A	the Ministry of Finance of PRC ("the MOF"), China National Tobacco Corporation and China Doublewin Investment Co., Ltd.	5 years
4	China Construction Bank Corporation (939.HK) (601939.SH)	30 March 2025	RMB9.27	8.80%	(30.07%)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	N/A	the MOF	5 years

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company Name (Stock code)	Announcement Date	Issue Price	Premium/ (discount) to the closing price as at the last trading day immediately prior to the pricing benchmark date	Premium/ (discount) to the latest audited net asset value per share attributable to the ordinary shareholders of the listed company as at the most recent period prior to the issuance	Basis for the determination of issue price	Additional basis for A Shares issue price (other than the Pricing Criteria)	Subscriber	Lock-up period
5	Postal Savings Bank of China Co., Ltd. (1658.HK) (601658.SH)	30 March 2025	RMB6.32	21.54%	(39.14%)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	N/A	the MOF, China Mobile Communications Group Co., Ltd. and China State Shipbuilding Corporation Limited	5 years
6	Bank of China Limited (3988.HK) (601988.SH)	30 March 2025	RMB6.05	10.00%	(36.50%)	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	N/A	the MOF	5 years
7	COSCO SHIPPING Energy Transportation Co., Ltd. (1138.HK) (600026.SH)	24 January 2025	RMB11.52	(9.79%)	53.23%	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	Not lower than the company's latest audited net asset value per share attributable to the ordinary shareholders of the listed company as at the most recent period prior to the issuance	not more than 35 (inclusive of 35) specific investors, including COSCO SHIPPING, the indirect controlling Shareholder of the company.	18 months for COSCO and 6 months for other target subscribers
	The Company	30 October 2025	RMB6.57	(23.16%)	153.92%	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price benchmark date (i.e. the first day of the issuance period)	Not lower than the company's latest audited net asset value per share attributable to the ordinary shareholders of the listed company as at the most recent period prior to the issuance	CNAHC, CNAC Holding	18 months

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source: Website of the Stock Exchange (<http://www.hkex.com.hk/>)

Note:

1. Based on our review of the relevant circulars of the Transaction Comparables, the issue price of the issuance shall be determined through bidding. As the offer period had not commenced as at the Latest Practicable Date, no issue price had yet been determined.

Based on our review, we noted that the basis for issue price for the Transaction Comparables follows the Administrative Measures, which requires that the issue price to be not less than 80% of the average trading price of the A shares during the 20 trading days preceding the pricing benchmark date. Further, the pricing mechanism of 2 out of 7 Transaction Comparables included additional pricing basis, being the latest audited net asset value per share attributable to shareholders of the company, representing the minimum issue price in the event that the market price of A shares trades below their net asset value per share. As such, we considered the Pricing Mechanism (i.e. the 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 and 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) is no less favourable to the Company than those of the Transaction Comparables.

We note that there are 5 Transaction Comparables with determined issue prices, 4 of them ("**Four Premium Comparables**") were set at a premium to the respective closing prices on the last trading day immediately preceding their pricing benchmark dates while one ("**One Discount Comparable**") was set at a discount to its corresponding closing price. It is important to recognise that different companies may adopt varying approaches and considerations in determining their issue prices, depending on factors such as market conditions, investor sentiment, capital needs, and strategic objectives. As shown in the above table, unlike the Company and the One Discount Comparable, which include an additional pricing basis requiring that the issue price not fall below the audited net asset value per share attributable to ordinary shareholders as at the most recent period prior to issuance, the Four Premium Comparables do not impose such a requirement. Based on our review of their latest annual reports, the issue prices of these Four Premium Comparables represented a discount to the audited net asset value per share attributable to ordinary shareholders as at the most recent period prior to issuance.

In view of the above, we consider that the Issue Price, despite being set as a discount to its corresponding closing price, represented a premium to its net asset value per Share, is consistent with the established Pricing Mechanism and complied with the requirement of the Administrative Measures, to be fair and reasonable.

In respect of the lock-up period of the Transaction Comparables, 1 out of 7 Transaction Comparables involved subscription by connected person(s) and the relevant lock up periods were 18 months, and we note that 6 months to 5 years lock up period was applied for independent subscribers.

The A Shares to be subscribed by Specific Investors under the Issuance of A Share to Specific Investors shall be subject to Lock-up Period of 18 months from the date of completion of the issuance of the A Shares. The Lock-up Period is comparable with the Transaction Comparables and also fulfilled the lock-up period regulatory requirement of the 18-month lock-up period for connected subscribers. Therefore, we are of the view the Lock-up Period is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

no less favourable to the Company than those of the Transaction Comparables which involve subscriptions by connected person(s). In addition, it represents Specific Investors' faith in the future development of the Group and its long-term commitment in the Group.

Based on the above, we consider that the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned.

4. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the sub-section headed "3. Dilutive Effects of the Issuance of A Shares to Specific Investors on the Shareholding Structure of the Company" of the Letter from the Board, the shareholding interests of the existing public Shareholders (including all of the public A Shareholders and H Shareholders) in the Company was approximately 31.20% as at the Latest Practicable Date.

Assuming there are no other changes to the total issued share capital of the Company other than the Issuance of A Shares to Specific Investors from the Latest Practicable Date to the date of the Completion and the maximum number of A Shares under the Issuance of A Shares to Specific Investor are issued in full, upon Completion, the shareholding of the existing public shareholders of the A Shares will decrease from approximately 21.43% to approximately 18.24% and the shareholdings of the existing public shareholders of A Shares and H Shares in aggregate will decrease from approximately 31.20% to approximately 26.57%.

Nonetheless, in view of (a) the availability of the raised funds from the Issuance of A Shares to Specific Investors will be used for debt repayment and funding the working capital requirements of the Group to improve its financial and liquidity position; and (b) with the increase in equity capital of the maximum of approximately RMB20.00 billion upon Completion, the IFRS/CAS NAV per Share will increase to approximately RMB3.06 as at 30 June 2025 per Share, we are of the view that the above merits outweigh the dilution impact to the shareholding of the existing public Shareholders and thus, we consider the Issuance of A Shares to Specific Investors is fair and reasonable and in the interest of the public Shareholders.

5. Financial effects of the Issuance of A Shares to Specific Investors

(i) *Cashflow*

According to the 2025 Interim Report, the Group held cash and bank balances of approximately RMB25,331 million as of 30 June 2025. Upon completion of the Issuance of A Shares to Specific Investors (the "**Completion**"), and excluding expenses related to the issuance, the Group's cash position will be strengthened.

(ii) *Net Asset Value*

Upon Completion and save for the expenses in relation to the Issuance of A Shares to Specific Investors, the total assets of the Company will increase. Accordingly, there will be a positive impact on the net asset value of the Group. Furthermore, as the Issue Price will not be lower than the net assets per share attributable to ordinary shareholders of the parent company, net assets per share attributable to ordinary shareholders of the parent company will also be enhanced.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Gearing*

According to the 2025 Interim Report, the gearing ratio of the Group as at 30 June 2025, as derived by total liabilities over the total assets of the Group as at 30 June 2025, was approximately 89.00%. Upon Completion, the total assets of the Group will increase, while the total liabilities of the Group remain unchanged. Thus, the gearing level of the Group will decrease upon Completion.

Based on the above, the Issuance of A Shares to Specific Investors would have an overall positive effect on the financial position of the Group in terms of cashflow, net asset value, and gearing upon Completion. On such basis, we are of the view that the Issuance of A Shares to Specific Investors is in the interests of the Company and the Shareholders as a whole.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Issuance of A Shares to Specific Investors, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the transactions contemplated thereunder is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) in this regard.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Irene Poon
Executive Director

Ms. Irene Poon is a responsible officer registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.

APPENDIX I FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS IN 2025

The Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Investors in 2025 is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The full version of the Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Investors in 2025 is as follows:

I. PLAN OF THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

The gross proceeds to be raised from the Issuance of A Shares to Specific Investors of the Company will not be more than RMB20.00 billion (inclusive). After deducting the relevant issuance expenses, the net proceeds are intended to be fully used for debt repayment and working capital replenishment.

II. NECESSITY AND FEASIBILITY ANALYSIS OF THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

(I) Basic information

After deducting the relevant issuance expenses, the net proceeds from the Issuance of A Shares to Specific Investors are intended to be fully used for debt repayment and working capital replenishment, with an aim to reduce the gearing ratio, optimize the capital structure and enhance the capital strengths of the Company, thereby further improving the Company's resilience against risks.

(II) Necessity and feasibility analysis of the project

The aviation industry is highly capital-intensive, and maintaining a sound capital structure is essential for the Company's long-term and stable development. In recent years, the Company's capital structure has been under considerable strain pressure. At the end of 2022, 2023, 2024 and September 2025, the Company's gearing ratios were 92.69%, 89.48%, 88.16% and 87.88%, respectively, remaining at relatively high levels. The high operating leverage, to some extent, reduces the Company's risk resilience and financial stability.

Since 2023, China's civil aviation industry has maintained a steady momentum of recovery, with air passenger transportation demand continuing to grow. The Company will correspondingly increase its capacity deployment and operation scale, which will in turn drive higher overall liquidity requirements. As a core central state-owned enterprise, the Company undertakes the mission of building a national flagship carrier, supporting the implementation of major decisions of the Central Committee of the Communist Party of China, and facilitating key national strategies. Strengthening the Company's overall capabilities is of strategic importance for the Company to seize industry development opportunities, better serve national strategies, and actively adapt to the rapidly changing market environment. With a brand positioning centered on "professional reliability, international standards, Chinese elegance", the Company consistently treats safety assurance as its foremost political responsibility and highest priority, firmly upholding safety red lines and fundamental

APPENDIX I FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS IN 2025

principles, while continuously strengthening process controls and key risk management in safety operations. Adequate funding provides essential support for the Company to expand its business scale, ensure aviation safety and improve service quality.

The proceeds from the Issuance are intended to be fully used for debt repayment and working capital replenishment, which will help the Company control the scale of interest-bearing liabilities, optimize its asset-liability structure, enhance financial stability and strengthen its risk resistance capability to address changes in the external environment. Meanwhile, the proceeds from the Issuance will enhance the capital strength of the Company, meet the capital needs of its business development, further enhance overall fleet operational efficiency and security standards, refine route network layout, strengthen route coverage for key national regional development strategies and markets along the “Belt and Road” initiative, consolidate its core competitive advantages in air transportation, and enhance profitability and risk resistance capability, thus providing robust support for the Company’s high-quality development.

In conclusion, the Company intends to use the proceeds from the Issuance of A Shares to Specific Investors for debt repayment and working capital replenishment so as to improve its capital strength and financial stability, continue to consolidate the foundation of safety work and strengthen its competitive edge in the industry.

In strict compliance with the relevant requirements such as the Rules on the Supervision of Proceeds of Listed Companies (CSRC Announcement [2025] No. 10) (《上市公司募集資金監管規則》(證監會公告[2025]10號)) and the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 – Standardised Operation (Shangzhengfa [2025] No. 68) (《上海證券交易所上市公司自律監管指引第1號—規範運作》(上證發[2025]68號)) and the Policy on Use and Management of Proceeds of the Company, the Company will reasonably arrange the allocation amount and deployment schedule of the proceeds, so as to ensure the safe and efficient use of proceeds and safeguard the use of proceeds against risks.

III. IMPACT OF THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS ON THE OPERATION MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact on the operation management of the Company

Sufficient capital supply is a strong safeguard for the Company to expand its business scale, ensure aviation safety and improve service quality. After deducting issuance expenses, the proceeds from the Issuance are intended to be fully used for debt repayment and working capital replenishment, which will help the Company control the scale of interest-bearing liabilities, optimize its asset-liability structure, enhance financial stability, and strengthen its risk resilience to cope with the changes in the external environment. Meanwhile, the proceeds from the Issuance will enhance the capital strength of the Company, meet the capital needs of its business development, further enhance overall fleet operational efficiency and security standards, refine route network layout, strengthen route coverage in key national regional development strategies and markets along

APPENDIX I FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS IN 2025

the “Belt and Road” initiative. These measures will consolidate the Company’s core competitive advantages in the air transportation sector, and enhance profitability and risk resilience, thus providing solid support for the Company’s high-quality development.

(II) Impact on the financial position of the Company

Upon completion of the Issuance of A Shares to Specific Investors, the Company’s total assets and net assets will increase accordingly, its working capital will be strengthened, and the gearing ratio will decrease accordingly, which will contribute to optimizing the Company’s capital structure, improving its financial stability, enhancing its profitability and strengthening its resilience against financial risks.

IV. CONCLUSION ON THE FEASIBILITY ANALYSIS OF PROJECTS TO BE INVESTED WITH THE PROCEEDS FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS

After prudent analysis and deliberation, the Board of the Company has concluded that the plan of the use of proceeds from the Issuance of A Shares to Specific Investors complies with relevant policies, laws and regulations. The use of proceeds is expected to meet the Company’s capital requirements for business development, enhance its core competitiveness, optimize its capital structure, improve its financial position, and increase profitability and sustainable development capability, which aligns with the interests of the Company and all Shareholders.

Air China Limited

30 October 2025

The Report on Use of Proceeds from Previous Fund-Raising Activities is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The full version of the Report on Use of Proceeds from Previous Fund-Raising Activities is as follows:

I. BASIS OF PREPARATION

The Report on Use of Proceeds from Previous Fund-Raising Activities has been prepared in accordance with the Applicable Guidelines under Regulatory Rules – Issuance Category No. 7 (《監管規則適用指引－發行類第7號》) issued by the CSRC and other relevant laws and regulations.

II. AMOUNT, CREDITING DATE AND DEPOSIT OF PROCEEDS FROM PREVIOUS FUND-RAISING ACTIVITIES

(I) Proceeds from the Non-public Issuance of A Shares

According to the Approval Reply regarding the Non-public Issuance of Shares by Air China Limited (Zheng Jian Xu Ke [2022] No. 3050) issued by the CSRC, Air China Limited (hereinafter referred to as the “**Company**”) conducted a non-public issuance of 1,675,977,653 A Shares at an issue price of RMB8.95 per share on 3 January 2023 on the Shanghai Stock Exchange. The gross proceeds amounted to RMB14,999,999,994.35. After deducting underwriting and sponsorship fees of RMB949,999.99 (VAT inclusive), the proceeds amounted to RMB14,999,049,994.36; after deducting all issuance expenses (underwriting and sponsorship fees inclusive) of RMB6,983,407.03 (VAT exclusive), the actual net proceeds amounted to RMB14,993,016,587.32.

All the aforesaid proceeds of RMB14,999,049,994.36 were credited to a designated account on 3 January 2023, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP, with a capital verification report (De Shi Bao (Yan) Zi (23) No. 00005) issued in this regard.

As of 30 September 2025, the aforesaid proceeds of the Company have been fully utilized in accordance with the intended purposes, and the cumulative amount of proceeds utilized was RMB14,993,016,587.32. The interest income generated from the proceeds was RMB120,559,610.35, all of which was used for replenishment of working capital of the Company, and the special account for depositing the proceeds has been cancelled.

(II) Proceeds from the Issuance of H Shares to Specific Investor

The Company has been approved by The Stock Exchange of Hong Kong Limited to issue overseas listed foreign shares (H Shares) to specific investor, and issued 392,927,308 ordinary H Shares to China National Aviation Corporation (Group) Limited at an issue price of HK\$5.09 per share. As of 7 February 2024, the gross proceeds of HK\$1,999,999,997.72 have been remitted to the account for the proceeds raised in the issuance of H Shares, equivalent to RMB1,816,859,997.93 based on the central parity rate for Hong Kong dollars to Renminbi as at the date when the actual funds were transferred to such account. After deducting the issuance expenses of HK\$1,230,193.93 (VAT exclusive, equivalent to RMB1,117,545.07), the actual net proceeds were

HK\$1,998,769,803.79 (equivalent to RMB1,815,742,452.86). The aforesaid proceeds have been filed with the CSRC, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP, with a Capital Verification Report (De Shi Bao (Yan) Zi (24) No. 00030) issued in this regard.

As of 30 September 2025, the aforesaid proceeds of the Company have been fully utilized in accordance with the intended purposes, and the cumulative amount of proceeds utilized was HK\$1,998,769,803.79. The special account for depositing the proceeds has been cancelled, all of the interest income generated from the proceeds has been used for replenishment of the Company's working capital.

(III) Proceeds from the Issuance of A Shares to Specific Investor

Upon review and approval by the Shanghai Stock Exchange in the Notice on the Review Opinions Regarding the Issuance of Shares by Air China Limited to Specific Investor (《關於中國國際航空股份有限公司向特定對象發行股票審核意見的通知》), and approval by the CSRC in the Approval Regarding Registration of the Issuance of Shares to Specific Investor by Air China Limited (《關於同意中國國際航空股份有限公司向特定對象發行股票註冊的批覆》) (Zheng Jian Xu Ke [2024] No. 1562), Air China Limited (hereinafter referred to as the “**Company**”) issued 854,700,854 A Shares to specific investor at an issue price of RMB7.02 per share with par value of RMB1 each. China National Aviation Corporation (Group) Limited (hereinafter referred to as “**CNACG**”) subscribed for all A Shares issued by the Company in cash. The gross proceeds amounted to RMB5,999,999,995.08. After deducting underwriting and sponsorship fees of RMB1,000,000.00 (VAT inclusive), the Company actually received proceeds of RMB5,998,999,995.08. After deducting all issuance expenses (underwriting and sponsorship fees inclusive) of RMB4,158,363.63 (VAT exclusive), the actual net proceeds amounted to RMB5,995,841,631.45. All the aforesaid proceeds were credited to a designated account on 20 November 2024, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP, with a Capital Verification Report (De Shi Bao (Yan) Zi (24) No. 00225) issued in this regard.

As of 30 September 2025, the Company has cumulatively utilized RMB5,973,146,757.25 of the aforesaid proceeds for their intended purposes. The balance of the proceeds amounted to RMB29,910,724.79, details of which are as follows:

Currency Unit: RMB Yuan

Opening Bank	Account Number	Initial Deposit Amount	Balance as of 30 September 2025
Beijing Capital International Airport Branch of China Construction Bank Corporation	11050160510009888888	5,998,999,995.08	29,892,765.81
Beijing Wangjing Branch of the Industrial and Commercial Bank of China Ltd.	0200006029200089362	–	17,958.98

III. THE USE OF THE PREVIOUS PROCEEDS**(I) Statement of the Use of the Previous Proceeds**

For details of the use of the aforesaid proceeds as of 30 September 2025, please refer to Schedule I for the Statement of the Use of the Proceeds from the Non-public Issuance of A Shares, Schedule II for the Statement of the Use of the Proceeds from the Issuance of H Shares to Specific Investor and Schedule III for the Statement of the Use of the Proceeds from the Issuance of A Shares to Specific Investor.

(II) Explanation on Initial Investment and Replacement in respect of the Investment Projects Funded by the Previous Proceeds**1. Proceeds from the Non-public Issuance of A Shares**

The Resolution on the Replacement of Self-raised Funds with Proceeds from the Non-public Issuance (《關於使用非公開發行募集資金置換自籌資金的議案》) was considered and approved at the tenth meeting of the sixth session of the Supervisory Committee convened on 29 March 2023 and the eighteenth meeting of the sixth session of the Board of the Company convened on 30 March 2023, respectively, under which the Company was permitted to replace the self-raised funds previously invested in proceeds committed investment projects and used to settle issuance expenses with proceeds amounting to RMB2,593,320,020.31, which included the actual investment amount of RMB2,591,693,257.54 for the project of introducing 22 aircraft previously funded by self-raised funds in advance and the partial issuance expenses of RMB1,626,762.77 (VAT exclusive) paid previously.

Regarding the aforesaid, the independent directors of the Company have expressed their concurring independent opinions and the sponsor, CITIC Securities Company Limited, has issued the Verification Opinion on the Replacement of Initial Investment with Proceeds by Air China Limited (《關於中國國際航空股份有限公司使用募集資金置換先期投入的核查意見》). Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the special statement in relation to the aforesaid replacement of self-raised funds invested in advance in proceeds committed investment projects with proceeds and the issuance expenses paid by the Company, and issued the Audit Report on the Special Statement in relation to the Replacement of Self-raised Funds Invested in Advance in Proceeds Committed Investment Projects with Proceeds and the Issuance Expenses Paid by Air China Limited (De Shi Bao (He) Zi (23) No. E00008) (《關於中國國際航空股份有限公司以募集資金置換自籌資金預先投入募集資金承諾投資項目和已支付發行費用專項說明的審核報告》).

As of 30 September 2025, the Company had completed the aforesaid replacement of self-raised funds invested in advance with proceeds.

2. Proceeds from the Issuance of H Shares to Specific Investor

As of 30 September 2025, the proceeds of the Company have been fully utilized in accordance with the intended purposes, and the cumulative amount of proceeds utilized was HK\$1,998,769,803.79, and the special account for depositing the proceeds has been cancelled. All of interest income generated from the proceeds was used for replenishment of working capital of the Company.

3. Proceeds from the Issuance of A Shares to Specific Investor

The Resolution on the Replacement of Self-raised Funds with Proceeds from the Issuance to Specific Investor (《關於使用向特定對象發行募集資金置換自籌資金的議案》) was considered and approved at the thirtieth meeting of the sixth session of the Board and the twentieth meeting of the sixth session of the Supervisory Committee of the Company convened on 7 January 2025, under which the Company was permitted to replace the self-raised funds previously invested in targeted investment projects, including the actual investment amount of RMB2,136,478,307.64 for the project of introducing 17 aircraft previously funded by self-raised funds in advance, with the proceeds from the Issuance of A Shares to Specific Investors in 2023.

Regarding the aforesaid, the independent directors of the Company have expressed their concurring independent opinions and the sponsor, CITIC Securities Company Limited, has issued the Verification Opinion on the Replacement of Self-raised Funds Invested in Advance in Projects to be Invested with Proceeds by Air China Limited (《關於中國國際航空股份有限公司使用募集資金置換預先投入募投項目的自籌資金的核查意見》). Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the special statement of the Company in relation to the aforesaid replacement of self-raised funds invested in advance in proceeds committed investment projects and the issuance expenses paid with proceeds and the paid issuance expenses, and issued the Audit Report on the Special Statement in relation to the Replacement of Self-raised Funds Invested in Advance in Proceeds Committed Investment Projects with Proceeds (De Shi Bao (He) Zi (25) No. E00319) (《關於以募集資金置換自籌資金預先投入募集資金承諾投資項目專項說明的審核報告》).

As of 30 September 2025, the Company had completed the aforesaid replacement of self-raised funds invested in advance with proceeds.

IV. RECOGNITION OF REVENUE FROM INVESTMENT PROJECTS WITH THE PREVIOUS PROCEEDS

(I) Proceeds from the Non-public Issuance of A Shares

Following the receipt of the previous proceeds from A Shares, the proceeds have been used for introducing 22 aircraft and the replenishment of working capital of the Company. As the revenue of the Company is generated from the overall fleet operation, the specific revenue derived from the said project cannot be independently quantified.

(II) Proceeds from the Issuance of H Shares to Specific Investor

Following the receipt of the previous proceeds from H Shares, the proceeds have been used to replenish the working capital of the Company, the revenue derived from the said projects cannot be independently quantified.

(III) Proceeds from the Issuance of A Shares to Specific Investor

Following the receipt of the previous proceeds have been used for introducing 17 aircraft and the replenishment of working capital of the Company. As the revenue of the Company is generated from the overall fleet operation, the specific revenue derived from the said projects cannot be independently quantified.

V. UNUTILIZED PROCEEDS**(I) Proceeds from the Non-public Issuance of A Shares**

Nil.

(II) Proceeds from the Issuance of H Shares to Specific Investor

Nil.

(III) Proceeds from the Issuance of A Shares to Specific Investor

As of 30 September 2025, the Company had unutilized proceeds of RMB22,694,874.20. Subsequently, the Company will utilize the Previous Proceeds as planned.

Board of Air China Limited
30 October 2025

APPENDIX II**REPORT ON USE OF PROCEEDS FROM
PREVIOUS FUND-RAISING ACTIVITIES****SCHEDULE I:****STATEMENT OF THE USE OF THE PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES***Currency Unit: RMB0'000*

Total proceeds:						1,499,301.66				
Total proceeds with change in purposes:						Not applicable				
Proportion of total proceeds with change in purposes:						Not applicable				
Investment projects			Total investment amount of proceeds			Cumulative investment amount of proceeds as of 30 September 2025				Date on which the project is ready for its intended use (or project progress as at the closing date)
No.	Committed investment project	Actual investment project	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Difference between actual investment amount and committed investment amount after the fund raising	
1	The project of introducing 22 aircraft	The project of introducing 22 aircraft	1,079,301.66	1,079,301.66	1,079,301.66	1,079,301.66	1,079,301.66	1,079,301.66	-	Not applicable
2	Replenishing working capital	Replenishing working capital	420,000.00	420,000.00	420,000.00	420,000.00	420,000.00	420,000.00	-	Not applicable
Total			1,499,301.66	1,499,301.66	1,499,301.66	1,499,301.66	1,499,301.66	1,499,301.66	-	-

APPENDIX II**REPORT ON USE OF PROCEEDS FROM
PREVIOUS FUND-RAISING ACTIVITIES****SCHEDULE II:****STATEMENT OF THE USE OF THE PROCEEDS
FROM THE ISSUANCE OF H SHARES TO SPECIFIC INVESTOR***Currency Unit: HK\$0'000*

Total proceeds:						199,876.98				
Total proceeds with change in purposes:						Not applicable				
Proportion of total proceeds with change in purposes:						Not applicable				
Investment projects			Total investment amount of proceeds			Cumulative investment amount of proceeds as of 30 September 2025				Date on which the project is ready for its intended use (or project progress as at the closing date)
No.	Committed investment project	Actual investment project	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Difference between actual investment amount and committed investment amount after the fund raising	
1	Replenishing working capital	Replenishing working capital	199,876.98	199,876.98	199,876.98	199,876.98	199,876.98	199,876.98	-	Not applicable

APPENDIX II**REPORT ON USE OF PROCEEDS FROM
PREVIOUS FUND-RAISING ACTIVITIES****SCHEDULE III:****STATEMENT OF THE USE OF THE PROCEEDS FROM
THE ISSUANCE OF A SHARES TO SPECIFIC INVESTOR***Currency Unit: RMB0'000*

Total proceeds:						599,584.16				
Total proceeds with change in purposes:						Not applicable				
Proportion of total proceeds with change in purposes:						Not applicable				
Investment projects			Total investment amount of proceeds			Cumulative investment amount of proceeds as of 30 September 2025				Date on which the project is ready for its intended use (or project progress as at the closing date)
No.	Committed investment project	Actual investment project	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Committed investment amount prior to the fund raising	Committed investment amount after the fund raising	Actual investment amount	Difference between actual investment amount and committed investment amount after the fund raising	
1	The project of introducing 17 aircraft	The project of introducing 17 aircraft	419,584.16	419,584.16	417,314.68	419,584.16	419,584.16	417,314.68	(2,269.48)	Not applicable
2	Replenishing working capital	Replenishing working capital	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	-	Not applicable
Total			599,584.16	599,584.16	597,314.68	599,584.16	599,584.16	597,314.68	(2,269.48)	-

**APPENDIX III DILUTION OF THE COMPANY'S CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS IN 2025, THE
REMEDIAL MEASURES AND THE UNDERTAKINGS MADE BY THE RELEVANT ENTITIES IN RESPECT OF SUCH MEASURES**

The dilution of the Company's Current Return by the Issuance of Shares to Specific Investors in 2025, the Remedial Measures and the Undertakings Made by the Relevant Entities in respect of Such Measures is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The full version of the Dilution of the Company's Current Return by the Issuance of Shares to Specific Investors in 2025, the Remedial Measures and the Undertakings Made by the Relevant Entities in respect of Such Measures is as follows:

Important Note: the following analysis and description of the core financial indicators of Air China Limited following the Issuance of Shares to Specific Investors are prepared in accordance with the relevant laws and regulations of the CSRC. They do not constitute the Company's profit forecasts under the relevant laws and regulations of the CSRC. Investors should not rely solely on such analysis and description for their investment decisions. The Company shall not be held liable for any losses incurred by investors resulting from investment decisions made based thereon. The Company reminds investors that the formulation of return remedial measures does not guarantee the Company's future profits.

Pursuant to the relevant requirements of laws, regulations and normative documents, including the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Small and Medium Investors in the Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), Several Opinions on Strengthening Supervision, Preventing Risks and Promoting High-Quality Development of the Capital Market (Guo Fa [2024] No. 10) (《關於加強監管防範風險推動資本市場高質量發展的若干意見》) and the Guidelines on Matters concerning the Dilution of Current Return of the Initial Offering, Refinancing and Major Asset Restructuring (China Securities Regulatory Commission Notice [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), in order to protect the interests of minority investors, the Company carefully analyzed the dilution effect of matters relating to the Issuance of Shares to Specific Investors on current return, and proposed specific return remedial measures for the dilution of current return based on the actual situation. Meanwhile, the controlling shareholder of the Company and all the Directors and senior management of the Company make undertakings for the effective implementation of the remedial measures for the dilution of current return by the issuance of Shares to specific investors. The impacts of the dilution of current return by the issuance of Shares to specific investors on key financial indicators of the Company and the remedial measures taken by the Company are announced as follows:

**I. IMPACTS OF DILUTION OF CURRENT RETURN BY THE ISSUANCE OF SHARES TO
SPECIFIC INVESTORS ON THE KEY FINANCIAL INDICATORS OF THE COMPANY**

(I) Assumed conditions for the projected calculations of diluted current return

1. It is assumed that there are no significant adverse changes in the macro-economic environment, market conditions, industry policies, as well as production and operation of the Company and its subsidiaries.

2. It is assumed that the Issuance of A Shares to Specific Investors will be completed in June 2026, which, being an assumption and estimation, will only be used to calculate the impacts of the dilution of current return by the issuance of Shares to specific investors on key financial indicators, and does not constitute a commitment to the actual completion date, which is subject to the approval of the competent regulatory authority for the issuance.
3. Excluding the issuance expenses, it is assumed that the size of the Issuance of A Shares to Specific Investors is RMB20.00 billion.
4. The estimation of the total share capital of the Company is based on 17,448,421,000 shares in the total share capital as at the date of the announcement of the issuance plan, of which 789,854,000 shares are to be offset due to cross-shareholdings with Cathay Pacific and shall be deducted from the weighted average number of the outstanding ordinary shares of the Company in calculating the earnings per share. It is assumed that 3,044,140,030 A Shares will be issued. Except for the effect of the Issuance of A Shares to Specific Investors, no other factors, such as bonus shares and conversion of capital reserve into share capital, are taken into account for changes in share capital. This assumption is solely used for calculating the impact of the issuance on the earnings per share of the Company, and does not represent the Company's judgement on the number of Shares to be issued, which is subject to the actual number of Shares to be issued.
5. According to the unaudited financial data, the net profit attributable to owners of the parent company for the period from January to September 2025 was RMB1,869.84 million, and the net profit attributable to owners of the parent company after deducting non-recurring profits and losses was RMB1,644.02 million. If no significant operation risks will arise and without considering seasonal variations, it is assumed that the net profit attributable to owners of the parent company both before and after deducting non-recurring profits and losses in the Company's annual consolidated financial statements for 2025 will be calculated based on the annualized data for the period from January to September 2025. The above estimation does not represent the Company's profit forecast for 2025 and shall not be relied upon by investors in making investment decisions. The Company assumes no responsibility for any losses incurred by investors as a result of relying on such estimation in making investment decisions.

It is assumed that the net profit attributable to Shareholders of the listed Company and the net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses in 2026 will be estimated based on three scenarios, namely decrease by 30%, remaining unchanged and increase by 30% on the basis of the annual forecast data in 2025, respectively. Such assumption and analysis is solely used for estimating the impact of the dilution of current return by the Issuance on the key financial indicators of the Company and does not constitute a profit forecast of the Company, and shall not be relied upon by investors in making investment decisions. The Company assumes no responsibility for any losses incurred by investors as a result of relying on such estimation in making investment decisions.

APPENDIX III DILUTION OF THE COMPANY'S CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS IN 2025, THE REMEDIAL MEASURES AND THE UNDERTAKINGS MADE BY THE RELEVANT ENTITIES IN RESPECT OF SUCH MEASURES

6. No consideration is given to the impacts on the production and operation, financial conditions (such as finance costs, investment income), etc., of the Company upon the receipt of proceeds from the issuance of Shares to specific investors. This estimation takes in no consideration of the impacts of the cash dividends of the Company.

(II) Impacts on the key indicators of the Company

Under the premise of the above assumptions, the estimated impacts of the issuance of Shares to specific investors on the key financial indicators of the Company are as follows:

Items	31 December 2025/ year 2025 (E)	31 December 2026/year 2026 (E)	
		Before the Issuance of A Shares to Specific Investors	After the Issuance of A Shares to Specific Investors
Scenario 1: Net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring profits and losses in 2026 decrease by 30% as compared to the previous year			
Total share capital (10,000 shares) (Note 1)	1,665,857	1,665,857	2,049,256
Net profit attributable to Shareholders of the listed Company (RMB10,000)	249,311	174,518	174,518
Net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses (RMB10,000)	219,203	153,442	153,442
Basic earnings per share (RMB/share)	0.15	0.10	0.10
Basic earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.09	0.08
Diluted earnings per share (RMB/share)	0.15	0.10	0.10
Diluted earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.09	0.08
Scenario 2: Net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring profits and losses in 2026 remaining unchanged as that of the previous year			
Total share capital (10,000 shares) (Note 1)	1,665,857	1,665,857	2,049,256
Net profit attributable to Shareholders of the listed Company (RMB10,000)	249,311	249,311	249,311
Net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses (RMB10,000)	219,203	219,203	219,203
Basic earnings per share (RMB/share)	0.15	0.15	0.14

APPENDIX III DILUTION OF THE COMPANY'S CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS IN 2025, THE REMEDIAL MEASURES AND THE UNDERTAKINGS MADE BY THE RELEVANT ENTITIES IN RESPECT OF SUCH MEASURES

Items	31 December 2025/ year 2025 (E)	31 December 2026/year 2026 (E)	
		Before the Issuance of A Shares to Specific Investors	After the Issuance of A Shares to Specific Investors
Basic earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.13	0.12
Diluted earnings per share (RMB/share)	0.15	0.15	0.14
Diluted earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.13	0.12
Scenario 3: Net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring profits and losses in 2026 increase by 30% as compared to the previous year			
Total share capital (10,000 shares) (<i>Note 1</i>)	1,665,857	1,665,857	2,049,256
Net profit attributable to Shareholders of the listed Company (RMB10,000)	249,311	324,105	324,105
Net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses (RMB10,000)	219,203	284,964	284,964
Basic earnings per share (RMB/share)	0.15	0.19	0.18
Basic earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.17	0.16
Diluted earnings per share (RMB/share)	0.15	0.19	0.18
Diluted earnings per share (after deducting non-recurring profits and losses) (RMB/share)	0.13	0.17	0.16

Note 1: As of the date of the announcement of the preliminary proposal, the total share capital of the Company was 17,448,421,000 shares, of which 789,854,000 shares are offset due to cross shareholdings with Cathay Pacific and shall be deducted from the weighted average number of the outstanding ordinary shares of the Company in calculating the earnings per share.

Note 2: Basic earnings per share and diluted earnings per share are calculated in accordance with the “Compilation Rules for Information Disclosure of Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share”.

II. SPECIAL RISK WARNING ON DILUTION OF CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS

After the completion of the issuance of Shares to specific investors, the total share capital and net assets of the Company will increase, which will help to enhance the Company’s risk resistance capability and thus achieve its strategic goals, however, the use of proceeds and the realization of the relevant benefits will take a certain period of time. Where both the total share capital and net assets of the Company increase,

there may still be a risk that the issuance may dilute the Company's current return for the year of its completion if its profit does not record a corresponding growth. In addition, once there is any significant change in the assumed conditions of the above analysis or the operation of the Company, we cannot rule out the possibility that the issuance may result in changes in the dilution of current return.

The Company hereby reminds investors to invest rationally and pay attention to the risks that the issuance may dilute the current return. In the medium to long-run, with the full utilization of the raised proceeds and further development of the principal business, the Company's ability to sustain its profitability and core competence will be further enhanced, which will in turn boost the Company's indicators including earnings per share and return on net assets.

III. RELATIONSHIP BETWEEN THE PROCEEDS-FUNDED INVESTMENT PROJECTS AND THE EXISTING BUSINESSES OF THE COMPANY AND THE COMPANY'S RESERVE STATUS OF, AMONG OTHERS, PERSONNEL, TECHNOLOGIES AND MARKETS INVOLVED IN THESE PROJECTS

(I) Investment projects funded by proceeds from the Issuance of A Shares to Specific Investors

The gross proceeds from the Issuance of A Shares to Specific Investors by the Company shall be not more than RMB20.00 billion (inclusive). It is intended that the net proceeds after deducting the relevant issuance expenses shall be used for debt repayment and working capital replenishment in full.

(II) Relationship between the proceeds-funded investment projects and the existing businesses of the Company, and reserve status of, among others, personnel, technologies and markets of the Company involved in proceeds-funded investment projects

It is intended that the proceeds from the Issuance after deducting the relevant issuance expenses shall be used for debt repayment and working capital replenishment in full. The proceeds, upon receipt, will enable the Company to further improve its capital strength and financial resilience, control the scale of its interest-bearing liabilities, improve the listed company's balance sheet, optimize the Company's capital structure and enhance the Company's risk resistance capability. These proceeds-funded investment projects do not involve specific investment projects and the Company's reserve in terms of personnel, technologies or markets for the relevant projects.

IV. SPECIFIC REMEDIAL MEASURES FOR DILUTION OF CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS

In order to protect the interests of general investors and reduce the impact of the possible dilution of current return by the issuance of Shares to specific investors, the Company intends to adopt various measures to prevent the risk of dilution of current return and achieve sustainable business development of the Company, so as to maximize future earnings. The specific measures the Company intends to take are as follows:

(I) Enhance operation management and internal control to improve operation efficiency and profitability

Centering on its development objective to “accelerate the building of a world-class aviation transportation group with global competitiveness”, the Company will adhere to the four strategic directions of “hub network, balanced development of cargo and passenger services, leadership in costs and brand strategy”, and focus on such key areas including safety management enhancement, market layout optimization, resource structure adjustment, product service upgrade, digital innovation development, green and low-carbon development, and promote work implementation. The Company will consider the following as the key priorities of its future operation: firmly root the concept of safe development; accelerate the upgrade of the quality and efficiency of core business operations, and continuously enhance profitability; continuously strengthen strategic support capabilities; fully enhance the passenger service experience, striving to build brand advantages; and comprehensively strengthen the Party’s leadership and Party building.

(II) Enhance the management and usage of the proceeds to prevent the risks in connection with the use of proceeds

Upon the completion of the issuance of Shares to specific investors, pursuant to the Regulatory Rules for Proceeds of Listed Companies (CSRC Announcement [2025] No.10) (《上市公司募集資金監管規則》(證監會公告[2025]10號)), the Self-discipline Regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 1 – Standard Operation) (Shang Zheng Fa [2025] No. 68) (《上海證券交易所上市公司自律監管指引第1號－規範運作》(上證發[2025]68號)), the Use of Proceeds and Management System (《募集資金使用與管理制度》) of the Company, as well as resolutions of the Board of the Company, the Company will open a special-purpose account for the proceeds from the Issuance of Shares to Specific Investors. The Company, the account-opening bank and the sponsor will enter into a tripartite supervision agreement for proceeds, pursuant to which, the sponsor, the account-opening bank and the Company shall jointly manage the proceeds, and regularly examine the circumstances related to the deposit and use of proceeds to ensure the reasonable and compliant use of proceeds.

(III) Continuously improve corporate governance to provide an institutional safeguard for the development of the Company

The Company will strictly comply with the requirements of the Company Law, the Securities Law, the Rules Governing the Listing of Stocks and other relevant laws, regulations and normative documents, continuously improve the corporate governance structure, and ensure that Shareholders can fully exercise their rights, that the Board can exercise its functions and powers in accordance with the provisions of laws, regulations and the Articles of Association, make scientific, prompt and prudent decisions, and ensure that independent Directors can earnestly perform their duties. The Company will safeguard its overall interests, especially the legitimate rights and interests of minority Shareholders, and ensure that the Audit and Risk Management Committee (the Supervision Committee) can independently and effectively exercise the right to supervise and inspect the Directors, managers and other senior managers and the Company’s finance, so as to provide an institutional safeguard for the development of the Company.

(IV) Improve the profit distribution system to ensure the continuity and stability of the mechanism of return to investors

The Company will strictly comply with the requirements of the Company Law, the Securities Law as well as other relevant laws, regulations and normative documents to give full consideration to its return to the Shareholders, while balancing the Company's development in the long run, the interests of all Shareholders as a whole and the Company's sustainable development, with a view to maintaining the continuity and stability of its profit distribution policy and persisting to creating long-term value for the Shareholders.

The Company notes to the investors that the formulation of the return remedial measures does not constitute a guarantee of the Company's future profits. The Company will continue to disclose the completion status of the current return remedial measures and the performance of the undertakings by the relevant undertaking entities in the subsequent regular reports.

Given the above, upon completion of the issuance of Shares to specific investors, the Company will strengthen the internal management, consolidate its main business, rationally regulate the use of the raised proceeds, improve the fund utilization efficiency, take various measures to continuously improve operating performance. When the conditions for profit distribution are met, the Company will actively promote the profit distribution to shareholders to ensure the continuity and stability of the Company's profit distribution policy, so as to improve the Company's ability to provide returns to its investors, and effectively reduce the risks faced by the Shareholders in connection with the dilution of current return.

V. UNDERTAKINGS TO ENSURE THE EFFECTIVE IMPLEMENTATION OF CURRENT RETURN REMEDIAL MEASURES FOR THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS BY THE COMPANY

(I) Undertakings made by the Directors and the senior management of the Company

To secure the effective implementation of the remedial measures for the dilution of current return upon completion of the issuance of the Company, the Directors and the senior management of the Company make the following undertakings:

- “1. I hereby undertake to discharge my duties faithfully and diligently, and protect the legitimate interests of the Company and all Shareholders;
2. I hereby undertake not to transfer any benefits to other entities or individuals unconditionally or unfairly nor otherwise take any actions that damage the interests of the Company;
3. I hereby undertake that my own expenditures during my performance of duties shall be restrained;

4. I hereby undertake not to use any assets of the Company for any investment or expenditure which is unrelated to the performance of my duties;
5. I hereby undertake to, within the scope of my duties and authority, promote the remuneration policy formulated by the Board or the remuneration committee to be in conjunction with the implementation of the return remedial measures of the Company;
6. I hereby undertake to, within the scope of my duties and authority, promote the conditions of the proposed share incentive plan of the Company to be in conjunction with the implementation of the return remedial measures of the Company if the Company intends to implement any share incentive plan in the future;
7. I hereby undertake to make any supplemental undertakings in accordance with the latest requirements of the CSRC if the above undertakings are not able to meet other new regulatory requirements of the CSRC issued in respect of the return remedial measures and related undertakings after the date of making these undertakings and prior to the completion of the Issuance of Shares to Specific Investors by the Company;
8. I hereby undertake to earnestly implement the relevant return remedial measures formulated by the Company and to perform my undertakings made in respect of such. If I violate the above undertakings and cause losses to the Company or investors, I willingly undertake to assume the corresponding legal liabilities.”

(II) Undertakings made by the controlling shareholder of the Company

To secure the effective implementation of the remedial measures for the dilution of current return upon completion of the issuance of the Company, CNAHC, being the controlling shareholder of the Company, makes the following undertakings pursuant to relevant requirements of the CSRC:

- “1. We will strictly comply with laws and regulations and relevant regulatory rules of the CSRC and the Shanghai Stock Exchange, will not exceed its authority to intervene in the operation and management activities of the listed company and will not infringe the interests of the listed company;
2. We undertake to make supplemental undertakings in due time and in accordance with the latest requirements of the CSRC if the above undertakings are not able to fulfill other new regulatory requirements of the CSRC issued in respect of the return remedial measures and related undertakings after the date of making these undertakings and prior to the completion of the Issuance of Shares to Specific Investors;
3. We undertake to earnestly implement the relevant return remedial measures formulated by the listed company and to perform any undertakings made by us in respect of the relevant return remedial measures. If we violate such undertakings and cause losses to the listed company or investors, we willingly undertake to indemnify the Company or investors in respect of any losses incurred in accordance with the laws;

4. As one of the relevant responsible entities of the return remedial measures, if we violate the above undertakings or refuses to perform such undertakings, we accept that relevant securities regulatory authorities such as the CSRC and the Shanghai Stock Exchange may impose relevant punishments or adopt relevant regulatory measures against it pursuant to relevant requirements and rules formulated or issued by such authorities.”

VI. PROCEDURES OF CONSIDERATION FOR THE REMEDIAL MEASURES FOR DILUTION OF CURRENT RETURN BY THE ISSUANCE OF SHARES TO SPECIFIC INVESTORS AND THE UNDERTAKINGS THEREFOR

The analysis of the dilution of current return by the issuance of Shares to specific investors by the Company, the current return remedial measures and the undertakings by the relevant undertaking entities, among other matters, have been considered and approved at the ninth meeting of the seventh session of the Board of the Company, and are subject to consideration and deliberation at the shareholders’ meeting of the Company. Prior to the submission to the Board of the Company for its consideration, the above matters have been considered and approved at the seventh meeting of the Audit and Risk Management Committee (the Supervision Committee) of the seventh session of the Board of the Company, as well as at the fourth special meeting of independent directors of the seventh session of the Board of the Company.

The Company will continue to disclose the implementation circumstances of the undertakings by the relevant undertaking entities in the periodic reports.

The Board of Directors of Air China Limited
Beijing, the PRC, 30 October 2025

The Future Plan for Dividend Return to the Shareholders for the Coming Three Years (2025-2027) of Air China Limited is written in Chinese, with no official English translation. The English translation is provided solely for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The full version of the Future Plan for Dividend Return to the Shareholders for the Coming Three Years (2025-2027) of Air China Limited is as follows:

In order to improve and enhance the shareholder return and dividend distribution systems of Air China Limited (hereinafter referred to as the “**Company**”), establish a scientific, sustainable and stable decision-making and monitoring mechanism for dividend distribution, as well as guiding investors in pursuing long-term investment and reasonable investment principles, the Board of the Company has, taking into account the actual situation of the Company, formulated the Future Plan for Dividend Return to the Shareholders for the Coming Three Years (2025-2027) of Air China Limited (《中國國際航空股份有限公司未來三年(2025-2027年)股東分紅回報規劃》) (hereinafter referred to as the “**Plan**”) according to the requirements of the relevant documents such as Regulatory Guidelines on Listed Companies No. 3 – Cash Dividends of Listed Companies (《上市公司監管指引3號——上市公司現金分紅》), and the Articles of Association of Air China Limited (hereinafter referred to as the “**Articles of Association**”). Details of the Plan are as follows:

I. FACTORS CONSIDERED BY THE COMPANY IN THE FORMULATION OF THE PLAN

In order to achieve long-term and sustainable development, the Company considers various factors, such as the actual circumstances and development goals of the Company, wishes and desires of the shareholders, external financing costs, financing environment, together with the profit scale, cash flows, stage of development and current capital requirements, so as to achieve a balance between the short-term benefits and long-term returns of the shareholders. It has also established a sustainable, stable and scientific return plan and mechanism for investors and set up distinct systematic arrangements for profit distribution of the Company in order to ensure the continuity and stability of its profit distribution policy.

II. PRINCIPLES IN THE FORMULATION OF THE PLAN

The Plan was formulated in accordance with laws, regulations and normative documents, including the Company Law of the People’s Republic of China, and the Articles of Association. The Company implements a sustainable and stable profit distribution policy, while taking full account of the opinions of the shareholders, especially the minority shareholders and independent directors. As for profit distribution, the Company places emphasis on reasonable investment returns for investors, while taking into account its sustainable development. Provided that the requirements of the Company’s production operations and sustainable development for funds are satisfied, priority shall be given to the distribution of cash dividends. The Company’s comprehensive cash dividend system maintains the consistency, rationality and stability of the cash dividend policy. Meanwhile, based on the current situation of the Company’s operation and business development goals, the Company shall give due consideration to the use of retained earnings after distributing cash dividends and its own funds so as to ensure further stable growth of operation and long-term investment returns for shareholders in the future.

**III. DETAILS OF THE FUTURE PLAN FOR DIVIDEND RETURN TO THE SHAREHOLDERS
FOR THE COMING THREE YEARS (2025-2027)****(1) Profit distribution method of the Company**

The Company shall distribute dividends by way of cash, shares or a combination of cash and shares, or in other forms as permitted by laws, administrative regulations, departmental rules and regulatory rules of the places where the Company is listed. The Company shall give priority to dividend distribution by way of cash dividends according to the actual circumstances.

The Company may, when operating well, propose the dividend distribution plan by way of shares if the conditions for cash dividend distribution are satisfied, with the Board of Directors considering that the Company's share price is not compatible with the share capital scale of the Company and that the distribution of share dividends is in the interest of all shareholders of the Company as a whole. Having taken full account of the return to investors, the Company may distribute dividends to the shareholders on an annual basis in a fixed proportion out of the distributable profit realised for that year as shown in the financial statements of the parent company. The Company may distribute interim profit where the relevant conditions are satisfied.

(2) Profit distribution conditions and proportion***1. Specific conditions, proportion and time interval for distribution of cash dividends***

Except for special circumstances, if the distributable profit (meaning the profits after covering losses, appropriating reserves and deducting other items from the after-tax profits as approved by the relevant state departments in accordance with the Articles of Association) achieved for the year as shown in the financial statements of the parent company prepared in accordance with applicable domestic and foreign accounting standards and regulations is positive, the Company shall adopt the cash dividend distribution method and distribute not less than 15% of the applicable distributable profit in cash each year.

The applicable distributable profits represent the distributable profits in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and rules, whichever is lower.

Special circumstances refer to occasions where the Board of Directors opines that the ongoing operation and long-term development of the Company would be affected by the cash dividends distribution.

Provided the abovementioned conditions for the distribution of cash dividends are satisfied, the Company shall generally distribute cash dividends once a year. The Board of Directors of the Company can propose the annual shareholders' meeting to consider and approve the conditions of the distribution of interim cash dividend, the proportional limits, and the cap amount, etc. for the subsequent year according to the Company's status in terms of profitability and capital needs, and the board of directors shall formulate a specific interim

dividend plan based on the resolution of the annual shareholders' meeting, and distribute interim cash dividend, provided that the conditions for profit distribution are met. The maximum amount of interim dividend distribution of the Company shall not exceed the net profit attributable to shareholders of the Company for the corresponding period.

2. *Conditions for distribution of stock dividends*

The Company may propose a stock dividend distribution plan when the aforesaid conditions for cash dividend distribution are satisfied and as the Company is operating well, the Board of Directors considers that the Company's stock price is not compatible with the equity scale of the Company and that the distribution of stock dividends is in the interest of all shareholders of the Company as a whole.

3. *Differentiated cash dividend policy*

For the next three years, with the following circumstances identified, the Board of Directors of the Company shall propose a differentiated cash dividend policy after making an overall consideration of various factors, such as the characteristics of the industry in which the Company operates, the stage of development, its business model, profitability, solvency, whether significant capital expenditure arrangements exist and return to investors, in accordance with the procedures stipulated in the Articles of Association:

- (1) where the Company is in a mature stage of development without significant capital expenditure arrangements, when distributing profits, cash dividends shall account for a minimum of 80% of the profits to be distributed;
- (2) where the Company is in a mature stage of development with significant capital expenditure arrangements, when distributing profits, cash dividends shall account for a minimum of 40% of the profits to be distributed;
- (3) where the Company is in a growth stage of development with significant capital expenditure arrangements, when distributing profits, cash dividends shall account for a minimum of 20% of the profits to be distributed;

if it is not easy to identify the Company's stage of development but significant capital expenditure arrangements exist, profit distribution may be made in accordance with the preceding paragraph (3).

The stage in which the Company is situated at the time of actual distribution of dividends shall be determined by the Board of Directors of the Company according to the specific circumstances.

(3) Profit distribution plan review procedures

The Company's dividend distribution proposal prepared by the Company's management shall be submitted to the Audit and Risk Management Committee (the Supervision Committee) and the Board of Directors for consideration. The Board of Directors shall discuss fully the rationality of the profit distribution proposal and shall, after making a special resolution, submit the proposal to the shareholders' meeting for consideration.

When formulating the specific proposal for cash dividends, the Board of Directors shall carefully examine and deliberate various matters, such as the timing, conditions, minimum proportion, conditions for adjustment and requirements of its decision-making process in respect of the Company's distribution of cash dividends.

Should independent directors believe that the specific plan for distribution of cash dividends may prejudice the interests of the Company or minority shareholders, they have the right to express an independent opinion. If the Board does not adopt or only partially adopts the opinions of independent directors, the independent directors' opinions and the specific reasons for not adopting them shall be included in the Board resolution and be disclosed.

Where the Company deems it necessary to adjust or amend the cash dividends policy as determined in the Articles of Association under the special circumstances as prescribed in Article 174 of the Articles of Association, the Board of Directors shall conduct a detailed verification of the specific reasons for such adjustment or amendment, the exact purpose for the retained profit of the Company and the projected investment return. The Board of Directors shall then follow the corresponding decision-making procedures, and the adjustment or amendment shall be approved by at least two-thirds of the voting rights held by the shareholders attending the shareholders' meeting.

Before the specific plan for distribution of cash dividends is considered at the shareholders' meeting, the Company shall proactively engage with the shareholders, particularly the minority shareholders, through various channels. It shall fully consider the opinions and requests of the minority shareholders and timely address their questions of concern.

IV. FORMULATION OF AND ADJUSTMENTS TO THE SHAREHOLDER RETURN PLAN

- (1) The Company shall formulate and adjust the shareholder return plan in accordance with the requirements of laws, regulations, normative documents and regulatory authorities, as well as the actual circumstances of the Company and the opinions of the shareholders (especially small and medium shareholders).
- (2) Having taken full account of the profit scale, cash flow, stage of development and current capital requirements of the Company, as well as the opinions of the shareholders (especially small and medium shareholders), the Company shall formulate the shareholder return plan, while the Board of Directors shall review and deliberate matters relating to shareholder returns, and the plan will be submitted to the shareholders' meeting for consideration and approval.

- (3) If it is really necessary for the Company to adjust its established shareholder return plan due to the external business environment or the Company's business needs, the Board of Directors shall discuss in detail the reasons for such adjustment, and compile a discussion report, which shall be submitted to the shareholders' general meeting for approval by way of special resolution. In considering any changes to the dividend distribution policy, the Company may take the initiative in communicating and exchanging opinions with the shareholders, especially small and medium shareholders, through various channels (e.g. online voting and inviting small and medium shareholders to meetings) to fully listen to their views and appeals, and give a timely reply to their questions of concern.

V. OTHER MATTERS IN RELATION TO THE PLAN

- (1) The Plan shall be effective from the date of consideration and approval at a shareholders' general meeting of the Company, and these provisions shall apply likewise to any revisions to the Plan.
- (2) Any matters not covered herein shall be handled in accordance with the requirements of relevant laws and regulations as well as normative documents and the Articles of Association.
- (3) The Plan shall be construed by the Board of Directors of the Company.

Air China Limited

30 October 2025

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Hong Kong Stock Exchange pursuant to the SFO, or were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notifiable to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, none of the Directors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors of the Company was materially interested in any contract or arrangement which is significant in relation to the business of the Group and subsisting as at the Latest Practicable Date.

Mr. Patrick Healy, a non-executive Director, is concurrently the chairman and an executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,633,725,455 H Shares of the Company (representing approximately 15.09% of the total issued shares of the Company) as at the Latest Practicable Date. Mr. Wang Mingyuan, an executive Director, is concurrently non-executive director of Cathay Pacific. Cathay Pacific competes or is likely to compete either directly or indirectly with some aspects of the business of the Company as it operates airline services to certain destinations, which are also served by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company and their respective close associates (as defined in the Hong Kong Listing Rules) had any competing interests which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors were aware, the following persons (not being a Director or chief executive of the Company or their associate) had an interest or short position (if any) in the Shares or the underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Type of interests	Type and number of shares held	Approximate percentage of the total number of Shares in issue	Percentage of the total issued A Shares of the Company	Percentage of the total issued H Shares of the Company
CNAHC	Beneficial owner	7,421,462,701 (L) A Shares	42.53%	59.41%	–
CNAHC ⁽¹⁾	Equity attributable	1,332,482,920 (L) A Shares	7.64%	10.67%	–
CNAHC ⁽¹⁾	Equity attributable	616,779,308 (L) H Shares	3.54%	–	12.45%
CNACG	Beneficial owner	1,332,482,920 (L) A Shares	7.64%	10.67%	–
CNACG	Beneficial owner	616,779,308 (L) H Shares	3.54%	–	12.45%
Cathay Pacific	Beneficial owner	2,633,725,455 (L) H Shares	15.09%	–	53.15%
Swire Pacific Limited ⁽²⁾	Equity attributable	2,633,725,455 (L) H Shares	15.09%	–	53.15%
John Swire & Sons (H.K.) Limited ⁽²⁾	Equity attributable	2,633,725,455 (L) H Shares	15.09%	–	53.15%
John Swire & Sons Limited ⁽²⁾	Equity attributable	2,633,725,455 (L) H Shares	15.09%	–	53.15%

Notes:

- (1) By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 616,779,308 H Shares directly held by CNACG.

- (2) By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 64.45% equity interest and 70.97% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 43.11% interest in Cathay Pacific as at the Latest Practicable Date, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H Shares of the Company directly held by Cathay Pacific.
- (3) The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, no other persons (not being a Director or chief executive of the Company or their associate) had any interest or short position (if any) in the Shares or the underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

4. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' employment with substantial Shareholders (holding interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO) as at the Latest Practicable Date:

Mr. Liu Tiexiang, an executive Director, the chairman of the Board and the member of the Party Committee, member of the Standing Committee and the secretary of the Party Committee of the Company, serves as the chairman and secretary of the Party Leadership Group of CNAHC.

Mr. Wang Mingyuan, an executive Director, the vice chairman of the Board, the president and the deputy secretary of the Party Committee of the Company, serves as a director, the general manager, a member of the Party Leadership Group and the deputy secretary of the Party Leadership Group of CNAHC. He is also a non-executive director of Cathay Pacific.

Mr. Cui Xiaofeng, a non-executive Director of the Company, is a director, a member of the Party Leadership Group and the deputy secretary of the Party Leadership Group of CNAHC.

Mr. Patrick Healy, a non-executive Director of the Company, is the chairman of the board of directors and an executive director of Cathay Pacific, a director of Swire Pacific Limited, and a director of John Swire & Sons (H.K.) Limited.

Mr. Xiao Peng, the employee representative Director of the Company, serves as the employee representative director of CNAHC.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there has been no material adverse change in the Group's financial or trading position since 31 December 2024, being the date to which the latest published audited financial statements of the Group have been made up.

7. LITIGATION

As at the Latest Practical Date, the Company was not involved in any significant litigation or arbitration and to the knowledge of the Company, there were no litigation or claims of material importance pending or threatened against any member of the Group.

8. EXPERT

The following is the qualification of the expert who has given its opinions or advices, which are contained in this circular:

Name	Qualification
BaoQiao Partners	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
a.	As at the Latest Practicable Date, BaoQiao Partners did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up);
b.	As at the Latest Practicable Date, BaoQiao Partners was not beneficially interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
c.	BaoQiao Partners has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and the references to its name, logo and qualification included herein in the form and context in which they respectively appear. The letter and recommendation from BaoQiao Partners are given as of the date of this circular for incorporation herein.

9. MISCELLANEOUS

- a. The company secretary of the Company is Mr. Xiao Feng.
- b. The registered address of the Company is at 1st Floor – 9th Floor 101, Building 1, 30 Tianzhu Road, Shunyi District, Beijing, the PRC. The head office of the Company is at No. 30 Tianzhu Road, Shunyi District, Beijing, the PRC.

- c. The H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, the address of which is Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.airchina.com.cn) for a period of 14 days from the date of this circular:

- a. the Subscription Agreement; and
- b. this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Air China Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 16 December 2025 at The Conference Room C713, No. 30 Tianzhu Road, Shunyi District, Beijing, the PRC to consider and, if thought fit, to pass the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 28 November 2025.

1. To consider and approve the resolution in relation to the satisfaction of the Company of the conditions for the Issuance of A Shares to Specific Investors.
2. To consider and approve the resolution in relation to the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025.
 - 2.1 type and par value of Shares issued
 - 2.2 method and time of issuance
 - 2.3 subscribers and method of subscription
 - 2.4 issue price and pricing method
 - 2.5 number of issuance
 - 2.6 lock-up arrangement
 - 2.7 listing venue
 - 2.8 arrangement relating to the accumulated undistributed profits prior to the Issuance
 - 2.9 amount and use of proceeds
 - 2.10 validity period of the resolution on the Issuance

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. To consider and approve the resolution in relation to the preliminary proposal of the Issuance of A Shares to Specific Investors by the Company in 2025.
4. To consider and approve the resolution in relation to the discussion and analysis report on the proposal of the Issuance of A Shares to Specific Investors by the Company in 2025.
5. To consider and approve the resolution in relation to the feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Investors by the Company in 2025.
6. To consider and approve the resolution in relation to the related (connected) transaction concerning the entering into of the conditional A share subscription agreement with specific investors by the Company.
7. To consider and approve the resolution in relation to the report on use of proceeds from previous fund-raising activities of the Company.
8. To consider and approve the resolution in relation to the dilution of the Company's current return by the Issuance of Shares to Specific Investors in 2025, the remedial measures and the undertakings made by the relevant entities in respect of such measures.
9. To consider and approve the resolution in relation to the future plan of the Company for dividend returns to the Shareholders for the coming three years (2025 - 2027).
10. To consider and approve the resolution in relation to the authorization by the Shareholders' meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of the Issuance of Shares to Specific Investors by the Company in their sole discretion.

The above resolutions No. 1, No. 7, No. 8 and No. 9 are ordinary resolutions; the remaining resolutions are special resolutions.

By Order of the Board
Air China Limited
Xiao Feng
Company Secretary

Beijing, the PRC, 28 November 2025

As at the date of this notice, the directors of the Company are Mr. Liu Tiexiang, Mr. Wang Mingyuan, Mr. Cui Xiaofeng, Mr. Patrick Healy, Mr. Xiao Peng, Mr. Xu Niansha, Mr. He Yun*, Ms. Winnie Tam Wan-chi* and Mr. Gao Chunlei*.*

* *Independent non-executive director of the Company*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Closure of register of members and eligibility for attending and voting at the EGM

The register of members of H shares of the Company will be closed from Thursday, 11 December 2025 to Tuesday, 16 December 2025 (both days inclusive), during which time no transfer of H shares of the Company will be effected and registered. In order to qualify for attendance and voting at the EGM, H Shareholders must lodge the instruments of transfer accompanied by share certificates and other appropriate documents with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by 4:30 p.m. on Wednesday, 10 December 2025.

H Shareholders whose names appear on the register of members of H shares of the Company at the close of business on Wednesday, 10 December 2025 are entitled to attend and vote at the EGM.

2. Proxy

Every Shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his/her behalf at the EGM.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointor or his attorney duly authorized in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorized in writing. The instrument appointing the proxy for holders of H Shares shall be deposited at the Company's H share registrar not less than 24 hours before the time specified for the holding of the EGM (or any adjournment thereof). If the instrument appointing the proxy is signed by a person authorized by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarized. The notarized power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H share registrar.

3. Other businesses

- (i) The EGM is expected to last for no more than a half of a business day. Shareholders and proxies attending the meeting shall be responsible for their own traveling and accommodation expenses.
- (ii) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong
Tel No.: (852) 2862 8628
Fax No.: (852) 2865 0990