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Air China Ld
30 July 2025

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中國國際航空股份有限公司
AIR CHINA LIMITED

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

(Stock Code: 00753)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF TARGET ASSETS

On 29 July 2025, the Company (as the Seller) entered into the Engine Sale and Purchase Agreement with Air China Cargo (as the Purchaser), pursuant to which the Company agreed to sell the Target Assets to Air China Cargo.

Air China Cargo is a subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company. The transaction contemplated under the Engine Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable Percentage Ratios for the transaction contemplated under the Engine Sale and Purchase Agreement are higher than 0.1% but all applicable Percentage Ratios are lower than 5%, the above transaction is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

On 29 July 2025, the Company (as the Seller) entered into the Engine Sale and Purchase Agreement with Air China Cargo (as the Purchaser), pursuant to which the Company agreed to sell the Target Assets to Air China Cargo.

II. THE ENGINE SALE AND PURCHASE AGREEMENT

Principal terms of the Engine Sale and Purchase Agreement are as follows:

Date: 29 July 2025

Parties: (i) The Company (as the Seller)
(ii) Air China Cargo (as the Purchaser)

Target Assets: two Trent700 spare engines and one GTCP331-350 spare APU. The serial numbers of the two Trent700 spare engines are 41413 and 41422, which were manufactured in November and September 2006, respectively. The two Trent700 spare engines have both undergone overhauls. As of the Valuation Reference Date, the remaining service cycles for spare engine 41413 and spare engine 41422 were 5,255 times and 3,991 times, respectively. The APU was introduced with the aircraft in April 2011, with a serial number of P1293, and had undergone an overhaul as at the Valuation Reference Date.

Consideration: The Consideration for the disposal of the Target Assets shall be RMB151.4405 million (tax exclusive). Any value-added tax and other related taxes incurred during the transaction shall be borne by each party to the transaction respectively.

The Consideration is determined upon arm's length negotiations between the parties, with reference to the appraised market value of the Target Assets, which was valued by China United Assets Appraisal Group Co., Ltd., an independent valuer, at RMB151.4405 million as of the Valuation Reference Date using the cost approach.

The unaudited net book value of the two Trent700 spare engines as of 30 June 2025 was RMB150.8394 million. The APU was introduced with the aircraft, with no carrying value. The Target Assets do not have identifiable income.

For further details regarding the valuation, please refer to Appendix I to this announcement.

Conditions Precedent: The Disposal is conditional upon the fulfillment or waiver by the relevant parties of certain conditions precedent as set out in the Engine Sale and Purchase Agreement, including (1) the Seller having received the acceptance certificate and technical acceptance certificate signed by the Purchaser for each of the engines and APU; (2) the Purchaser having received complete, up-to-date and accurate copies of all engine and APU records; and (3) the engines and APU not having suffered a total loss.

Payment and Delivery: The Purchaser shall pay the Consideration to the Seller via RMB wire transfer within 60 days after the Engine Sale and Purchase Agreement has become effective.

Subject to the Purchaser's full payment of the Consideration and the corresponding value-added tax by the delivery date, the Seller shall transfer all right, title and interest in the Target Assets to the Purchaser on the delivery date.

Effective: The Engine Sale and Purchase Agreement shall take effect upon being signed and sealed by the parties.

III. FINANCIAL EFFECT OF THE DISPOSAL OF THE TARGET ASSETS

Based on the unaudited net book value of the Target Assets as at 30 June 2025 and the Consideration for the Target Assets, it is expected that the Company will record a net gain of approximately RMB0.6 million (unaudited) from the Disposal. Shareholders should note that the financial effect shown above is for reference only and the actual amount of gain or loss resulting from the Disposal of the Target Assets will be assessed upon completion of the Disposal. As the net book value of the Target Assets will change on the completion date, the actual amount of gain resulting from the Disposal will also be adjusted accordingly and will eventually be recognised in the consolidated financial statements of the Group. The proceeds from the Disposal will be used as working capital of the Group.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE ENGINE SALE AND PURCHASE AGREEMENT

The Disposal is expected to reduce the Company's overall holding costs for spare engines and improve asset utilisation efficiency. For the aforementioned reasons, the Directors (including the independent non-executive Directors) consider that, although the Engine Sale and Purchase Agreement was not entered into in the ordinary and usual course of business of the Company, it was entered into on normal commercial terms and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Mr. Ma Chongxian, Mr. Wang Mingyuan, Mr. Cui Xiaofeng, Mr. Patrick Healy and Mr. Xiao Peng are considered to have material interests in the transaction contemplated under the Engine Sale and Purchase Agreement, and have therefore abstained from voting on the relevant Board resolution(s). Save as the abovementioned, no other Directors have material interests in the Engine Sale and Purchase Agreement and the transaction contemplated thereunder, and therefore no other Directors are required to abstain from voting on the relevant Board resolution(s).

V. GENERAL INFORMATION

The Company

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

Air China Cargo and CNAHC

Air China Cargo is owned as to approximately 39.40% by Capital Holding, a wholly-owned subsidiary of CNAHC, the controlling shareholder of the Company, and Air China Cargo is therefore a connected person of the Company as defined under the Hong Kong Listing Rules. Air China Cargo is a joint stock company incorporated under the laws of the PRC with limited liability, the main business of which comprises three segments: air cargo services, air cargo terminal services and integrated logistics solutions.

As at the date of this announcement, CNAHC directly and indirectly holds an aggregate of 53.71% equity interests in the Company. As at the date of this announcement, 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.

VI. HONG KONG LISTING RULES IMPLICATIONS

Air China Cargo is a subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company. The transaction contemplated under the Engine Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable Percentage Ratios for the transaction contemplated under the Engine Sale and Purchase Agreement are higher than 0.1% but all applicable Percentage Ratios are lower than 5%, the above transaction is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

VII. DEFINITION

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

"Air China Cargo" or "Purchaser"	Air China Cargo Co., Ltd., a joint stock company incorporated under the laws of the PRC with limited liability and is owned as to approximately 39.40% by Capital Holding as at the date of this announcement, being a subsidiary of CNAHC
"APU"	Auxiliary Power Unit
"Board"	the board of Directors of the Company
"Capital Holding"	China National Aviation Capital Holding Co., Ltd. (中國航空資本控股有限責任公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of CNAHC as at the date of this announcement
"Company" or "Seller"	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
"CNAHC"	China National Aviation Holding Corporation Limited, a PRC state-owned enterprise and the controlling shareholder of the Company, directly and indirectly holding 53.71% of the equity interests of the Company as at the date of this announcement
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Consideration"	the consideration for the sale of the Target Assets in accordance with the Engine Sale and Purchase Agreement, being RMB151.4405 million
"Disposal"	the sale of the Target Assets to the Purchaser by the Seller pursuant to the Engine Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company

"Engine Sale and Purchase Agreement"	"The Engine and APU Sale and Purchase Agreement for Two Trent700 Engines and One GTCP331-350 APU" entered into between the Company and Air China Cargo on 29 July 2025 in relation to the transfer of the Target Assets
"Group"	the Company and its subsidiaries (as defined in the Hong Kong Listing Rules)
"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
"Percentage Ratio(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"RMB"	the lawful currency of the PRC
"Target Asset(s)"	two Trent700 spare engines and one GTCP331-350 spare APU
"Valuation Reference Date"	31 July 2024
"%"	per cent

By order of the Board
Air China Limited
Xiao Feng Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 29 July 2025

As at the date of this announcement, the directors of the Company are Mr. Ma Chongxian, 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*

APPENDIX I FURTHER INFORMATION ON THE VALUATION

I. VALUATION METHODOLOGY

The cost approach refers to the valuation methodology that determines the value of the valuation target based on the concept of reconstruction or replacement of the valuation target. It establishes the value of the valuation target by using the reconstruction or replacement cost as the foundation, deducting relevant depreciation. The cost method was adopted for the current valuation because the Target Assets remain operational, their replacement cost data is obtainable and the relevant depreciation can be calculated.

Appraised value = total replacement cost (exclusive of tax) × newness rate

All engines and APUs included in the valuation scope are imported equipment. The total replacement cost of the imported equipment is determined comprehensively based on the price information, the Import and Export Tariff Rules of the People's Republic of China (2024) and other information, in accordance with the type of imported equipment on a free on board (FOB) basis and the central parity rates of foreign exchange as at the Valuation Reference Date.

Engine newness rate = newness rate over the useful life×30% + aircraft cycle newness rate×70%

APU newness rate = newness rate over the useful life×30% + overhaul newness rate×70%

Newness rate over the useful life = remaining useful life/(actual serviced life + remaining useful life)×100%

Aircraft cycle newness rate = remaining service cycle/cycle limit×100%

Overhaul newness rate = (1-time in use after the overhaul/overhaul interval)×100%

II. VALUATION ASSUMPTIONS

(I) General Assumptions

1. Transaction assumption

The transaction assumption refers to the premise that all assets subject to appraisal are hypothetically placed in the process of transaction, whereby the valuer conducts valuation by simulating market conditions based on the transactional terms of the assets subject to appraisal. The transaction assumption constitutes the most fundamental prerequisite hypothesis enabling asset valuation to proceed.

2. Open market assumption

The open market assumption assumes that assets traded in the market or intended to be traded in the market are transacted between parties of equal standing, each having adequate opportunity and time to obtain sufficient market information. This enables rational judgments to be made concerning the asset's functionality, utility and transaction price. The open market assumption is based on the fact that assets can be traded openly in the market.

3. Continuous use of assets assumption

The continuous use of assets assumption refers to the valuation which is carried out based on the continued use of the appraised assets in their current purpose, utilization manner, scale, frequency, environment and other circumstances.

4. Assumption of continuing use at a different location

The assumption of continuing use at a different location refers to the case when the appraised asset will continue to be used following a change of location or space and being transferred to another location or space after change in property rights or related business.

5. Seller's As-Is disposal assumption

The seller's as-is disposal assumption assumes that, during the transaction process, the buyer bears all associated costs including equipment relocation and site restoration expenses, while the seller incurs no transaction-related costs.

(II) Special Assumptions

1. This valuation assumes that the external economic environment remains unchanged as at the Valuation Reference Date and that there are no significant changes in the country's prevailing macro-economy;

2. There is no material change in the socio-economic environment in which the enterprise operates, and in the policies implemented with respect to taxes and tax rates;

3. The assets subject to this valuation are determined based on its actual quantities as at the Valuation Reference Date, while the prevailing market prices of the relevant assets are determined according to domestically effective prices as at the Valuation Reference Date;

4. This valuation assumes that the underlying information and financial information provided by the principal and the property right holder are true, accurate and complete;

5. The scope of valuation is strictly limited to the asset declaration forms provided by the principal and the property right holder, excluding consideration of any contingent asset and contingent liability which might exist beyond such lists provided by the principal and the property right holder;

6. The impact of inflation has not been taken into account in arriving at the parameter values measured under this valuation;

7. When the above conditions change, the valuation result is generally invalidated.

III. VALUATION CONCLUSION

Equipment Number	Equipment Name	Quantity	Net Book Value as at the Valuation Reference Date	Appraised Value
			(RMB0'000)	*(RMB0'000)*
41413	Engine	1	10,488.35	8,033.64
41422	Engine	1	7,102.30	6,179.73
P1293	APU	1	-	930.68
	Total		**17,590.66**	**15,144.05**

The reasons for the impairment of the appraised value: the book values of the Target Assets consist of the pre-overhaul net value and the capitalised overhaul costs. The impairment of the appraised value can be attributable to the short interval between the last overhaul and the Valuation Reference Date with less depreciation charged, and the early manufacturing date of the Target Assets with a low newness rate over the useful life.

The Target Assets have maintained normal operations following the Valuation Reference Date, and there have been no events subsequent to the Valuation Reference Date and up to the date of this announcement which would materially affect the value of the Target Assets. Therefore, the Board is of the view that the valuation remains a fair and reasonable representation of the value of the Target Assets as at the date of this announcement, and the Disposal based on the valuation is fair and reasonable and in compliance with the relevant requirements.

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