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AIR CHINA LIMITED
(a joint stock limited company
incorporated in
the People's Republic of China
with limited liability)
(Stock Code: 753)



**CATHAY PACIFIC AIRWAYS
LIMITED**
(Incorporated in Hong Kong
with limited liability)
(Stock Code: 293)

Joint Announcement Continuing Connected Transactions

Reference is made to the joint announcements dated 26th June 2008, 10th September 2010, 26th September 2013, 30th August 2016, 28th August 2019 and 30th August 2022 issued by Air China and Cathay Pacific in connection with the Framework Agreement entered into between Air China and Cathay Pacific on 26th June 2008. The Framework Agreement was renewed on 1st October 2022 for a term of three years from 1st January 2023 to 31st December 2025. As the parties expect that certain transactions contemplated under the Framework Agreement will continue after 31st December 2025, Air China and Cathay Pacific entered into the New Framework Agreement on 28th May 2025, on the terms outlined in this announcement.

As Air China is a substantial shareholder and therefore a connected person of Cathay Pacific, transactions between members of Cathay Pacific Group on the one hand, and members of Air China Group and Air China's 30%-controlled Corporations on the other hand, constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As Cathay Pacific is a substantial shareholder and therefore a connected person of Air China, transactions between members of Air China Group on the one hand, and members of Cathay Pacific Group and Cathay Pacific's 30%-controlled Corporations on the other hand, constitute continuing connected transactions for Air China under Rule 14A.31 of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As Air China's A shares are listed on the Shanghai Stock Exchange, the entering into of the New Framework Agreement will be subject to Air China's shareholders' approval pursuant to the applicable Shanghai Listing Rules. Air China will provide its

shareholders with a circular containing information about the New Framework Agreement, as soon as practicable and in compliance with the relevant rules and regulations.

New Framework Agreement dated 28th May 2025

Parties: (1) Air China
(2) Cathay Pacific

1. Background and Particulars

Reference is made to the joint announcements dated 26th June 2008, 10th September 2010, 26th September 2013, 30th August 2016, 28th August 2019 and 30th August 2022 issued by Air China and Cathay Pacific in connection with the Framework Agreement entered into between Air China and Cathay Pacific on 26th June 2008. The Framework Agreement was renewed on 1st October 2022 for a term of three years from 1st January 2023 to 31st December 2025. As the parties expect that certain transactions contemplated under the Framework Agreement will continue after 31st December 2025, Air China and Cathay Pacific entered into the New Framework Agreement on 28th May 2025.

The Framework Agreement provided the framework governing the execution, renewal and extension of the relevant agreements between members of Air China Group on the one hand and members of Cathay Pacific Group on the other hand. Historically, transactions involving 30%-controlled Corporations of either Air China or Cathay Pacific were de minimis in value, and therefore were not included in the Framework Agreement. However, in light of the evolving business development between Air China Group (including Air China's 30%-controlled Corporations) and Cathay Pacific Group (including Cathay Pacific's 30%-controlled Corporations), the volume of transactions are expected to grow substantially.

To accommodate such anticipated expansion and ensure efficient governance, the New Framework Agreement extends coverage to include each party's 30%-controlled Corporations. The expanded scope will facilitate seamless collaboration. By broadening the framework to cover these transactions, the New Framework Agreement enhances operational flexibility, improves management efficiency and supports the deepening partnership between Air China and Cathay Pacific.

The transactions contemplated under the New Framework Agreement include those arising from interline arrangements, code sharing arrangements, joint operating arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services, inbound / outbound cargo handling services and other services agreed to be provided and other transactions agreed to be undertaken under the New Framework Agreement.

Except for the expanded scope under the New Framework Agreement and the corresponding changes in pricing policies thereunder, other material terms of the Framework Agreement remain unchanged.

As Air China is a substantial shareholder and therefore a connected person of Cathay Pacific, transactions between members of Cathay Pacific Group on the one hand and

members of Air China Group and Air China's 30%-controlled Corporations on the other hand constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As Cathay Pacific is a substantial shareholder and therefore a connected person of Air China, transactions between members of Air China Group on the one hand and members of Cathay Pacific Group and Cathay Pacific's 30%-controlled Corporations on the other hand constitute continuing connected transactions for Air China under Rule 14A.31 of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As Air China's A shares are listed on the Shanghai Stock Exchange, the entering into of the New Framework Agreement will be subject to Air China's shareholders' approval pursuant to the applicable Shanghai Listing Rules. The New Framework Agreement is conditional upon such shareholders' approval. If such condition is satisfied, the New Framework Agreement will come into effect on 1st January 2026.

The New Framework Agreement will be renewed automatically for successive periods of three years after the three years term ending on 31st December 2028, subject to each party's compliance with relevant requirements, including obtaining board and/or shareholders' approvals (if applicable), in accordance with applicable laws, rules and regulations (including the listing rules of the stock exchange(s) where the parties' shares are respectively listed). Either party may terminate the agreement by giving the other party notice of termination of not less than three months, expiring on any 31st December.

2. Pricing Terms and Policies

The following table outlines the relevant pricing terms and policies for the respective transactions contemplated under the New Framework Agreement:

<u>Transaction</u>	<u>Pricing Terms and Policies</u>
Interline arrangements and codeshare arrangements	Revenue is apportioned between the parties in accordance with bilateral prorate agreements which follow the principles in the Multi-lateral Prorate Agreement of International Air Transport Association.
Joint operating arrangements	Revenue is apportioned between the parties having regard to the fleet capacity of both parties and the values of seats sold by each party.
Aircraft leasing	Rentals payable under aircraft leases are determined after negotiations at arm's length between the parties having regard to rentals payable under comparable leases by at least two unconnected parties for comparable aircraft and comparable

Transaction

Pricing Terms and Policies

Frequent flyer programmes

periods and prevailing long term interest rates.

Frequent flyers of either party can earn mileage credits by taking the other party's flights. Payments by each party to the other for mileage values are determined by the parties on an arm's length basis having regard to comparable mileage values payable by at least two unconnected airlines to the relevant party.

Airline catering

The parties determine the pricing of airline catering having regard to quotations provided by at least two unconnected caterers, taking due account of material and labour costs, quality, assurance of supply, safety and innovation of similar catering products (including changes in the foregoing matters).

Ground support and engineering services

The pricing of ground support and engineering services charged by one party to the other party is required to be no less favourable than that offered for comparable services of similar scope to at least two unconnected parties taking due account of the quality of services.

Inbound/outbound cargo handling services

The pricing of cargo handling services charged by one party to the other party is required to be no less favourable than that offered for comparable services of similar scope to at least two unconnected parties taking due account of the quality of services.

Other products and services

The pricing of other products and services, including leasing premises and handling customs clearance, is determined having regard to relevant market information to ensure fairness and reasonableness and to ensure the offer is comparable to those offered by unrelated third parties. This includes soliciting at least two independent third-party quotations for comparable products in

Transaction

Pricing Terms and Policies

similar quantities and services of similar scope. Additionally, the costs incurred by the relevant party and the quality of products and services, including any changes in these factors, are taken into consideration.

The pricing terms and policies as set out above have been, and any variation of it will be, negotiated between Cathay Pacific and Air China at arm's length. If comparable market prices for the relevant products and services as described above are available, the parties agree to obtain, verify and compare quotations and terms from at least two independent parties to ensure the fairness and reasonableness of their terms.

3. Annual Caps

For the purpose of setting the annual caps in respect of the continuing connected transactions of Cathay Pacific and Air China, the Transactions contemplated under the New Framework Agreement involve the following transactions, namely:

- (i) **Cathay Pacific CCTs:** Transactions between Cathay Pacific Group on the one hand and Air China Group and Air China's 30% controlled Corporations on the other hand, which constitute continuing connected transactions for Cathay Pacific under Rule 14A.31 of the Listing Rules; and
- (ii) **Air China CCTs:** Transactions between Air China Group on the one hand and Cathay Pacific Group and Cathay Pacific's 30%-controlled Corporations on the other hand, which constitute continuing connected transactions for Air China under Rule 14A.31 of the Listing Rules.

(A) Annual caps for continuing connected transactions of Cathay Pacific Group

The table below sets out the historical payments and the corresponding annual caps for the Cathay Pacific CCTs contemplated under the New Framework Agreement:

	Historical amounts (HK\$ million)			Annual caps (HK\$ million)			
	Financial years ended 31st December			Financial years ending 31st December			
	2022	2023	2024	2025 (Note)	2026	2027	2028
The payments made by Cathay Pacific Group to Air China Group and/or Air China's 30%-controlled Corporations	83	225	429	900	800	900	1,000

The payments received by Cathay Pacific Group from Air China Group and/or Air China's 30%-controlled Corporations	26	74	110	900	700	800	900
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Notes:

1. Reference is made to the joint announcement made on 30th August 2022 issued by Air China and Cathay Pacific. The prescribed 2025 annual caps for (i) payments made by Cathay Pacific Group to Air China Group, and (ii) payments made by Air China Group to Cathay Pacific Group, in each case, **excluding** transactions involving Air China's 30%-controlled Corporations is HK\$900 million respectively.
2. For the avoidance of doubt, for transactions between Cathay Pacific Group and Air China's 30%-controlled Corporations, the actual transaction amount for the period between 1st January 2025 and 30th April 2025 was and the expected transaction amount for the year ending 31st December 2025 will be within the *de minimis* threshold under the Listing Rules.

(B) Annual caps for continuing connected transactions of Air China Group

The table below sets out the historical payments and the corresponding annual caps for the Air China CCTs contemplated under the New Framework Agreement:

	Historical amounts (HK\$ million)			Annual caps (HK\$ million)			
	Financial years ended 31st December			Financial years ending 31st December			
	2022	2023	2024	2025 (Note)	2026	2027	2028
The payments made by Air China Group to Cathay Pacific Group and/or Cathay Pacific's 30%-controlled Corporations	25	84	133	900	700	800	900
The payments received by Air China Group from Cathay Pacific Group and/or Cathay Pacific's 30%-controlled Corporations	36	174	365	900	800	900	1,000

Notes:

1. Reference is made to the joint announcement made on 30th August 2022 issued by Air China and Cathay Pacific. The prescribed 2025 annual caps for (i) payments made by Air China Group to Cathay Pacific Group, and (ii) payments made by Cathay Pacific Group to Air China Group, in each case, **excluding** transactions involving Cathay Pacific's 30%-controlled Corporations is HK\$900 million respectively.
2. For the avoidance of doubt, for transactions between Air China Group and Cathay Pacific's 30%-controlled Corporations, the actual transaction amount for the period between 1st January 2025 and 30th April 2025 was and the expected transaction amount for the year ending 31st December 2025 will be within the de minimis threshold under the Listing Rules.

(C) Determination of annual caps for continuing connected transactions of Cathay Pacific and Air China

The following key factors are considered in determining the above annual caps set for continuing connected transactions under the New Framework Agreement:

- (1) the historical transaction volume and the estimated transaction amounts for 2025;
- (2) the operational needs of both Air China Group and Cathay Pacific Group, including amongst other things, the projections of each party's fleet sizes, the delivery schedules of new aircraft, the anticipated annual growth in flights scheduled for Hong Kong;
- (3) the expanded scope under the New Framework Agreement to include each party's 30%-controlled Corporations, as well as the potential increase in the number of subsidiaries of both parties over time; and
- (4) foreign exchange fluctuations and a buffer of 5% have been incorporated to account for potential unplanned increases in aircraft maintenance services and other unforeseen factors, allowing for sufficient flexibility to accommodate future developments.

For the avoidance of doubt, transactions between Air China's 30%-controlled Corporations and Cathay Pacific's 30%-controlled Corporations do not constitute connected transactions for either Cathay Pacific or Air China under the Listing Rules, and hence are not covered under the New Framework Agreement. Consequently, these transactions are not accounted for under the annual caps outlined above.

4. Reasons for, and benefits of, entering into the New Framework Agreement

The cooperation between Air China Group and Cathay Pacific Group is expected to continue to further the development of Beijing Capital International Airport and Hong Kong International Airport as gateways to and hubs for Chinese Mainland and Hong Kong and will assist Air China Group and Cathay Pacific Group in their efforts to optimise the allocation of operating resources.

5. Connection between the parties

Air China, by virtue of its 29.98% shareholding in Cathay Pacific, is a substantial shareholder and therefore a connected person of Cathay Pacific under the Listing Rules.

Cathay Pacific, by virtue of its 15.09% shareholding in Air China, is a substantial shareholder and therefore a connected person of Air China under the Listing Rules.

6. Compliance with Listing Rules

With respect to Cathay Pacific

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps applicable to each of the (i) payments made by Cathay Pacific Group to Air China Group and/or Air China's 30%-controlled Corporations, and (ii) payments received by Cathay Pacific Group from Air China Group and/or Air China's 30%-controlled Corporations is, on an annual basis, more than 0.1% but less than 5%, such transactions constitute continuing connected transactions for Cathay Pacific which are subject to the announcement, annual review and annual reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to Air China

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps applicable to each of the (i) payments made by Air China Group to Cathay Pacific Group and/or Cathay Pacific's 30%-controlled Corporations, and (ii) payments received by Air China Group from Cathay Pacific Group and/or Cathay Pacific's 30%-controlled Corporations is, on an annual basis, more than 0.1% but less than 5%, such transactions constitute continuing connected transactions for Air China which are subject to the announcement, annual review and annual reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Air China and Cathay Pacific will comply with the continuing obligations under Rules 14A.55-59 of the Listing Rules and will re-comply with the relevant Listing Rules if the annual caps are exceeded, when the New Framework Agreement is renewed or when there is a material change to its terms.

7. Requirement for Air China's shareholders' approval

Air China's A shares are listed on the Shanghai Stock Exchange. As Cathay Pacific is a substantial shareholder of Air China, Cathay Pacific is considered as a related party of Air China according to the Shanghai Listing Rules. As a result, the transactions between Air China Group and Cathay Pacific Group constitute related party transactions of Air China under the Shanghai Listing Rules. According to the Shanghai Listing Rules, the transactions contemplated under the New Framework Agreement shall be submitted to the general meeting of Air China for consideration and approval. Air China will provide its shareholders with a circular containing information about the New Framework Agreement as soon as practicable and in compliance with the relevant rules and regulations.

8. Opinion of the directors

The Air China Directors, including the independent non-executive directors, consider that the terms of the New Framework Agreement are fair and reasonable and that the New Framework Agreement is (i) on normal commercial terms or better and in the ordinary and usual course of business of Air China Group, and (ii) in the interests of Air China and its shareholders as a whole.

The Cathay Pacific Directors, including the independent non-executive directors, consider that the terms of the New Framework Agreement are fair and reasonable and that the New Framework Agreement is (i) on normal commercial terms or better and in the ordinary and usual course of business of Cathay Pacific Group, and (ii) in the interests of Cathay Pacific and its shareholders as a whole.

Ma Chongxian, Wang Mingyuan and Patrick Healy, being directors of Cathay Pacific, are materially interested in the transactions contemplated under the New Framework Agreement and have abstained from voting on the relevant board resolutions of Air China in respect of the aforementioned transactions.

Patrick Healy, Ma Chongxian and Wang Mingyuan, being directors of Air China, and Sun Yuquan and Xiao Feng, holding positions in Air China, are materially interested in the transactions contemplated under the New Framework Agreement and have abstained from voting on the relevant board resolutions of Cathay Pacific in respect of the aforementioned transactions.

9. Internal controls

In order to ensure that the continuing connected transactions between Cathay Pacific Group and Air China Group are being conducted in a fair and reasonable manner, each of Cathay Pacific and Air China has adopted the following internal control procedures:

- (i) each of Cathay Pacific and Air China conducts regular reviews to ensure that the transaction amounts of the continuing connected transactions are within the relevant annual caps;
- (ii) each of Cathay Pacific's and Air China's independent non-executive Directors will review Cathay Pacific Group's and Air China Group's respective continuing connected transactions on an annual basis as required under Rule 14A.55 of the Listing Rules and confirm in each of Cathay Pacific's and Air China's annual report whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of Cathay Pacific Group and Air China Group respectively; (b) on normal commercial terms or better; and (c) the terms of the agreements governing the relevant transactions are fair and reasonable and in the interests of each of Cathay Pacific and Air China and their respective shareholders as a whole; and
- (iii) for compliance with Rule 14A.56 of the Listing Rules, each of Cathay Pacific and Air China will also engage its external auditors to conduct an annual review of the respective continuing connected transactions of Cathay Pacific and Air China to ensure that, among others, the transactions (a) have been approved by the Cathay Pacific Directors and Air China Directors respectively, (b) were, in all material respects, in accordance with the

respective pricing policies of Cathay Pacific and Air China (including, but not limited to, those set out in the section “*Pricing Terms and Policies*” in this announcement) if the transactions involve the provision of goods or services by Cathay Pacific and/or Air China, (c) were conducted, in all material respects, in accordance with the terms of the relevant agreements, and (d) have not exceeded the relevant annual caps.

10. Directors

Air China

As at the date of this announcement, the Air China Directors are:

Executive Directors: Ma Chongxian (Chairman), Wang Mingyuan;

Non-Executive Directors: Cui Xiaofeng, Patrick Healy;

Employee Representative Director: Xiao Peng; and

Independent Non-Executive Directors: Xu Niansha, He Yun, Winnie Tam Wan-chi, and Gao Chunlei.

Cathay Pacific

As at the date of this announcement, the Cathay Pacific Directors are:

Executive Directors: Patrick Healy (Chair), Ronald Lam, Lavinia Lau, Alexander McGowan, Rebecca Sharpe;

Non-Executive Directors: Ma Chongxian (Deputy Chair), Guy Bradley, Gordon McCallum, Sun Yuquan, Merlin Swire, Augustus Tang, Wang Mingyuan, Xiao Feng; and

Independent Non-Executive Directors: Bernard Chan, Lily Cheng, Christoph Mueller and Wang Xiao Bin.

11. Definitions

“30%-controlled company”	Has the meaning given to it under the Listing Rules.
“30%-controlled Corporations”	30%-controlled companies and their subsidiaries.
“Air China”	Air China Limited, a company incorporated in the People’s Republic of China, whose H shares are listed on the Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange. The principal activity of Air China is the operation of scheduled airline services.
“Air China CCTs”	Has the meaning ascribed to it under the section headed “3. Annual Caps”.
“Air China Directors”	The directors of Air China.

“Air China Group”	Air China and its subsidiaries from time to time.
“Cathay Pacific”	Cathay Pacific Airways Limited, a company incorporated in Hong Kong and listed on the Stock Exchange, the principal activity of which is the operation of scheduled airline services.
“Cathay Pacific CCTs”	Has the meaning ascribed to it under the section headed “3. Annual Caps”.
“Cathay Pacific Directors”	The directors of Cathay Pacific.
“Cathay Pacific Group”	Cathay Pacific and its subsidiaries from time to time.
“Framework Agreement”	The framework agreement dated 26th June 2008 between Air China and Cathay Pacific governing the execution, renewal and extension of the relevant agreements between members of Air China Group on the one hand and members of Cathay Pacific Group on the other hand.
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“New Framework Agreement”	The new framework agreement dated 28th May 2025 between Air China and Cathay Pacific governing the execution, renewal and extension of the relevant agreements between members of Air China Group on the one hand and members of Cathay Pacific Group and Cathay Pacific’s 30%-controlled Corporations (where applicable) on the other hand, as well as members of Cathay Pacific Group on the one hand and members of Air China Group and Air China’s 30%-controlled Corporations (where applicable) on the other hand, as outlined in this announcement.
“Shanghai Listing Rules”	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Transactions”	Transactions between members of Air China Group on the one hand and members of Cathay Pacific Group and Cathay Pacific’s 30%-controlled Corporations (where applicable) on the other hand, as well as members of Cathay Pacific Group on the one hand and members of Air China Group and Air China’s 30%-controlled Corporations (where applicable) on the other hand arising from joint venture arrangements for the operation of passenger air transportation, code sharing arrangements, interline arrangements, aircraft leasing,

frequent flyer programmes, the provision of airline catering, ground support and engineering services, inbound/outbound cargo handling services and other services agreed to be provided and other transactions agreed to be undertaken under the Framework Agreement or the New Framework Agreement, as applicable.

By Order of the Board
Air China Limited
Xiao Feng Huen Ho Yin
Joint Company Secretaries
Beijing, 28th May 2025

By Order of the Board
Cathay Pacific Airways Limited
Joanna Lai
Company Secretary
Hong Kong, 28th May 2025