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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)**

**MAJOR TRANSACTION**  
**PURCHASE OF AIRCRAFT**  
**AND**  
**RELATED TRANSACTIONS**

On 1 March 2013, (i) the Company and AIE entered into the Supplemental Agreements with the Boeing Company, pursuant to which the Company has agreed to purchase 2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft from the Boeing Company, respectively; and (ii) Air China Cargo and AIE entered into the Boeing Aircraft Purchase Agreement with the Boeing Company, pursuant to which Air China Cargo has agreed to purchase 8 Boeing 777-F aircraft from the Boeing Company.

The Transaction constitutes a major transaction of the Company under the Listing Rules. The Company expects to dispatch a circular containing the information required under the Listing Rules in relation to the Transaction within 15 business days after the publication of this announcement.

This announcement also deals with certain transactions which are related to the Transaction but which are not notifiable transactions of the Company under Chapter 14 of the Listing Rules. These related transactions include that Air China Cargo has the right to sell and the Boeing Company has agreed to purchase 7 Boeing 747-400BCF freighters from Air China Cargo.

**BACKGROUND**

On 1 March 2013, (i) the Company and AIE entered into the Supplemental Agreements with the Boeing Company, pursuant to which the Company has agreed to purchase 2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft from the Boeing Company, respectively; and (ii) Air China Cargo and AIE entered into the Boeing Aircraft Purchase Agreement with the Boeing Company, pursuant to which Air China Cargo has agreed to purchase 8 Boeing 777-F aircraft from the Boeing Company.

The details of the Transaction are summarised as follows:

## **SUPPLEMENT AGREEMENTS**

### **Date:**

1 March 2013

### **Parties:**

- (i) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;
- (ii) AIE, as the import agent for the Company; and
- (iii) the Boeing Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Boeing Company and each of the ultimate beneficial owners of the Boeing Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Aircraft to be acquired:**

Boeing Aircraft: 2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft (the Company has also been granted an option (the "Option") to change the order of 4 of the 20 Boeing 737-800 aircraft to 1 Boeing 777-300ER aircraft)

### **Consideration:**

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the Boeing Aircraft to be acquired by the Company in aggregate is approximately US\$2,600 million (equivalent to approximately HK\$20,280 million) (if the Option is exercised, the aircraft basic price in aggregate will be approximately US\$2,570 million (equivalent to approximately HK\$20,050 million))(price quoted from open market as at July 2011). The aircraft price is subject to price escalation by applying a formula. The Boeing Company has granted to the Company significant price concessions with regard to the Boeing Aircraft. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the Boeing Aircraft or may be used for the purpose of purchasing goods and services from the Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Boeing Aircraft is lower than the aircraft basic price mentioned above.

The Transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to the Company in the Transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and the Boeing Company as set out in the announcement of the Company dated 7 March 2011. The Company believes that there is no material impact of the price concessions obtained in the Transaction on the unit operating cost of the Group's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Group's cost for the Transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the Boeing Aircraft.

**Payment and delivery terms:**

The aggregate consideration for the acquisition of Boeing Aircraft is payable by cash in instalments. The Company is expecting to take delivery of the Boeing Aircraft in stages from 2014 to 2015.

**Source of funding:**

The acquisition will be funded through cash generated from the Company's business operations, commercial bank loans and other financing instruments of the Company.

**BOEING AIRCRAFT PURCHASE AGREEMENT**

**Date:**

1 March 2013

**Parties:**

- (i) Air China Cargo, as the purchaser, the principal business activity of which is air cargo service;
- (ii) AIE, as the import agent for Air China Cargo; and
- (iii) the Boeing Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Boeing Company and each of the ultimate beneficial owners of the Boeing Company are third parties independent of Air China Cargo and its connected persons (as defined in the Listing Rules).

**Aircraft to be acquired:**

Boeing Freighters, i.e. 8 Boeing 777-F freighters

**Consideration:**

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the Boeing Freighters to be acquired by Air China Cargo in aggregate is approximately US\$2,230 million (equivalent to approximately HK\$17,390 million) (price quoted from open market as at July 2011). The aircraft price is subject to price escalation by applying a formula. The Boeing Company has granted to Air China Cargo significant price concessions with regard to the Boeing Freighters. These concessions will take the form of credit memoranda which may be used by Air China Cargo towards the final price payment of the Boeing Freighters or may be used for the purpose of purchasing goods and services from the Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Boeing Freighters is lower than the aircraft basic price mentioned above.

The Transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to Air China Cargo in the Transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and the Boeing Company as set out in the announcement of the Company dated 7 March 2011. The Company believes that there is no material impact of the price concessions obtained in the Transaction on the unit operating cost of the Group's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Group's cost for the Transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the Boeing Freighters.

**Payment and delivery terms:**

The aggregate consideration for the acquisition of Boeing Freighters is payable by cash in instalments. Air China Cargo is expecting to take delivery of the Boeing Freighters in stages from 2013 to 2015.

**Source of funding:**

The acquisition will be funded through cash generated from Air China Cargo's business operations, commercial bank loans and other financing instruments of Air China Cargo.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Transaction will expand the overall fleet capacity of the Group and optimize the fleet structure. If not taking into account the adjustments that may be made to the fleet (including the disposal of used aircraft) based on marketing condition and the aging of the fleet, the Transaction will strengthen the fleet capacity of the Group with an increase of approximately 18.7% based on the number of available tonne kilometers of the Group as at 31 December 2012. In particular, the Transaction will reinforce the Company's market share in the international market, and will also increase frequency of flights for a number of international routes. The Company expects the Boeing Aircraft will deliver more cost efficient performance and provide more comfortable services to passengers. The increase of freighter capacity will enable Air China Cargo to provide its customers with a wider range of services of better quality and increase the efficiency of the fleet capacity of Air China Cargo.

The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **GENERAL**

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for the Transaction is above 25% but less than 100%, the Transaction constitutes a major transaction and is therefore subject to approval by the Company's shareholders under the Listing Rules.

## **FURTHER INFORMATION**

CNAHC currently directly and indirectly owns approximately 53.37% of the total issued share capital of the Company. Each of CNAHC and its associates (as defined in the Listing Rules) does not have any interest in the Transaction other than as a shareholder of the Company (where applicable). Since none of the shareholder of the Company is required to abstain from voting if the Company was to convene a general meeting to approve the Transaction, the Company intends and expects to obtain the written approval of CNAHC for the purpose of approving the Transaction in lieu of holding a general meeting to approve the Transaction pursuant to Rule 14.44 of the Listing Rules. The Company expects to dispatch a circular containing the information required under the Listing Rules in relation to the Transaction within 15 business days after the publication of this announcement.

## **RELATED TRANSACTIONS**

On 1 March 2013, Air China Cargo and AIE entered into an agreement with the Boeing Company under which Air China Cargo has the right to sell and the Boeing Company has agreed to purchase 7 Boeing 747-400BCF freighters from Air China Cargo. The related transactions described in this paragraph are *de minimis* transactions for the Company under Chapter 14 of the Listing Rules.

## DEFINITION

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

“2010 June Purchase Agreement”	the aircraft purchase agreement dated 25 June 2010 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 737-800 aircraft
“2010 August Purchase Agreement”	the aircraft purchase agreement dated 31 August 2010 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 787-9 aircraft
“2011 Purchase Agreement”	the aircraft purchase agreement dated 7 March 2011 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 747-8 aircraft
“AIE”	Air China Import and Export Co., Ltd., a company incorporated in the People’s Republic of China and a wholly-owned subsidiary of the Company
“Air China Cargo”	Air China Cargo Co., Ltd., a company incorporated in the People’s Republic of China and a subsidiary of the Company in which the Company holds a 51% shareholding
“Boeing Aircraft”	2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft to be purchased by the Company pursuant to the Supplemental Agreements
“Boeing Aircraft Purchase Agreement”	the aircraft purchase agreement dated 1 March 2013 pursuant to which Air China Cargo has agreed to purchase and the Boeing Company has agreed to sell the Boeing Freighters
“Boeing Company”	The Boeing Company, a company incorporated under the Laws of Delaware of the United States
“Boeing Freighters”	8 Boeing 777-F freighters to be purchased by Air China Cargo pursuant to the Boeing Aircraft Purchase Agreement
“Company”	Air China Limited, a company incorporated in the People’s Republic of China, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange
“CNAHC”	China National Aviation Holding Company, a company incorporated in the People’s Republic of China

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements dated 1 March 2013 to the 2010 June Purchase Agreement, 2010 August Purchase Agreement and 2011 Purchase Agreement, respectively, pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell the Boeing Aircraft
“Transaction”	the acquisition by the Company of the Boeing Aircraft pursuant to the Supplemental Agreements and the acquisition by Air China Cargo of the Boeing Freighters pursuant to the Boeing Aircraft Purchase Agreement respectively

By order of the Board  
**Air China Limited**  
**Rao Xinyu Tam Shuit Mui**  
*Joint Company Secretaries*

Beijing, the PRC, 1 March 2013

*As at the date of this announcement, the directors of the Company are Mr. Wang Changshun, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt, Mr. Ian Sai Cheung Shiu, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Fu Yang\*, Mr. Li Shuang\*, Mr. Han Fangming\* and Mr. Yang Yuzhong\*.*

\* *Independent non-executive Director of the Company*