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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: 753)

VERY SUBSTANTIAL ACQUISITION:

PURCHASE OF 15 BOEING 777 AND 30 BOEING 737 AIRCRAFT

The Company hereby announces that on 15 July 2008, the board of Directors of Company approved the Boeing Aircraft Purchase Agreement among the Company, AIE and Boeing Company and pursuant to which the Company has agreed to purchase 15 Boeing 777 and 30 Boeing 737 aircraft from Boeing Company.

The Boeing Transaction constitutes a very substantial acquisition of the Company under the Listing Rules. The Company will, pursuant to the Listing Rules, dispatch a circular containing the information required under the Listing Rules in relation to the Boeing Transaction within 21 days after the publication of this announcement. An extraordinary general meeting of the Company will be convened to approve the Boeing Transaction.

BOEING AIRCRAFT PURCHASE AGREEMENT

On 15 July 2008, the board of Directors of Company approved the Boeing Aircraft Purchase Agreement among the Company, AIE and Boeing Company and pursuant to which the Company has agreed to purchase 15 Boeing 777 and 30 Boeing 737 aircraft from Boeing Company. The details of the Boeing Transaction are summarized as follows:

The Effective Date of the Boeing Transaction:

15 July 2008

Parties to the Boeing Transaction:

- (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) 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, Boeing Company and each of the ultimate beneficial owner of Boeing Company are independent third parties and not connected persons (as defined in the Listing Rules) of the Company.

Aircraft to be acquired:

The Boeing Aircraft, i.e. 15 Boeing 777 and 30 Boeing 737 aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the Boeing Aircraft in aggregate is approximately US\$6,300 million (HK\$49,140 million). The aircraft price is subject to price escalation by applying a formula. Boeing Company has granted to the Company significant price concessions with regard to the Boeing Aircraft. These will take the form of credit memorandum which may be used by the Company towards the delivery invoice for the respective Boeing Aircraft or may be used for the purchase of goods and services from Boeing Company. Such credit memorandum 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 Boeing Transaction was negotiated and entered into in accordance with customary business practice. The extent of the price concessions granted to the Company in the Boeing Transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Boeing Company on 19 April 2006 (the **2006 Boeing Aircraft Purchase**). The Company believes that there is no material impact of the price concessions obtained in the Boeing Transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of actual price, for aircraft acquisition. Disclosure of the actual consideration would result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for the Boeing Transaction, and would 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) and Rule 14.69(2) of the Listing Rules in respect of disclosure of the actual consideration of the Boeing Aircraft.

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for the Boeing Transaction is more than 100%, the Boeing Transaction constitutes a very substantial acquisition and is therefore subject to approval by the Company's shareholders under the Listing Rules.

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 early 2011 to 2015.

Source of funding:

The Boeing Transaction will be funded through cash generated from the Company's business operations, commercial bank loans and other debt instruments of the Company. The Company does not expect the Boeing Transaction to have any material impact on its cash-flow position or its business operations.

REASONS FOR AND BENEFITS OF THE BOEING TRANSACTION

Without taking into account the adjustment of fleet which may be made by the Company based on the market condition and the age of aircraft, the Boeing Aircraft will increase the fleet capacity of the Company in terms of available tonne kilometres per annum by approximately 35% compared with the Company's available tonne kilometres of 2007, and will principally reinforce Beijing's position as a transportation hub and increase frequency of flights, departing originally from Beijing, of a number of key domestic routes and international routes. The Company expects the Boeing Aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

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

FURTHER INFORMATION

The Company will, pursuant to the Listing Rules, dispatch a circular containing the information required under the Listing Rules in relation to the Boeing Transaction within 21 days after the publication of this announcement. An extraordinary general meeting of the Company will be convened to approve the Boeing Transaction.

DEFINITION

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

“AIE”	Air China Import and Export Co., a company incorporated in the People's Republic of China and a wholly-owned subsidiary of the Company
“Boeing Aircraft”	15 Boeing 777 and 30 Boeing 737 aircraft to be purchased by the Company pursuant to the Boeing Aircraft Purchase Agreement
“Boeing Aircraft Purchase Agreement”	the aircraft acquisition agreement effective as of 15 July 2008 pursuant to which the Company has agreed to acquire and Boeing Company has agreed to sell the Boeing Aircraft
“Boeing Company”	Boeing Company, a company incorporated under the Laws of Delaware of the United States
“Boeing Transaction”	the acquisition by the Company of the Boeing Aircraft pursuant to the Boeing Aircraft Purchase Agreement
“Company”	Air China Limited, a company incorporated in the People's Republic of China whose H shares have a primary listing on The Stock Exchange of Hong Kong Limited and secondary listing on the Official List of the UK Listing Authority and whose A shares are listed on the Shanghai Stock Exchange
“Director(s)”	the director(s) of the Company

“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

By order of the Board
Air China Limited
Huang Bin Li Man Kit
Joint Company Secretaries

Beijing, 15 July 2008

As at the date of this announcement, the Directors of the Company are Messrs Kong Dong, Wang Shixiang, Yao Weiting, Ma Xulun, Christopher Dale Pratt, Chen Nan Lok, Philip, Cai Jianjiang, Fan Cheng, Hu Hung Lick, Henry, Wu Zhipan*, Zhang Ke* and Jia Kang*.*

* *Independent non-executive Director of the Company*