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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)

PROPOSED CAPITAL INJECTION INTO AIR MACAU COMPANY LIMITED

This announcement is issued by Air China Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

BACKGROUND

Air Macau Company Limited (“**Air Macau**”) is an indirectly held subsidiary of the Company. On 15 April 2009, the shareholders of Air Macau (the “**Air Macau Shareholders**”) approved a capital injection plan which will involve, inter alia, a reduction in the issued share capital (the “**Capital Reduction**”) and subsequent increase in the issued share capital of Air Macau. Pursuant to the applicable laws of Macau, SAR, Air Macau will publish an announcement on 2 June 2009, Tuesday, in HojeMacau (a Macau newspaper in Portuguese) and Macao Daily (a Macau newspaper in Chinese) in respect of the increase in the issued share capital of Air Macau under the capital injection plan (the “**Air Macau Announcement**”).

The Company, through its subsidiary China National Aviation Corporation (Macau) Company Limited (“**CNAC (Macau)**”), indirectly owns 51% of the issued share capital of Air Macau. The other substantial shareholders of Air Macau are Serviços, Administração e Participações, Limitada (“**SEAP**”) and Sociedade de Turismo e Diversões de Macau, SA (“**STDM**”) who owns 20% and 14% of the issued share capital of Air Macau respectively. The Government of Macau, SAR owns 5% of the issued share capital of Air Macau.

Air Macau is primarily engaged in the provision of air passenger and air cargo services. In recent years, Air Macau has suffered operating losses and the situation worsened in 2008. The audited annual accounts of Air Macau for the year ended 31 December 2008 reflected a net asset value of approximately MOP-107.3 million (equivalent to approximately HK\$-104.2 million). Pursuant to the applicable Macau laws, since the net asset value of Air Macau has become lower than half of the value of its issued share capital and became negative, Air Macau Shareholders have to (i) make monetary contribution to replenish the assets so that it is equal to the issued share capital, i.e. MOP400 million (equivalent to approximately HK\$388.3 million) or equal to the amount resulting from the Capital Reduction; or (ii) dissolve Macau. On 15 April 2009, the Air Macau Shareholders resolved to approve a capital injection plan amounting to an aggregate amount of MOP507.3 million (equivalent to approximately HK\$492.5 million) for the financial recovery of Air Macau (the “**Capital Injection Plan**”) in view of the financial condition of Air Macau and pursuant to the applicable Macau laws.

AIR MACAU CAPITAL INJECTION PLAN

A chronological order of the steps involved in the Capital Injection Plan is summarised as follows:

(i) Share Capital Reduction

- reduce the issued share capital of Air Macau to MOP1 million (equivalent to approximately HK\$971 thousand) on a pro-rata shareholding basis;

(ii) Establish a Non-Distributable Reserve

- establish and realise a non-distributable reserve up to a maximum of approximately MOP108.3 million (equivalent to approximately HK\$105.1 million) through cash contribution from the Air Macau Shareholders in amounts pro-rata to each of their respective shareholding so as to (a) reinstate the net asset value of Air Macau from its current negative net asset value of approximately MOP-107.3 million; and (b) reflect the new share capital of MOP1 million;
- in the event any of the Air Macau Shareholders does not exercise their respective pro-rata right of contribution, such right of contribution shall be open to be exercised by the other Air Macau Shareholders in pro-rata proportions determined with reference to the respective shareholdings of all those Air Macau Shareholders who indicate that they would exercise to such excess right of contribution up and until 100% of the MOP108.3 million is fully contributed;
- contributions or non-contributions (as the case may be) to this non-distributable reserve will not affect the current shareholding percentages of the Air Macau Shareholders.

(iii) Increase of Share Capital in Air Macau through an Issuance of Ordinary Shares

- increase the issued share capital of Air Macau up to the amount of MOP200 million through the issuance of 1,990,000 ordinary shares at par value of MOP100 per share to the Air Macau Shareholders pro-rata to their respective current shareholding;
- in the event any Air Macau Shareholders do not exercise their respective right of subscription which expires 20 (twenty) days from the date of the Air Macau Announcement, such right of subscription shall be open to be exercised by the other Air Macau Shareholders in pro-rata proportions determined with reference to the respective shareholdings of all those Air Macau Shareholders who indicate that they would subscribe to such excess right of subscription up and until 100% of the 1,990,000 ordinary shares are fully subscribed;
- the new ordinary shares will be subscribed for at par value and the consideration for the subscription will be fully discharged in cash within 30 (thirty) days from the date of the Air Macau Announcement;
- in the event that not 100% of the 1,990,000 ordinary shares are subscribed, the shareholders' resolution approving the Capital Injection Plan shall be of no effect.

(iv) Increase of Share Capital in Air Macau through an Issuance of Non-Voting Redeemable Preference Shares

- increase the issued share capital of Air Macau up to the amount of MOP400 million (equivalent to approximately HK\$388.3 million) through the issuance of 2,000,000 non-voting preference redeemable registered shares at par value of MOP100 per share (fully payable in cash) to the Macau SAR Government or such other entity which the Macau SAR Government may designate.

The Capital Injection Plan will be implemented with effect from 15 April 2009, being the date on which the resolution approving such plan was adopted by the Air Macau Shareholders at their shareholders meeting.

LISTING RULE IMPLICATION

As Air Macau is a subsidiary of the Company, and SEAP and STDM are substantial shareholders of Air Macau within the meaning of the Listing Rules, SEAP and STDM are therefore regarded as connected persons of the Company within the meaning of the Listing Rules. If one or more Air Macau Shareholders do not exercise their respective pro-rata right of subscription of the ordinary shares to be issued by Air Macau under the Capital Injection Plan and the Company decides to exercise such subscription right at that time which leads to the increase of the Company's shareholding in Air Macau, the Capital Injection Plan (only in respect of the issuance of ordinary shares if made on a non pro-rata basis) may constitute a connected transaction within the meaning of the Listing Rules. In such case, the Company would duly comply with the announcement, reporting and approval requirements of the Listing Rules as may be applicable.

By order of the Board
Air China Limited
Huang Bin Tam Shuit Mui
Joint Company Secretaries

PRC, Beijing, 1 June 2009

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

* *Independent non-executive Director of the Company*

Note: In this announcement, except as otherwise indicated, MOP (Macau Patacas, the lawful currency of the Macau SAR) has been translated into HK\$ at the rate of HK\$1.00 = MOP1.03 for reference purpose only.