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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)**

**DISCLOSEABLE TRANSACTION**  
**CAPITAL INJECTION TO SHENZHEN AIRLINES**

On 21 March 2010, the Company entered into the Capital Increase Agreement with Total Logistics and Huirun, pursuant to which the Company and Total Logistics have agreed to make capital contribution of RMB1,030,125,000 in aggregate to Shenzhen Airlines, of which the Company will contribute RMB682,143,750 to subscribe for an additional registered capital of RMB339,375,000 and Total Logistics will contribute RMB347,981,250 to subscribe for an additional increased registered capital of RMB173,125,000. Huirun's liquidator has waived, on behalf of Huirun, its right to subscribe for the additional registered capital and agreed that the Company and Total Logistics shall subscribe for the entire additional registered capital of Shenzhen Airlines. After such capital increase, the registered capital of Shenzhen Airlines would be RMB812.5 million and the shareholdings of the Company, Total Logistics and Huirun in Shenzhen Airlines would be 51%, 25% and 24%, respectively.

The Transaction constitutes a discloseable transaction of the Company under the Listing Rules.

**INFORMATION OF THE TRANSACTION**

On 21 March 2010, the Company entered into the Capital Increase Agreement with Total Logistics and Huirun, pursuant to which the Company and Total Logistics have agreed to make capital contribution of RMB1,030,125,000 in aggregate to Shenzhen Airlines, of which, the Company will contribute RMB682,143,750 to subscribe for an additional registered capital of RMB339,375,000 and Total Logistics will contribute RMB347,981,250 to subscribe for an additional registered capital of RMB173,125,000. Huirun's liquidator has waived, on behalf of Huirun, its right to subscribe for the additional registered capital and agreed that the Company and Total Logistics will subscribe for the entire additional registered capital of Shenzhen Airlines. After such capital increase, the registered capital of Shenzhen Airlines would be RMB812.5 million and the shareholdings of the Company, Total Logistics and Huirun in Shenzhen Airlines would be 51%, 25% and 24%, respectively. Following the completion of the Transaction, Shenzhen Airlines will become a subsidiary of the Company.

## Parties to the Transaction

- (1) the Company, whose principal business activities is air passenger, air cargo and airline-related services;
- (2) Total Logistics, whose principal business activities is provision of total logistics and transportation ancillary services;
- (3) Huirun, whose principal business activity is industrial investments, and as at the date of this announcement, the Intermediate People's Court of Shenzhen has accepted the application for bankruptcy of Huirun filed by its creditor and admitted the case for hearing. A liquidation committee has also been designated by the court to take responsibility of the winding up affairs of Huirun.

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

## CAPITAL INCREASE AGREEMENT

### (1) Transaction

Pursuant to the Capital Increase Agreement, the Company and Total Logistics have agreed to increase the registered capital of Shenzhen Airlines by RMB512,500,000, of which the Company will subscribe for an additional registered capital of RMB339,375,000 at a consideration of RMB682,143,750 (including RMB339,375,000 as payment for the registered capital and RMB342,768,750 as payment for the premium) and Total Logistics will subscribe for an additional registered capital of RMB173,125,000 at a consideration of RMB347,981,250 (including RMB173,125,000 as payment for the registered capital and RMB174,856,250 as payment for the premium). Huirun's liquidator has waived, on behalf of Huirun, its right to subscribe for the increased registered capital and agreed that the Company and Total Logistics will subscribe for the entire additional increased registered capital of Shenzhen Airlines. Upon completion of the Transaction, the shareholdings of the Company, Total Logistics and Huirun in Shenzhen Airlines would be 51%, 25% and 24% respectively. The shareholding structure of Shenzhen Airlines before and after the completion of the Transaction is set out as follows (all the premiums will be accounted as the capital reserve fund of Shenzhen Airlines):

	<b>Before completion of the Transaction</b>		<b>After completion of the Transaction</b>	
	<b>Amount of the registered capital of Shenzhen Airlines (in RMB)</b>	<b>Percentage</b>	<b>Amount of the registered capital of Shenzhen Airlines (in RMB)</b>	<b>Percentage</b>
The Company	75,000,000	25%	414,375,000	51%
Total Logistics	30,000,000	10%	203,125,000	25%
Huirun	195,000,000	65%	195,000,000	24%
Total	<u>300,000,000</u>	<u>100%</u>	<u>812,500,000</u>	<u>100%</u>

## **(2) Conditions of the Transaction**

The Transaction contemplated under the Capital Increase Agreement is conditional upon the satisfaction of, among other, the followings:

- (a) the resolution proposed at the shareholders' general meeting of Shenzhen International to approve the Transaction having been passed;
- (b) all the approvals from the relevant PRC governmental and regulatory authorities having been obtained for the Transaction, including but not limited to the relevant approval of the Civil Aviation Administration of China.

## **(3) Consideration**

The Company will subscribe for an additional registered capital of Shenzhen Airlines in an amount of RMB339,375,000 in cash at a consideration of RMB682,143,750 (including RMB339,375,000 as payment for the registered capital and RMB342,768,750 as payment for the premium). Subject to the fulfilment of the conditions precedent under the Capital Injection Agreement, the Company shall pay Shenzhen Airlines the consideration in full no later than 19 April 2010. The Company will fund the Transaction by cash generated from the Company's business operations.

The consideration of the Transaction was determined by the Company after arm's length negotiation among the shareholders of Shenzhen Airlines based on the valuation of the assets of Shenzhen Airlines. The net assets of Shenzhen Airlines as at 31 December 2009 was valued at RMB602,511,616.

## **INFORMATION ON SHENZHEN AIRLINES**

According to the annual financial statements of Shenzhen Airlines prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net loss of Shenzhen Airlines for the financial year ended 31 December 2008 before and after taxation and extraordinary items were approximately RMB74.57 million and RMB31.26 million. The net loss of Shenzhen Airlines for the financial year ended 31 December 2009 before and after taxation and extraordinary items were approximately RMB769.21 million and RMB863.68 million respectively. As at 31 December 2009, Shenzhen Airlines had a shareholder's deficit of approximately RMB2,067.11 million.

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

The capital increase in Shenzhen Airlines would alleviate the pressure on the cash flow of Shenzhen Airlines and be favourable to the improvement of the financial position of Shenzhen Airlines. The new shareholding structure of Shenzhen Airlines following the completion of the Transaction would be more conducive to the business cooperation between the Company and Shenzhen Airlines, and the improvement of their respective networks of domestic air routes and international air routes and to consolidate their market positions in the Pearl River Delta Region, and through the resulting synergy, further boost the competitive strengths of Shenzhen Airlines and the Company.

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

## REQUIREMENTS UNDER THE LISTING RULES

As the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Transaction are above 5% but below 25%, the Transaction constitutes a discloseable transaction of the Company and is therefore not subject to Shareholders' approval under the Listing Rules.

## DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Air China Limited, a joint stock limited company incorporated in the PRC with limited liability, 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
“Director(s)”	the director(s) of the Company
“Capital Increase Agreement”	the capital increase agreement relating to Shenzhen Airlines dated 21 March 2010 entered into between the Company, Total Logistics and Huirun
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huirun”	Shenzhen Huirun Investment Co. Ltd. (深圳市滙潤投資有限公司), a company incorporated under the laws of the People's Republic of China with limited liability
“percentage ratios”	the percentage ratios set out in the Rule 14.07 of the Listing Rules, being assets ratio, profits ratio, revenue ratio, consideration ratio and equity capital ratio
“PRC”	the People's Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“Total Logistics”	Shenzhen International Total Logistics (Shenzhen) Co., Ltd. (深國際全程物流(深圳)有限公司), a company incorporated under the laws of the People's Republic of China with limited liability and a wholly-owned subsidiary of Shenzhen International
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company

“Shenzhen Airlines”	Shenzhen Airlines Limited, a company incorporated and validly existing under the laws of the People’s Republic of China with limited liability, and its primary business activities is airlines operation in the PRC
“Shenzhen International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange
“Transaction”	the transaction in which the Company subscribed for an additional registered capital in Shenzhen Airlines in amount of RMB339,375,000 at a consideration of RMB682,143,750 pursuant to the Capital Increase Agreement

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

Beijing, 22 March 2010

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

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