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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

On 24 May 2013, (i) the Company and AIE entered into the Air China Airbus Aircraft Purchase Agreement with the Airbus Company, pursuant to which the Company has agreed to purchase 60 Airbus 320-series aircraft from the Airbus Company; and (ii) Shenzhen Airlines, a subsidiary of the Company, entered into the Shenzhen Airlines Airbus Aircraft Purchase Agreement with the Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 40 Airbus 320-series aircraft from the Airbus Company.

The Transaction constitutes a major transaction of the Company under the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules in respect of the despatch of a circular on the Transaction within 15 business days after the publication of this announcement and expects to dispatch a circular containing the information required under the Listing Rules in relation to the Transaction by 30 June 2013.

BACKGROUND

On 24 May 2013, (i) the Company and AIE entered into the Air China Airbus Aircraft Purchase Agreement with the Airbus Company, pursuant to which the Company has agreed to purchase 60 Airbus 320-series aircraft from the Airbus Company; and (ii) Shenzhen Airlines, a subsidiary of the Company, entered into the Shenzhen Airlines Airbus Aircraft Purchase Agreement with the Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 40 Airbus 320-series aircraft from the Airbus Company.

The details of the Transaction are summarised as follows:

AIR CHINA AIRBUS AIRCRAFT PURCHASE AGREEMENT

Date:

24 May 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 Airbus 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 Airbus Company and each of the ultimate beneficial owners of the Airbus Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

60 Airbus 320-series aircraft

Consideration:

The aircraft basic price comprises the airframe price and engine price. The aircraft basic price of the Airbus aircraft to be acquired by the Company in aggregate is approximately US\$5,370 million (equivalent to approximately HK\$41,886 million) (price quoted from open market as at January 2012). The aircraft price is subject to price adjustment by applying a formula. The Airbus Company has granted to the Company significant price concessions with regard to the Airbus aircraft to be acquired by the Company. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the Airbus aircraft or may be used for the purpose of purchasing goods and services from the Airbus Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Airbus aircraft to be acquired by the Company 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 Airbus Company as set out in the announcement of the Company dated 18 November 2010. 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 Airbus aircraft to be acquired by the Company.

Payment and delivery terms:

The aggregate consideration for the acquisition is payable by cash in instalments. The Company is expecting to take delivery of the 60 Airbus aircraft in stages from 2014 to 2020.

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.

SHENZHEN AIRLINES AIRBUS AIRCRAFT PURCHASE AGREEMENT

Date:

24 May 2013

Parties:

- (i) Shenzhen Airlines, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services; and
- (ii) the Airbus 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 Airbus Company and each of the ultimate beneficial owners of the Airbus Company are third parties independent of Shenzhen Airlines and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

40 Airbus 320-series aircraft

Consideration:

The aircraft basic price comprises the airframe price and engine price. The aircraft basic price of the Airbus aircraft to be acquired by Shenzhen Airlines in aggregate is approximately US\$3,483 million (equivalent to approximately HK\$27,167 million) (price quoted from open market as at January 2012). The aircraft price is subject to price adjustment by applying a formula. The Airbus Company has granted to Shenzhen Airlines significant price concessions with regard to the Airbus aircraft. These concessions will take the form of credit memoranda which may be used by Shenzhen Airlines towards the final price payment of the Airbus aircraft or may be used for the purpose of purchasing goods and services from the Airbus Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Airbus aircraft to be acquired by Shenzhen Airlines 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 Shenzhen Airlines in the Transaction is comparable with the price concessions that Shenzhen Airlines had obtained in the previous aircraft purchase entered into between Shenzhen Airlines and the Airbus Company as set out in the announcement of the Company dated 30 July 2010. 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 Airbus aircraft to be acquired by Shenzhen Airlines.

Payment and delivery terms:

The aggregate consideration for the acquisition is payable by cash in instalments. Shenzhen Airlines is expecting to take delivery of the 40 Airbus aircraft in stages from 2016 to 2020.

Source of funding:

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

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 15.9% based on the number of available tonne kilometers of the Group as at 31 December 2012. In particular, the Transaction is in line with the market requirements for the Company, and will expand the fleet capacity of Shenzhen Airlines in south China. The Company expects the Airbus aircraft will deliver more cost efficient performance and provide more comfortable services to passengers.

Further, in consideration of (i) the entering of the Transaction by the Company and (ii) the previous arrangement between the Company and the Airbus Company relating to the buy-back by the Airbus Company of 6 A340-series aircraft, the Airbus Company agreed to buy-back from the Company 6 A340-series aircraft in advance. Such buy-back transaction constitutes a *de minimis* transaction for the Company under Chapter 14 of the Listing Rules.

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.

The Transaction is also subject to approval by the relevant regulatory authority(ies) in the PRC in compliance with relevant regulatory requirements.

FURTHER INFORMATION

CNAHC currently directly and indirectly (through CNACG, a wholly-owned subsidiary of CNAHC) holds approximately 53.37% of the total issued share capital of the Company. Each of CNAHC and CNACG and their respective 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 and CNACG 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 has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules in respect of the despatch of a circular on the Transaction within 15 business days after the publication of this announcement and expects to dispatch a circular containing the information required under the Listing Rules in relation to the Transaction by 30 June 2013.

DEFINITION

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

“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 Airbus Aircraft Purchase Agreement”	the aircraft purchase agreement dated 24 May 2013 pursuant to which the Company has agreed to purchase and the Airbus Company has agreed to sell 60 Airbus 320-series aircraft
“Airbus Company”	Airbus S.A.S., a company incorporated in Toulouse, France

“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CNAHC as at the date of this announcement
“CNAHC”	China National Aviation Holding Company, a company incorporated in the People’s Republic of China
“Company”	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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a company incorporated in the People’s Republic of China and a non-wholly owned subsidiary of the Company in which the Company holds 51% interest as at the date of this announcement
“Shenzhen Airlines Airbus Aircraft Purchase Agreement”	the aircraft purchase agreement dated 24 May 2013 pursuant to which Shenzhen Airlines has agreed to purchase and the Airbus Company has agreed to sell 40 Airbus 320-series aircraft
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the acquisition by the Company of 60 Airbus 320-series aircraft pursuant to the Air China Airbus Aircraft Purchase Agreement and the acquisition by Shenzhen Airlines of 40 Airbus 320-series aircraft pursuant to the Shenzhen Airlines Airbus Aircraft Purchase Agreement

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

Beijing, the PRC, 24 May 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*