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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)**

**CONNECTED TRANSACTIONS**  
**ACQUISITION OF PROPERTIES**

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On 24 August 2017, the Company entered into the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract with Chengdu Real Estate, respectively. Pursuant to the Assets Transfer Agreement, the Company agreed to acquire and Chengdu Real Estate agreed to sell the Club and the Parking Space for a cash consideration of RMB67,876,935.00 (tax inclusive), and the Company agreed to pay a renovation and transformation fee in the estimated amount of RMB40,303,868.00 (tax inclusive) to Chengdu Real Estate. Pursuant to the Commodity House Purchase and Sale Contract, the Company agreed to acquire and Chengdu Real Estate agreed to sell the Houses for a cash consideration of RMB24,682,500.06 (tax inclusive), and the Company agreed to pay a renovation and transformation fee in the estimated amount of RMB5,643,261.20 (tax inclusive) to Chengdu Real Estate.

**LISTING RULES IMPLICATIONS**

Chengdu Real Estate is an indirect wholly-owned subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company (as defined under Rule 14A.07 of the Listing Rules). The transactions contemplated under the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the above transactions are more than 0.1% but all less than 5%, the above transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 24 August 2017, the Company entered into the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract with Chengdu Real Estate, respectively. Pursuant to the Assets Transfer Agreement, the Company agreed to acquire and Chengdu Real Estate agreed to sell the Club and the Parking Space for a cash consideration of RMB67,876,935.00 (tax inclusive), and the Company agreed to pay a renovation and transformation fee in the estimated amount of RMB40,303,868.00 (tax inclusive) to Chengdu Real Estate. Pursuant to the Commodity House Purchase and Sale Contract, the Company agreed to acquire and Chengdu Real Estate agreed to sell the Houses for a cash consideration of RMB24,682,500.06 (tax inclusive), and the Company agreed to pay a renovation and transformation fee in the estimated amount of RMB5,643,261.20 (tax inclusive) to Chengdu Real Estate.

## **ASSETS TRANSFER AGREEMENT**

**Date:** 24 August 2017

**Parties:** (i) the Company (as the purchaser); and  
(ii) Chengdu Real Estate (as the seller)

### **Assets to be acquired**

The Club to be acquired is located at No. 1, Floor 1, Block 57, Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City with a gross floor area of 9,752.63 sq. m. The Parking Space to be acquired is located at No. 1, Floor -1, Block 57, Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City with a gross floor area of 2,300.7 sq. m.

### **Consideration and payment**

The consideration for the acquisition of the Club and the Parking Space is RMB67,876,935.00 (tax inclusive), which was determined after arm's length negotiations between the parties based on (i) the appraisal value of the Club and the Parking Space as at 31 October 2016 using market comparison approach, being RMB64,644,700.00, as stated in the assets valuation report issued by China United Assets Appraisal Group Company Limited; and (ii) the related value-added tax of RMB3,232,235.00. The book value of the Club and the Parking Place as at 31 December 2016 is RMB60,265,656.95.

The consideration shall be paid in cash in two instalments: (i) 90% of the consideration, being RMB61,089,241.50, shall be paid by the southwest branch of the Company within 30 working days from the date on which the Company receives a special VAT invoice from Chengdu Real Estate, which represents the total amount of the consideration payable; and (ii) the rest 10% of the consideration, being RMB6,787,693.50, shall be paid within 30 working days from the date on which the title transfer registration is completed.

The above-mentioned consideration and the renovation and transformation fee (as stated below) will be satisfied by self-raised funds of the Company.

## **Renovation**

The Company agreed to pay renovation and transformation fee to Chengdu Real Estate, and Chengdu Real Estate shall arrange renovation and transformation of the Club, the Parking Space and related property management house before delivering the Club and the Parking Space to the Company. The renovation and transformation fee is estimated to be RMB40,303,868.00 (tax inclusive), and the final amount will be stated in a confirmation sheet signed by the Company (or the southwest branch of the Company), Chengdu Real Estate and an independent cost advisory agency entrusted by the Company who will review the bill of quantities prepared based on the drawings.

The renovation and transformation fee shall be paid in cash in three instalments: (i) 50% of the final amount of the renovation and transformation fee shall be paid by the southwest branch of the Company after the signing of a renovation construction contract by Chengdu Real Estate and within 30 working days from the date on which the Company received a special VAT invoice from Chengdu Real Estate, which represents 50% of the renovation and transformation fee payable; (ii) 45% of the final amount of the renovation and transformation fee shall be paid by the southwest branch of the Company after the renovation project passes the final check and acceptance and with 30 working days from the date on which the Company receives a special VAT invoice from Chengdu Real Estate, which represents 50% of the renovation and transformation fee payable; and (iii) the rest 5% shall be paid by the southwest branch of the Company within 30 working days upon the Company receiving a written application and a settlement receipt from Chengdu Real Estate. The written application and the settlement receipt shall be made within 30 working days from the date on which the statutory defect liability period expires.

## **Closing**

Chengdu Real Estate shall deliver the Club and the Parking Space to the Company on or before 31 May 2018. When delivering, the renovation and transformation of the Club and the Parking Space shall be completed and shall have passed the final check and acceptance.

Chengdu Real Estate shall carry out title transfer registration formalities in relation to the Club and the Parking Space with the relevant authorities in accordance with the relevant requirements of the PRC, and the Company shall provide necessary assistance and cooperation. Chengdu Real Estate shall complete the title transfer registration within 1 year after the renovation project is completed and passes the final check and acceptance.

## **COMMODITY HOUSE PURCHASE AND SALE CONTRACT**

**Date:** 24 August 2017

**Parties:** the Company (as the purchaser);

Chengdu Real Estate (as the seller)

## **Assets to be acquired**

The Houses to be acquired are 12 houses located at Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City, Sichuan Province with a total gross floor area of 3,602.77 sq. m.

## **Consideration and Payment**

The consideration for the acquisition of the Houses is RMB24,682,500.06 (tax inclusive), which was determined after arm's length negotiations between the parties with reference to (i) the book value of the Houses as at 31 December 2016, being RMB21,942,238.35, (ii) the relevant taxes and (iii) the financial expenses incurred after the completion of construction of the Houses.

The consideration shall be paid in cash in two instalments: (i) 90% of the consideration, being RMB22,214,250.05, shall be paid by the southwest branch of the Company within 30 working days from the date on which the Company receives a special VAT invoice from Chengdu Real Estate, which represents the total amount of the consideration payable; and (ii) the rest 10% of the consideration, being RMB2,468,250.01, shall be paid within 30 working days from the date on which the title transfer registration is completed.

The above-mentioned consideration and the renovation and transformation fee (as stated below) will be satisfied by self-raised funds of the Company.

## **Renovation**

The Company agreed to pay renovation and transformation fee to Chengdu Real Estate, and Chengdu Real Estate shall arrange renovation and transformation of the Houses before delivering them to the Company. The renovation and transformation fee is estimated to be RMB5,643,261.20 (tax inclusive), and the final amount will be stated in a confirmation sheet signed by the Company (or the southwest branch of the Company), Chengdu Real Estate and an independent cost advisory agency entrusted by the Company who will review the bill of quantities prepared based on the drawings.

The renovation and transformation fee shall be paid in cash in three instalments: (i) 50% of the final amount of the renovation and transformation fee shall be paid by the southwest branch of the Company after the signing of a renovation construction contract by Chengdu Real Estate and within 30 working days from the date on which the Company received a special VAT invoice from Chengdu Real Estate, which represents 50% of the renovation and transformation fee payable; (ii) 45% of the final amount of the renovation and transformation fee shall be paid by the southwest branch of the Company after the renovation project passes the final check and acceptance and with 30 working days from the date on which the Company receives a special VAT invoice from Chengdu Real Estate, which represents 50% of the renovation and transformation fee payable; and (iii) the rest 5% shall be paid by the southwest branch of the Company within 30 working days upon the Company receiving a written application and a settlement receipt from Chengdu Real Estate. The written application and the settlement receipt shall be submitted within 30 working days from the date on which the statutory defect liability period expires.

## **Closing**

Chengdu Real Estate shall deliver the Houses to the Company on or before 31 May 2018. By the time of delivery, the renovation and transformation of Houses shall be completed and shall have passed the final check and acceptance.

Chengdu Real Estate shall carry out title transfer registration formalities in relation to the Houses with the relevant authorities in accordance with the relevant requirements of the PRC, and the Company shall provide necessary assistance and cooperation. Chengdu Real Estate shall complete the title transfer registration within 1 year after the renovation project is completed and passes the final check and acceptance.

## **REASONS AND BENEFITS OF THE ACQUISITION**

For the sake of business development of the Company and in light of various factors such as the cost of labour, the Company proposed to establish a telesales services centre in Chengdu. To this end, the Company proposed to acquire the Club, the Parking Space and the Houses, which are to be transformed into the base and employee accommodations for the telesales services centre. In light of the upward economic trend of Chengdu, the values of the acquired properties can be either maintained or increased, and the acquisition prices of such properties are fair and reasonable. For the above reasons, the Directors (including the independent non-executive Directors) are of the view that although the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract are not entered into in the ordinary and usual course of business of the Company, they are entered into on normal commercial terms, with the terms and conditions therein being fair and reasonable, and such transactions are in the interests of the Company and the Shareholders as a whole.

## **GENERAL INFORMATION**

### **The Company**

The Company is incorporated in the PRC, 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. The principal business activity of the Company is air passenger, air cargo and airline-related services.

### **Chengdu Real Estate**

Chengdu Real Estate is a limited liability company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of CNAHC. The principal business activity of Chengdu Real Estate is the operation and development of real estate within Chengdu as well as the sales of building materials, construction machinery and decorative materials.

## LISTING RULES IMPLICATIONS

Chengdu Real Estate is an indirect wholly-owned subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company (as defined under Rule 14A.07 of the Listing Rules). The transactions contemplated under the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the above transactions are more than 0.1% but all less than 5%, the above transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Notwithstanding that under the Assets Transfer Agreement and Commodity House Purchase and Sale Contract the renovation and transformation fees are subject to change or adjustment, the Company expects that the classification of the transactions contemplated thereunder will remain unchanged.

Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Cao Jianxiong and Mr. Feng Gang, who are also directors or senior management of CNAHC, are deemed to have material interests in the transactions under the Assets Transfer Agreement and the Commodity House Purchase and Sale Contract, and have abstained from voting on the relevant resolution at the Board meeting. Other than the Directors mentioned above, none of the other Directors has a material interest in such transactions.

## DEFINITIONS

In this announcement, unless the content otherwise requires, the following words and expression shall have the meanings ascribed to them below:

“Assets Transfer Agreement”	the assets transfer agreement entered into on 24 August 2017 between the Company and Chengdu Real Estate in relation to the acquisition of the Club and the Parking Place by the Company from Chengdu Real Estate
“Board”	the board of Directors of the Company
“Chengdu Real Estate”	Chengdu Southwest Airlines Real Estate Development Co., Ltd. (成都西南航空房地產開發有限責任公司), a limited liability company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of CNAHC
“Club”	one of the target assets under the Assets Transfer Agreement which is located at No. 1, Floor 1, Block 57, Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City with a gross floor area of 9,752.63 sq. m.
“CNAHC”	China National Aviation Holding Company (中國航空集團公司), the controlling shareholder of the Company

“Commodity House Purchase and Sale Contract”	the commodity house purchase and sale contract entered into on 24 August 2017 between the Company and Chengdu Real Estate in relation to the acquisition of the Houses by the Company from Chengdu Real Estate
“Company”	Air China Limited, a company incorporated in the PRC, 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
“Houses”	the target assets under the Commodity House Purchase and Sale Contract, being the 12 houses located at Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City, with a total gross floor area of 3,602.77 sq. m.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parking Place”	one of the target assets under the Assets Transfer Agreement which is located at No. 1, Floor -1, Block 57, Yanyang Road No. 7, Huangshui County, Shuangliu District, Chengdu City with a gross floor area of 2,300.7 sq. m.
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Beijing, the PRC, 24 August 2017

*As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Cao Jianxiong, Mr. Feng Gang, Mr. John Robert Slosar, Mr. Ian Sai Cheung Shiu, Mr. Wang Xiaokang\*, Mr. Liu Deheng\*, Mr. Stanley Hui Hon-chung\* and Mr. Li Dajin\*.*

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