THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Air China Limited, you should at once hand this circular and the form of proxy and the notice of attendance to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 TRANSACTIONS
PURCHASE OF AIRCRAFT

27 June 2013

CONTENTS

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

"2010 June Purchase Agreement"	the aircraft purchase agreement dated 25 June 2010 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 737-800 aircraft
"2010 August Purchase Agreement"	the aircraft purchase agreement dated 31 August 2010 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 787-9 aircraft
"2011 Purchase Agreement"	the aircraft purchase agreement dated 7 March 2011 entered into among the Company, AIE and the Boeing Company pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell certain Boeing 747-8 aircraft
"AIE"	Air China Import and Export Co., Ltd., a company incorporated in the PRC 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
"Air China Cargo"	Air China Cargo Co., Ltd., a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company in which the Company holds 51% interest as at the date of this circular
"Airbus Company"	Airbus S.A.S., a company incorporated in Toulouse, France
"Airbus 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 respectively
"Board"	the board of directors of the Company

"Boeing Aircraft"	2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft to be purchased by the Company pursuant to the Supplemental Agreements
"Boeing Company"	The Boeing Company, a company incorporated under the Laws of Delaware of the United States
"Boeing Freighters"	8 Boeing 777-F freighters to be purchased by Air China Cargo pursuant to the Boeing Freighters Purchase Agreement
"Boeing Freighters Purchase Agreement"	the aircraft purchase agreement dated 1 March 2013 pursuant to which Air China Cargo has agreed to purchase and the Boeing Company has agreed to sell the Boeing Freighters
"Boeing Transaction"	the acquisition by the Company of the Boeing Aircraft pursuant to the Supplemental Agreements and the acquisition by Air China Cargo of the Boeing Freighters pursuant to the Boeing Freighters Purchase Agreement respectively
"Cathay Pacific"	Cathay Pacific Airways Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, the principal activity of which is the operation of scheduled airline services
"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 circular
"CNAHC"	China National Aviation Holding Company, a wholly PRC state-owned enterprise and the controlling shareholder of the Company, which directly and indirectly held an aggregate of approximately 53.37% of the Company's issued share capital as at Latest Practicable Date
"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
"Group"	the Company and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Latest Practicable Date"	25 June 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Option"	the option granted by the Boeing Company to the Company to change the order for purchase of 4 of the 20 Boeing 737-800 aircraft to 1 Boeing 777-300ER aircraft
"PRC"	the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	the shareholders of the Company
"Shenzhen Airlines"	Shenzhen Airlines Company Limited, a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company in which the Company holds 51% interest as at the date of this circular
"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
"Supplemental Agreements"	the supplemental agreements dated 1 March 2013 to the 2010 June Purchase Agreement, 2010 August Purchase Agreement and 2011 Purchase Agreement, respectively, pursuant to which the Company has agreed to purchase and the Boeing Company has agreed to sell the Boeing Aircraft
"Transactions"	the Boeing Transaction and the Airbus Transaction

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)

Non-executive Directors:	*Registered office:*
Mr. Wang Changshun *(Chairman)*	Blue Sky Building
Ms. Wang Yinxiang	28 Tianzhu Road
Mr. Cao Jianxiong	Airport Industrial Zone
Mr. Sun Yude	Shunyi District
Mr. Christopher Dale Pratt	Beijing
Mr. Ian Sai Cheung Shiu	PRC
Executive Directors:	*Principal place of business in Hong Kong:*
Mr. Cai Jianjiang	5th Floor, CNAC House
Mr. Fan Cheng	12 Tung Fai Road
	Hong Kong International Airport
Independent non-executive Directors:	Hong Kong
Mr. Fu Yang	
Mr. Li Shuang	
Mr. Han Fangming	
Mr. Yang Yuzhong	
	27 June 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS
PURCHASE OF AIRCRAFT

I. INTRODUCTION

On 1 March 2013, the Company announced that (i) the Company and AIE entered into the Supplemental Agreements with the Boeing Company, pursuant to which the Company has agreed to purchase 2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft from the Boeing Company, respectively; and (ii) Air China Cargo and AIE entered into the Boeing Freighters Purchase Agreement with the Boeing Company, pursuant to which Air China Cargo has agreed to purchase 8 Boeing 777-F aircraft from the Boeing Company.

On 24 May 2013, the Company announced that (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 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.

Each of the Boeing Transaction and the Airbus Transaction constitutes a major transaction of the Company under the Listing Rules.

The purpose of this circular is to set out further details of the Transactions.

II. MAJOR TRANSACTIONS

1. THE BOEING TRANSACTION

A. Supplement Agreements

Date:

1 March 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 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, the Boeing Company and each of the ultimate beneficial owners of the Boeing Company are third parties independent of the Company and its connected persons (as such term is defined in the Listing Rules).

Aircraft to be purchased:

2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft (the Company has also been granted the Option to change the order of 4 of the 20 Boeing 737-800 aircraft to 1 Boeing 777-300ER aircraft)

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the Boeing Aircraft to be acquired by the Company in aggregate is approximately US$2,600 million (equivalent to approximately HK$20,280 million) (if the Option is exercised, the aircraft basic price in aggregate will be approximately US$2,570 million (equivalent to approximately HK$20,050 million)) (price quoted from open market as at July 2011). The aircraft price is subject to price adjustment by applying a formula. The Boeing Company has granted to the Company significant price concessions with regard to the Boeing Aircraft. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the Boeing Aircraft or may be used for the purpose of purchasing goods and services from the Boeing Company. Such credit memoranda 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 Directors confirm that 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 the Boeing Company as set out in the announcement of the Company dated 7 March 2011. 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 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 Boeing 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 Hong Kong Stock Exchange for a waiver from strict compliance of Rule 14.66(4) of the Listing Rules in respect of disclosure of the actual consideration of the Boeing Aircraft.

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 2014 to 2015.

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.

B. Boeing Freighters Purchase Agreement

Date:

1 March 2013

Parties:

(i) Air China Cargo, as the purchaser, the principal business activity of which is air cargo service;

(ii) AIE, as the import agent for Air China Cargo; and

(iii) The 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, the Boeing Company and each of the ultimate beneficial owners of the Boeing Company are third parties independent of Air China Cargo and its connected persons (as such term is defined in the Listing Rules).

Aircraft to be acquired:

8 Boeing 777-F freighters

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price.

The aircraft basic price of the Boeing Freighters to be acquired by Air China Cargo in aggregate is approximately US$2,230 million (equivalent to approximately HK$17,390 million) (price quoted from open market as at July 2011). The aircraft price is subject to price adjustment by applying a formula. The Boeing Company has granted to Air China Cargo significant price concessions with regard to the Boeing Freighters. These concessions will take the form of credit memoranda which may be used by Air China Cargo towards the final price payment of the Boeing Freighters or may be used for the purpose of purchasing goods and services from the Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Boeing Freighters is lower than the aircraft basic price mentioned above.

The Boeing Transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to Air China Cargo 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 the Boeing Company as set out in the announcement of the Company dated 7 March 2011. 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 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 Boeing 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 Hong Kong Stock Exchange for a waiver from strict compliance of Rule 14.66(4) of the Listing Rules in respect of disclosure of the actual consideration of the Boeing Freighters.

Payment and delivery terms:

The aggregate consideration for the acquisition of Boeing Freighters is payable by cash in instalments. Air China Cargo is expecting to take delivery of the Boeing Freighters in stages from 2013 to 2015.

Source of funding:

The acquisition will be funded through cash generated from Air China Cargo's business operations, commercial bank loans and other financing instruments of Air China Cargo.

Reasons for and Benefits of the Boeing Transaction

The Boeing Transaction will expand the overall fleet capacity of the Group and optimize the fleet structure. Not taking into account the adjustments that may be made to the fleet (including the disposal of used aircraft) according to marketing condition and aging of the fleet, the Boeing Transaction will strengthen the fleet capacity of the Group with an approximately 18.7% increase based on the number of available tonne kilometers of the Group as at 31 December 2012. The Boeing Transaction will also reinforce the Company's market share in the international market, and will increase flight frequency on a number of international routes. The Company expects the Boeing Aircraft to deliver a more cost-efficient performance and provide a more comfortable service to passengers. In addition, the increase of freighter capacity will enable Air China Cargo to provide its customers with a broader range of services with a higher quality while also improving the efficiency of the fleet capacity of Air China Cargo.

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.

2. THE AIRBUS TRANSACTION

A. 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 Airbus 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 Airbus 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 Airbus 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 Airbus 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 Hong Kong 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.

B. 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 Airbus 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 Airbus 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 Airbus 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 Airbus 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 Hong Kong 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 Airbus Transaction

The Airbus 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 Airbus 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 Airbus 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.

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

III. FINANCIAL AND TRADING PROSPECTS

As disclosed in the 2012 annual report of the Company published on 26 April 2013, air traffic revenue and other operating revenue for the financial year ended 31 December 2012 reached RMB95,319,449,000 and RMB5,518,233,000 respectively, representing an increase of 2% and 9% over 2011. The increase in air traffic revenue was primarily due to the Group's increased capacity deployment and the increase in other operating revenue was mainly attributable to the revenue increase from aircraft repair and route subsidies in 2012. The Directors believe that rising aviation fuel prices and increasing competition in the airline business will present new challenges for the Group in 2013. However, the Directors view the financial and trading prospects during the current financial year of the Company ending 31 December 2013 with confidence and believe that the Group is well placed to continue to develop its business in line with its strategy. In addition, the Directors are of the view that the Transactions are not expected to have any material impact on earnings, assets and liabilities of the Company.

IV. WORKING CAPITAL

Taking into account the financial resources available to the Group, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirement for the next 12 months following the date of this circular.

V. RECOMMENDATION AND SHAREHOLDER'S WRITTEN APPROVAL

This circular is despatched to Shareholders for information purpose only. No general meeting will be convened for approving each of the Transactions. As at the Latest Practicable Date, CNAHC, the controlling Shareholder, directly and indirectly (through CNACG, a wholly-owned subsidiary of CNAHC), held 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 Transactions other than as a shareholder of the Company. In addition, none of the Shareholders has a material interest in the Transactions which is different from the other Shareholders and as such, none of the Shareholders would be required to abstain from voting on the Transactions if a general meeting were convened to approve the Transactions. Pursuant to Rule 14.44 of the Listing Rules, each of the Transactions have been approved in writing by CNAHC and CNACG.

Although no general meeting will be convened, the Board considers that each of the Transactions was entered into on normal commercial terms and the terms of each of the Transactions are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were convened for approving each of the Transactions, the Board would have recommended the Shareholders to vote in favour of each of the Transactions.

VI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Wang Changshun
Chairman

Beijing, the PRC

I. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out in this circular information for the last three financial years with respect to the profits and losses, financial record and position and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2012 has been set out from page 63 of the 2012 annual report of the Company published on 26 April 2013; (ii) for the year ended 31 December 2011 has been set out from page 65 of the 2011 annual report of the Company published on 19 April 2012; and (iii) for the year ended 31 December 2010 has been set out from page 62 of the 2010 annual report of the Company published on 19 April 2011. All these financial statements have been published on the Hong Kong Stock Exchange's website at http://www.hkexnews.hk and the Company's website at http://www.airchina.com.

II. INDEBTEDNESS

Borrowings

The table below sets forth the Group's total outstanding indebtedness as at 30 April 2013:

	Notes	**Total RMB** *(in million)*
Bills payable		91
Bank loans and other loans	*(1)*	58,168
Corporate bonds	*(1)*	19,200
Finance lease obligations	*(2)*	27,518
Total		104,977

Notes:

(1) The Group's bank loans, other loans and corporate bonds with an aggregate amount of approximately RMB24,328 million were secured by mortgages over certain of the Group's assets. The pledged assets included aircraft, buildings, machinery and land use rights with an aggregate net book value of approximately RMB34,014 million and listed shares in an associate with an aggregate market value of RMB4,364 million and pledged time deposit with an amount of approximately RMB663 million as at 30 April 2013.

(2) The Group's finance lease obligations with an aggregate amount of approximately RMB27,518 million were secured by mortgages over certain of the Group's aircraft. The pledged aircraft had an aggregate net book value of approximately RMB44,226 million as at 30 April 2013.

In addition to the above, as at 30 April 2013 certain of the Group's bank deposits with an aggregate amount of approximately RMB141 million were pledged against the Group's aircraft operating leases, aircraft overhaul and others.

Contingent liabilities

As at 30 April 2013, the Group had the following significant contingent liabilities:

(i) Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the Hong Kong Stock Exchange and the London Stock Exchange, the Company entered into a restructuring agreement (the "**Restructuring Agreement**") with CNAHC and CNACG on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

(ii) On 26 February 2007, the Eastern District Court of New York of the Federal Judiciary of the United States filed a civil summon against the Company and Air China Cargo, claiming that they, together with a number of other airlines, have violated certain anti-trust regulations in respect of their air cargo operations in the United States by acting in concert in imposing excessive surcharges to impede the offering of discounts and allocating revenue and customers so as to increase, maintain and stabilize air cargo prices. Up to April 30, 2013, the Company was on preparation for inquiry, and the status of the proceedings is still in the preliminary stage and therefore the Directors are of the view that it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. The Directors are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.

(iii) On 17 November 2009, Airport City Development Co. Ltd. ("**Airport City Development**") commenced proceedings involving approximately RMB224 million against the Company, Air China Cargo and Air China International Corporation, for the unlawful use of land owned by Airport City Development. Up to April 30, 2013, Airport City Development and the Company are in the stage of reconciliation and the Directors are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.

(iv) In May 2011, Shenzhen Airlines received a summon issued by the Higher People's Court of Guangdong Province in respect of a guarantee provided by Shenzhen Airlines on loans borrowed by Shenzhen Huirun Investment Co. Ltd ("**Huirun**", a non-controlling shareholder of Shenzhen Airlines) from a third party amounting to RMB390,000,000. It was alleged that Shenzhen Airlines had entered into several guarantee agreements with Huirun and the third party, pursuant to which Shenzhen

Airlines acted as a guarantor in favor of the third party for the loans borrowed by Huirun. The proceeding is still in the preliminary stage and therefore the Directors consider that the provision of RMB130,000,000 which was provided in October 2011 in respect of this legal claim is adequate.

(v) Shenzhen Airlines provided guarantees to banks for certain employees in respect of their residential loans as well as for certain pilot trainees in respect of their tuition loans. As at 30 April 2013, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB527,495,602 and for pilot trainees' tuition loans amounting to RMB303,769,049.

(vi) Shenzhen Airlines is a co-lessee under certain aircraft operating lease contracts (the "**Lease Contracts**") entered into by a company in which Shenzhen Airlines has interests. Under the Lease Contracts, Shenzhen Airlines is obligated to bear the lease payments if the other co-obligor fails to fulfill its obligations. According to the Lease Contracts, the monthly operating lease payment is US$823,147 (equivalent to RMB5,120,633). The Lease Contracts will expire before June 2021.

Except as disclosed above and apart from intra-group liabilities, as at 30 April 2013, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages and charges, contingent liabilities or guarantee.

Save as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness of the Group since 30 April 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND SUPERVISORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and Hong Kong Stock Exchange pursuant to the SFO, or were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

	Number of Shares				
Name of company Relevant shareholder	**Personal interest**	**Interest of children under the age of 18 or spouse**	**Corporate interest**	**Total**	**Shareholding percentage as at the Latest Practicable Date**
Cathay Pacific Airways Limited					
Ian Sai Cheung Shiu	1,000 (ordinary shares)	–	–	1,000 (ordinary shares)	0.00%
Air China Limited					
Zhou Feng	10,000 (A Shares)	–	–	10,000 (A Shares)	0.00%

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2012 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to, to any member of the Group.

None of the Directors or supervisors of the Company is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

Mr. Christopher Dale Pratt is a non-executive Director of the Company and is concurrently the chairman and an executive director of Cathay Pacific. Mr. Ian Sai Cheung Shiu is a non-executive Director of the Company and is concurrently a non-executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company and wholly owns Hong Kong Dragon Airlines Limited ("**Dragonair**"). Mr. Wang Changshun, who is the chairman and a non-executive director of the Company and Mr. Cai Jianjiang and Mr. Fan Cheng, who are both executive directors of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and/or Dragonair compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations, which are also served by the Company.

Save as above, none of the Directors or supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company.

3. MATERIAL CONTRACTS

The Group has entered into the following material contracts within the two years immediately preceding the date of this circular:

(a) the entrustment agreement dated 12 October 2011 between the Company and China National Aviation Finance Co., Ltd. and the entrusted loan agreement dated 12 October 2011 between the Company as lender, and China National Aviation Finance Co., Ltd. as lending agent and Air China Cargo Co., Ltd. as borrower in relation to the provision of the loan of a principal amount of up to RMB1.5 billion entrusted by the Company to Air China Cargo through and China National Aviation Finance Co., Ltd. acting as the lending agent, details of which are set out in the Company's announcement dated 12 October 2011;

(b) the joint venture agreement dated 30 March 2012 between the Company, Shanghai Airport Authority, Shanghai International Airport Co., Ltd. and Hong Kong Airport Services Limited for the establishment of Shanghai International Airport Services Co., Ltd. as a joint venture company in Shanghai, the PRC for provision of airport ground handling services at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, pursuant to which the Company shall pay its contribution of RMB86,400,000 to the registered capital of the joint venture company in respect of 24% shareholding in the joint venture company, details of which are set out in the Company's announcement dated 30 March 2012;

(c) the share subscription agreement dated 26 April 2012 between the Company and CNAHC pursuant to which CNAHC would commit RMB1,050.74 million in cash to subscribe for 188,642,729 new A shares at the subscription price of RMB5.57 per A share, details of which were set out in the Company's circular dated 8 May 2012. This transaction was completed on 30 January 2013;

(d) the Boeing Freighters Purchase Agreement;

(e) the Supplemental Agreements;

(f) the Air China Airbus Aircraft Purchase Agreement; and

(g) the Shenzhen Airlines Airbus Aircraft Purchase Agreement.

Except as disclosed above, no other material contract has been entered into by the Group within the two years immediately preceding the date of this circular.

4. LITIGATION

As at the Latest Practical Date, the litigation or claims of material importance pending or threatened against a member of the Group are disclosed in the section titled "Contingent Liabilities" under "II. Indebtedness" in Appendix I.

As at the Latest Practical Date, save as disclosed above, the Company was not involved in any significant litigation or arbitration. To the knowledge of the Company, there was no litigation or claim of material importance pending or threatened against the Company except as disclosed above, and there was no litigation or claims of material importance pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 December 2012, being the date to which the latest published audited financial statements of the Group have been made up.

7. MISCELLANEOUS

(a) The joint company secretaries of the Company are Rao Xinyu and Tam Shuit Mui. Ms. Tam is an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a member of The American Institute of Certified Public Accountant (AICPA), USA.

(b) The registered address of the Company is at Blue Sky Building, 28 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing, China. The head office of the Company is at No. 30, Tianzhu Road, Tian Zhu Airport Economic Development Zone, Shunyi District, Beijing, China.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Hong Kong during normal business hours on any business day from the date of this circular until 11 July 2013:

(a) the articles of association of the Company;

(b) the 2010, 2011 and 2012 annual reports of the Company;

(c) a copy of each material contract referred to in the section headed "Material Contracts" of this Appendix; and

(d) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since the date of the latest published audited accounts of the Company.

In respect of the Transactions, the Company has applied to Hong Kong Stock Exchange for a waiver for the Transactions from strict compliance with Rule 14.58(4), Rule 14.66(10) and Appendix 1B paragraph 43(2)(b) to the Listing Rules, so that only the redacted version of the Supplemental Agreements, the Boeing Freighters Purchase Agreement, the Air China Airbus Aircraft Purchase Agreement and the Shenzhen Airlines Airbus Aircraft Purchase Agreement will be available for inspection by the public. Information in relation to the actual consideration will not be disclosed in the aforesaid aircraft acquisition agreements.