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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 3 June 2015, Shenzhen Airlines entered into the Aircraft Purchase Agreement with Boeing Company, pursuant to which Shenzhen Airlines has agreed to purchase the Boeing Aircraft from Boeing Company.

As the Transaction and the Previous Boeing Transaction were entered into within a 12 month period and were both with Boeing Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts are aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction, whether aggregated with the Previous Boeing Transaction or standalone, is above 25% but less than 100%, the Transaction constitutes a major transaction of the Company.

A circular containing further information in relation to the Transaction is expected to be despatched to the Shareholders on or before 30 June 2015, which is more than 15 business days after the publication of this announcement to allow sufficient time to prepare the statement of indebtedness of the Group to be included in the circular as required under Appendix 1B paragraph 28 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance of Rule 14.41(a) of the Listing Rules in respect of the delay in despatch of the circular.

THE AIRCRAFT PURCHASE AGREEMENT

On 3 June 2015, Shenzhen Airlines entered into the Aircraft Purchase Agreement with Boeing Company, pursuant to which Shenzhen Airlines has agreed to purchase the Boeing Aircraft from Boeing Company.

The details of the Transaction are summarized as follows:

Date:

3 June 2015

Parties:

- (a) Shenzhen Airlines, a non-wholly owned subsidiary of the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services; and
- (b) Boeing Company, as the vendor, one of whose principal business activities is aircraft manufacturing.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Boeing Company and each of its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Aircraft to be Acquired:

The Boeing Aircraft, being 46 Boeing model 737 aircraft

Consideration:

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

The aircraft basic price of the Boeing Aircraft to be acquired by Shenzhen Airlines in aggregate is approximately US\$4,300 million (equivalent to approximately HK\$33,325 million) (price quoted from open market as at July 2012). The aircraft price is subject to price escalation by applying a formula. Boeing Company has granted to Shenzhen Airlines significant price concessions with regard to the Boeing Aircraft. These concessions will take the form of credit memoranda which may be used by Shenzhen Airlines towards the final price payment of the Boeing Aircraft or may be used for the purpose of purchasing goods and services from 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 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 the Company had obtained in the Previous Boeing Transaction as set out in the announcement of the Company dated 22 December 2014. 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 Shareholders as a whole. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance of Rule 14.58(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 Transaction is payable by cash in instalments. Shenzhen Airlines is expecting to take delivery of the Boeing Aircraft in stages from 2016 to 2020.

Source of Funding:

The Transaction will be funded through cash generated from Shenzhen Airlines' business operations, commercial bank loans and other financing instruments of Shenzhen Airlines. The Transaction is expected to have no material impact on the cash flow and operation of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction will expand the overall fleet capacity of the Group and optimize its 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 aging of the fleet, the Transaction will strengthen the fleet capacity of the Group with an increase of approximately 6%, based on the number of available tonne kilometers of the Group as at 31 December 2014. The Company expects the Boeing Aircraft will deliver more cost efficient performance and provide more comfortable services to its passengers.

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.

LISTING RULES IMPLICATIONS

As the Transaction and the Previous Boeing Transaction were entered into within a 12 month period and were both with Boeing Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts are aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. The aggregated transaction amount is approximately US\$10,188 million (equivalent to approximately HK\$78,957 million). As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction, whether aggregated with the Previous Boeing Transaction or standalone, is above 25% but less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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 under the Listing Rules) does not have any

interest in the Transaction other than being a shareholder of the Company (where applicable). Since none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting to approve the Transaction, the Company intends and expects to obtain the written approvals 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.

A circular containing further information in relation to the Transaction is expected to be despatched to the Shareholders on or before 30 June 2015, which is more than 15 business days after the publication of this announcement to allow sufficient time to prepare the statement of indebtedness of the Group to be included in the circular as required under Appendix 1B paragraph 28 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance of Rule 14.41(a) of the Listing Rules in respect of the delay in despatch of the circular.

DEFINITIONS

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

“AIE”	Air China Import and Export Co., Ltd. (國航進出口有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Aircraft Purchase Agreement”	the aircraft purchase agreement dated <u>3 June</u> 2015 and entered into by Shenzhen Airlines and Boeing Company, pursuant to which Shenzhen Airlines has agreed to purchase the Boeing Aircraft from Boeing Company
“Boeing Aircraft”	46 Boeing model 737 aircraft to be purchased by Shenzhen Airlines pursuant to the Aircraft Purchase Agreement
“Boeing Company”	The Boeing Company, a company incorporated under the Laws of Delaware of the United States
“Board”	the board of directors of the Company
“CNACG”	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong, which is a wholly-owned subsidiary of CNAHC and a substantial shareholder of the Company
“CNAHC”	China National Aviation Holding Company, a company with limited liability incorporated under the laws of the PRC, which is a substantial shareholder of the Company

“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“Previous Boeing Transaction”	the purchase of 60 Boeing model 737 aircraft pursuant to the aircraft purchase agreements entered into by the Company, AIE and Boeing Company on 22 December 2014
“Shareholders”	the shareholders of the Company
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a 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 announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”

the purchase by Shenzhen Airlines of the Boeing Aircraft pursuant to the Aircraft Purchase Agreement

“US\$”

United States dollars, the lawful currency of the United States

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

Beijing, the PRC, 3 June 2015

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Feng Gang, Mr. John Robert Slosar, Mr. Ian Sai Cheung Shiu, Mr. Song Zhiyong, Mr. Fan Cheng, Mr. Fu Yang, Mr. Pan Xiaojiang*, Mr. Simon To Chi Keung* and Mr. Stanley Hui Hon-chung*.*

* *Independent non-executive Director of the Company*