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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
PURCHASE OF AIRCRAFT**

AIRBUS AIRCRAFT PURCHASE AGREEMENT

On 11 July 2019, the Company and AIE entered into the Airbus Aircraft Purchase Agreement with Airbus Company to purchase the New Airbus Aircraft.

The highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Aircraft Purchase is above 5% but less than 25%. Therefore, the Airbus Aircraft Purchase constitutes a discloseable transaction of the Company under the Listing Rules.

AIRBUS AIRCRAFT PURCHASE AGREEMENT

Date:

11 July 2019 (after trading hours)

Parties:

- (a) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;
- (b) AIE, as the import agent for the Company; and
- (c) Airbus Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Airbus 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 New Airbus Aircraft, being 20 Airbus model A350-900 aircraft. The Company may at its option change the last 5 A350-900 aircraft into A350-1000 aircraft model.

Consideration:

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

The basic price of the 20 Airbus model A350-900 aircraft to be acquired by the Company in aggregate is approximately US\$6,537 million (equivalent to approximately HK\$50,989 million at an exchange rate of US\$1 = HK\$7.8) (price quoted from open market as at January 2018). The aircraft price is subject to price adjustment by applying a formula. Airbus Company has granted to the Company significant price concessions with regard to the New Airbus Aircraft. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the New Airbus Aircraft or may be used for the purpose of purchasing goods and services from Airbus Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the New Airbus Aircraft to be acquired by the Company is lower than the aircraft basic price mentioned above.

The Airbus Aircraft Purchase 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 Aircraft Purchase is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Airbus Company as set out in the announcement of the Company dated 29 February 2016. The Company believes that there is no material impact of the price concessions obtained in the Airbus Aircraft Purchase 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 Aircraft Purchase 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 a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the New Airbus Aircraft.

Payment and delivery terms:

The aggregate consideration for the Airbus Aircraft Purchase is payable by cash in instalments. The Company is expecting to take delivery of the New Airbus Aircraft in stages from 2020 to 2022.

Source of funding:

The transaction will be funded through the Company's own fund, commercial bank loans and other financing methods. The Company expects that the transaction would have no material impact on the cash flow and business operation of the Company.

REASONS FOR AND BENEFITS OF THE AIRBUS AIRCRAFT PURCHASE

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 Airbus Aircraft Purchase will strengthen the fleet capacity of the Group with an increase of approximately 9.7%, based on the number of available tonne kilometers of the Group as at 31 December 2018. The Company expects the New Airbus Aircraft will deliver more cost efficient performance and provide more comfortable services to its passengers.

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

THE APPROVAL PROCEDURE OF THE AIRBUS AIRCRAFT PURCHASE

The Airbus Aircraft Purchase was approved at the 13th meeting of the fifth session of the Board of the Company and is subject to the approval by the relevant government authorities.

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Aircraft Purchase is above 5% but less than 25%. Therefore, the Airbus Aircraft Purchase constitutes a discloseable transaction of the Company under the Listing Rules.

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
“Airbus Aircraft Purchase”	the purchase by the Company of the New Airbus Aircraft pursuant to the Airbus Aircraft Purchase Agreement

“Airbus Aircraft Purchase Agreement”	the aircraft purchase agreement dated 11 July 2019 and entered into by the Company, AIE and Airbus Company, pursuant to which the Company has agreed to purchase the New Airbus Aircraft from Airbus Company
“Airbus Company”	Airbus S.A.S., a company incorporated in Toulouse, France
“Board”	the board of directors 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
“New Airbus Aircraft”	20 Airbus model A350-900 aircraft to be purchased by the Company pursuant to the Airbus Aircraft Purchase Agreement
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States

By order of the Board
Air China Limited
Zhou Feng Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 11 July 2019

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Cao Jianxiong, Mr. Xue Yasong, Mr. John Robert Slosar, Mr. Wang Xiaokang, Mr. Liu Deheng*, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

** Independent non-executive director of the Company*