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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**

AIRCRAFT PURCHASE AGREEMENT

On 18 March 2021, the Company and AIE entered into the Aircraft Purchase Agreement with AFS Investments to purchase the New Aircraft.

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

AIRCRAFT PURCHASE AGREEMENT

Date:

18 March 2021 (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) AFS Investments, as the vendor, a special purpose company for ownership of aircraft which is a wholly-owned subsidiary of GECAS. The principal business activity of GECAS is aviation finance services. As of the date of this announcement, the ultimate beneficial owner of GECAS is General Electric Company, a company listed on the New York Stock Exchange (stock code: GE).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, AFS Investments, GECAS and their ultimate beneficial owner are third parties independent of the Company and of connected persons (as defined under the Listing Rules) of the Company.

Aircraft to be acquired:

The new aircraft to be acquired under the Aircraft Purchase Agreement comprise five Airbus A320-200N aircraft and 13 Airbus A321-200NX aircraft.

Consideration:

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

The aircraft list price of the New Aircraft is approximately US\$2,236.5 million (equivalent to approximately HK\$17,355.2 million at an exchange rate of US\$1 = HK\$7.76) (price quoted from open market as at January 2018). With regard to the Aircraft Purchase, AFS Investments and GECAS have offered to the Company discount which was determined after arm's length negotiations between the parties and, as a result, the Company purchases the New Aircraft at a price which is lower than the aircraft list price mentioned above.

The Aircraft Purchase was negotiated and entered into in accordance with customary business practice. The Company, as the purchaser, is subject to a strict confidentiality obligations under which no disclosure with respect to the terms and conditions of the Aircraft Purchase Agreement shall be made. For the Company's compliance with its disclosure obligations normally required under Chapter 14 of the Listing Rules, the Company has obtained consent from AFS Investments and GECAS to disclose certain terms of the Aircraft Purchase Agreement none of which relate to the actual consideration for the Aircraft Purchase under the Aircraft Purchase Agreement. The actual consideration for the Aircraft Purchase is to remain commercial in confidence for the purposes of determination by AFS Investments and GECAS in relation to the amount of discount to be offered to the Company. Such disclosure would be prejudicial to the Company's ability to negotiate and enter into the Aircraft Purchase. The Directors confirm that the extent of the discount obtained by the Company for the 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. The Company believes that there is no material impact of the discounted price obtained in the 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 list price, instead of the actual consideration, for aircraft

acquisitions. Disclosure of the actual consideration will result in the loss of the significant discount and hence a significant negative impact on the Group's cost for the 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 Aircraft.

Payment and delivery terms:

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

Source of funding:

The Aircraft Purchase will be funded through self-owned cash, commercial bank loans and other financing instruments of the Company. The Aircraft Purchase is expected to have no material impact on the cash flow and operation of the Company.

REASONS FOR AND BENEFITS OF THE AIRCRAFT PURCHASE

As an aircraft leasing company, GECAS has a long-term business relationship with the Company. With an aircraft buyout proposal, GECAS responded to the inquiry from the Company on introducing a bunch of new Airbus A320-200N and Airbus A321-200NX aircraft. Considering the quoted price and comprehensive cost are competitive, the Company decided to purchase the New Aircraft from GECAS.

Since the normalization of prevention and control of the COVID-19 pandemic, the recovery of domestic air transport market is better than that of the international market, and the utilization of narrow-body aircraft in the domestic market has also recovered to some extent. The Aircraft Purchase will supplement the long-term fleet capacity of the Company in Beijing and Chengdu under the pattern of "one city two airports". Further, the delivery of New Aircraft from AFS Investments to the Company will meet the needs of the Company for its growth in fleet capacity for the coming year as the New Aircraft is expected to be delivered from Airbus Company to AFS Investments before 2022.

Considering that the exchange rate of the US dollar against RMB and the financing interest rate are at a relatively historically low level, the Aircraft Purchase will enable the Company to control its procurement cost, which is in the interests of the Company and the Shareholders as a whole. The Aircraft Purchase will strengthen the fleet capacity of the Company. The fleet capacity of the Group will increase by approximately 2.12%, based on the number of available tonne kilometers of the Group as at 31 December 2020 without taking into account the adjustments as a result of aircraft withdrawal due to market condition and aircraft aging. The Group expects that the Aircraft Purchase will deliver improved fleet capacity at competitive operating costs whilst providing high standards of passenger comfort and safety.

The Directors believe that the Aircraft Purchase is conducted in the ordinary and usual course of business of the Group on normal commercial terms and the terms of the Aircraft Purchase are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Aircraft Purchase is above 5% but less than 25%. Therefore, the 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:

“AFS Investments”	AFS Investments I, Inc., a wholly-owned subsidiary of GECAS
“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 Company”	Airbus S.A.S., a company incorporated in Toulouse, France
“Aircraft Purchase”	the purchase by the Company of the New Aircraft pursuant to the Aircraft Purchase Agreement
“Aircraft Purchase Agreement”	the aircraft purchase agreement dated 18 March 2021 and entered into by the Company, AIE and AFS Investments, pursuant to which the Company has agreed to purchase the New Aircraft from AFS Investments
“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
“GECAS”	GE Capital Aviation Services Limited, a company incorporated under the laws of Ireland, an independent third party to 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 Aircraft”	five new Airbus A320-200N aircraft and 13 new Airbus A321-200NX aircraft to be purchased by the Company pursuant to the 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
Company Secretary

Beijing, the PRC, 18 March 2021

As at the date of this announcement, the directors of the Company are Mr. Song Zhiyong, Mr. Feng Gang, Mr. Patrick Healy, Mr. Xue Yasong, Mr. Duan Hongyi, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*