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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 DOMESTIC AIRCRAFT**

COMAC AIRCRAFT PURCHASE AGREEMENT

On 30 August 2019, the Company entered into the COMAC Aircraft Purchase Agreement with COMAC to purchase the COMAC Aircraft.

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

COMAC AIRCRAFT PURCHASE AGREEMENT

Date:

30 August 2019 (after trading hours)

Parties:

- (a) the Company, as the purchaser, the principal business activities of which are air passenger, air cargo and airline-related services;
- (b) COMAC, 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, COMAC 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:

35 ARJ21-700 aircraft.

Consideration:

The basic price of each aircraft comprises the airframe price and engine price. The basic price of the COMAC Aircraft in aggregate is approximately US\$1.33 billion (equivalent to approximately HK\$10,374 million at an exchange rate of US\$1 = HK\$7.80) (price quoted from open market as at January 2019). COMAC has granted to the Company considerable price concessions with regard to the COMAC Aircraft. These concessions will take the form of credit which may be used by the Company towards the final price payment of the COMAC Aircraft or may be used for the purpose of purchasing relevant goods and services. Such credit was determined after arm's length negotiations between the parties and as a result, the actual consideration for the COMAC Aircraft to be acquired by the Company is lower than the aircraft basic price mentioned above. As it is the first time that the Company purchases aircraft from COMAC, there is no price concessions previously obtained by the Company from COMAC available for comparison. As the aircraft model, specification, performance and maximal total range of COMAC Aircraft differ from the aircraft that the Company has purchased from other aircraft manufacturers, the price concessions provided under this transaction cannot be directly comparable to those obtained by the Company from other aircraft manufacturers in previous aircraft acquisitions. Solely based on the price concession rate granted to the Company, the price concession rate under COMAC Aircraft Purchase is comparable to those obtained by the Company from other aircraft manufacturers in previous aircraft acquisitions.

The COMAC Aircraft Purchase Agreement was negotiated and entered into in accordance with customary business practice. The Company believes that there is no material impact of the price concessions obtained in the COMAC Aircraft Purchase on the unit operating cost of the Company'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 considerable price concessions and hence a significant negative impact on the Group's cost for the COMAC Aircraft Purchase and will therefore not be in the interests of the Company and the Shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the COMAC Aircraft.

Payment and delivery terms:

The consideration for the COMAC Aircraft Purchase will be denominated in US dollars and paid in Renminbi by cash in instalments. The COMAC Aircraft are planned to be delivered in stages from 2020 to 2024.

Source of funding:

The COMAC Aircraft Purchase will be funded through the Company's own fund, commercial bank loans or other financing methods. The Company expects that the COMAC Aircraft Purchase will have no material impact on the cash flow position or business operation of the Company.

REASONS FOR AND BENEFITS OF THE COMAC AIRCRAFT PURCHASE

The COMAC Aircraft Purchase will expand the fleet capacity of the Group, facilitate the supplement of aircraft capacity for regional routes, promote the effective connection of the Company's main routes and regional routes, further improve the Company's overall route network layout, enhance market competitiveness, and meet the needs of mass air travel of passengers.

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

THE APPROVAL PROCEDURE OF THE COMAC AIRCRAFT PURCHASE

The COMAC Aircraft Purchase has been approved at the fifteenth meeting of the fifth session of the Board of the Company and is subject to the filing with relevant government authorities.

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 transaction will strengthen the fleet capacity of the Group with an increase of approximately 1.08%, based on the number of available tonne kilometers of the Group as at 31 December 2018.

LISTING RULES IMPLICATIONS

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

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| “Board” | the board of directors of the Company |
| “COMAC Aircraft Purchase Agreement” | the agreement dated 30 August 2019 and entered into by the Company and COMAC, pursuant to which the Company has agreed to purchase the COMAC Aircraft from COMAC |

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|---------------------------|--|
| “COMAC Aircraft Purchase” | the purchase by the Company of the COMAC Aircraft pursuant to the COMAC Aircraft Purchase Agreement |
| “COMAC Aircraft” | the 35 ARJ21-700 aircraft to be purchased by the Company pursuant to the COMAC Aircraft Purchase Agreement |
| “COMAC” | The Commercial Aircraft Corporation of China, Ltd., a company incorporated in Shanghai, the PRC |
| “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 |
| “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, 30 August 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*