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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 1 July 2022, (i) the Company and AIE entered into the Air China Aircraft Purchase Agreement with Airbus Company, pursuant to which the Company has agreed to purchase 64 Airbus A320NEO series aircraft from Airbus Company; and (ii) Shenzhen Airlines, a subsidiary of the Company, entered into the Shenzhen Airlines Aircraft Purchase Agreement with Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 32 Airbus A320NEO series aircraft from Airbus Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction 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.

A circular containing, among others, (i) further information in relation to the Transaction; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 August 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

BACKGROUND

On 1 July 2022, (i) the Company and AIE entered into the Air China Aircraft Purchase Agreement with Airbus Company, pursuant to which the Company has agreed to purchase 64 Airbus A320NEO series aircraft from Airbus Company; and (ii) Shenzhen Airlines, a subsidiary of the Company, entered into the Shenzhen Airlines Aircraft Purchase Agreement with Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 32 Airbus A320NEO series aircraft from Airbus Company.

The details of the Transaction are summarized as follows:

AIR CHINA AIRCRAFT PURCHASE AGREEMENT

Date:

1 July 2022

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 activities is aircraft manufacturing. Airbus Company is a subsidiary of Airbus SE, a company which is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao.

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

Aircraft to be acquired:

64 Airbus A320NEO series aircraft

Consideration:

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

The basic price of the Airbus Aircraft to be acquired by the Company, in aggregate, is approximately US\$8.290 billion (equivalent to approximately HK\$65.077 billion at an exchange rate of US\$1 = HK\$7.85) (price quoted as at January 2020). 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 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 Airbus Aircraft to be acquired by the Company 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 Air China Aircraft Purchase is lower than the aircraft basic price mentioned above.

The Air China 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 Air China 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 price concessions obtained in the Air China 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 Air China 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 Air China Aircraft Purchase.

Payment and delivery terms:

The aggregate consideration for the Air China Aircraft Purchase is payable by cash in instalments. The Company is expecting to take delivery of the 64 Airbus A320NEO series aircraft in stages from 2023 to 2027.

Source of funding:

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

SHENZHEN AIRLINES AIRCRAFT PURCHASE AGREEMENT

Date:

1 July 2022

Parties:

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

Aircraft to be acquired:

32 Airbus A320NEO series aircraft

Consideration:

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

The basic price of the Airbus Aircraft to be acquired by Shenzhen Airlines, in aggregate, is approximately US\$3.923 billion (equivalent to approximately HK\$30.796 billion at an exchange rate of US\$1 = HK\$7.85) (price quoted as at January 2020). The aircraft price is subject to price adjustment by applying a formula. 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 to be acquired by Shenzhen Airlines 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 Shenzhen Airlines Aircraft Purchase is lower than the aircraft basic price mentioned above.

The Shenzhen Airlines 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 Shenzhen Airlines in the Shenzhen Airlines Aircraft Purchase is comparable with the price concessions that Shenzhen Airlines had obtained in the previous aircraft purchase entered into between Shenzhen Airlines and Airbus Company. The Company believes that there is no material impact of the price concessions obtained in the Shenzhen Airlines 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 Shenzhen Airlines 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 Shenzhen Airlines Aircraft Purchase.

Payment and delivery terms:

The aggregate consideration for the Shenzhen Airlines Aircraft Purchase is payable by cash in instalments. Shenzhen Airlines is expecting to take delivery of the 32 Airbus A320NEO series aircraft in stages from 2024 to 2026.

Source of funding:

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

REASONS FOR AND BENEFITS OF THE AIRCRAFT PURCHASE

The Transaction is in line with the development of the Company's 14th Five-Year Plan and the market demand, and is conducive to the Group's optimization of fleet structure and long-term supplement of fleet capacity. The Transaction will strengthen the fleet capacity of the Group. The fleet capacity of the Group will increase by approximately 10.4%, based on the number of available tonne kilometers of the Group as at 31 December 2021 without taking into account the adjustments as a result of aircraft withdrawal due to market condition and aircraft aging. The introduction of new Airbus aircraft is expected to concentrate after 2024, partly to meet the renewal needs due to the withdrawal of aging aircraft from the fleet. The actual net increase in fleet capacity will be in manageable pace. The Group expects that the Transaction will make the Group's operating costs more competitive in the market whilst providing high standards of passenger comfort and safety.

The Directors believe that the Transaction is conducted in the ordinary and usual course of business of the Group on normal commercial terms and 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 highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction 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.

The Transaction is also subject to the filing with the relevant competent authorities of the PRC.

GENERAL

A circular containing, among others, (i) further information in relation to the Transaction; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 August 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITION

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
“Air China Aircraft Purchase”	the purchase of 64 Airbus A320NEO series aircraft by the Company pursuant to the Air China Aircraft Purchase Agreement
“Air China Aircraft Purchase Agreement”	the agreement dated 1 July 2022 entered into among the Company, AIE and Airbus Company, pursuant to which the Company has agreed to purchase and Airbus Company has agreed to sell 64 Airbus A320NEO series aircraft
“Airbus Aircraft”	the 64 Airbus A320NEO series aircraft to be acquired by the Company and/or the 32 Airbus A320NEO series aircraft to be acquired by Shenzhen Airlines
“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
“EGM”	an extraordinary general meeting of the Company proposed to be convened for the Shareholders to consider and, if thought fit, approve the Air China Aircraft Purchase Agreement, the Shenzhen Airlines Aircraft Purchase Agreement and the Transaction
“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
“Shareholder(s)”	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 announcement
“Shenzhen Airlines Aircraft Purchase”	the purchase of 32 Airbus A320NEO series aircraft by Shenzhen Airlines pursuant to the Shenzhen Airlines Aircraft Purchase Agreement
“Shenzhen Airlines Aircraft Purchase Agreement”	the agreement dated 1 July 2022 entered into between Shenzhen Airlines and Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase and Airbus Company has agreed to sell 32 Airbus A320NEO series aircraft
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	Air China Aircraft Purchase and Shenzhen Airlines Aircraft Purchase
“US\$”	United States dollars, the lawful currency of the United States

By Order of the Board
Air China Limited
Huang Bin Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 1 July 2022

As at the date of this announcement, the directors of the Company are Mr. Song Zhiyong, Mr. Ma Chongxian, Mr. Feng Gang, Mr. Patrick Healy, Mr. Li Fushen, Mr. He Yun*, Mr. Xu Junxin* and Ms. Winnie Tam Wan-chi*.*

* *Independent non-executive director of the Company*