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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)**

**(1) PROPOSED ISSUANCE OF NEW A SHARES**

**(2) CONNECTED TRANSACTION: SUBSCRIPTION OF  
NEW A SHARES BY CNAHC**

**AND**

**(3) RESUMPTION OF TRADING**

**1. Proposed Non-public A Share Issue**

***Proposed Non-public A Share Issue***

At the Board meeting of the Company held on 26 April 2012, the Board approved the proposed issuance of 188,642,729 new A Shares to CNAHC at the subscription price of RMB5.57 per A Share. The proceeds to be raised from the proposed Non-public A Share Issue will be RMB1,050.74 million.

***Share Subscription Agreement***

On 26 April 2012, CNAHC entered into the Share Subscription Agreement with the Company, pursuant to which, CNAHC will commit RMB1,050.74 million in cash to subscribe for 188,642,729 new A Shares at the subscription price of RMB5.57 per A Share.

### *Listing Rules Implications*

Since CNAHC is the controlling shareholder of the Company, and hence a connected person of the Company, the issue of new A Shares to CNAHC pursuant to the Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements. An Independent Board Committee comprising the independent non-executive directors of the Company has been formed to advise the Independent Shareholders on the terms of the Share Subscription Agreement. China Merchants Securities (HK) Co., Ltd. will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The Company intends to hold an EGM as soon as practicable, at which approval from the Independent Shareholders on the proposed Non-public A Share Issue will be sought. Voting at the EGM will be taken by way of poll. A circular containing, among other things, further details of: (i) the proposed Non-public A Share Issue; and (ii) a notice of the EGM, is expected to be issued by the Company and dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules. CNAHC and its associates will abstain from voting at the EGM.

The new A Shares to be issued pursuant to the Non-public A Share Issue will be allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 26 May 2011.

## **2. Resumption of trading**

At the request of the Company, trading of H Shares of the Company on the Hong Kong Stock Exchange was suspended with effect from 9:00 a.m. on 20 April 2012 pending the release of this announcement. The Company has made an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 27 April 2012.

**The Company advises its Shareholders and potential investors to note that the proposed Non-public A Share Issue is subject to certain conditions being satisfied, and consequently the proposed Non-public A Share Issue may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.**

## A. PROPOSED NON-PUBLIC A SHARE ISSUE

### 1. General

At the Board meeting of the Company held on 26 April 2012, the Board approved the proposed issuance of 188,642,729 new A Shares to CNAHC (the “**Non-public A Share Issue**”) on the terms set out in this announcement.

Accordingly, on 26 April 2012, CNAHC entered into the Share Subscription Agreement with the Company, pursuant to which, CNAHC will commit RMB1,050.74 million in cash to subscribe for 188,642,729 new A Shares at the subscription price of RMB5.57 per A Share, which may be adjusted in the manner as described under “*Basis for determining the subscription price*” of section “A. Proposed Non-public A Share Issue – 2. Structure of the Non-public A Share Issue” below.

### 2. Structure of the Non-public A Share Issue

Class of shares to be issued and the nominal value: A Shares with a par value of RMB1.00 each

Subscriber: CNAHC

Number of A Shares to be issued: 188,642,729 A Shares which may be adjusted as a result of any adjustment to the subscription price as explained in the paragraph “*Basis for determining the subscription price*” below if there is any *ex-rights* or *ex-dividend* arrangement from the Pricing Base Day to the date of issuance. The Company and CNAHC will execute a written confirmation in respect of such adjustment to the number of new A Shares to be issued prior to the date of issuance.

Method of issue: Non-public offering. The new A Shares will be issued accordingly within 6 months after the approval from CSRC on the same has been obtained.

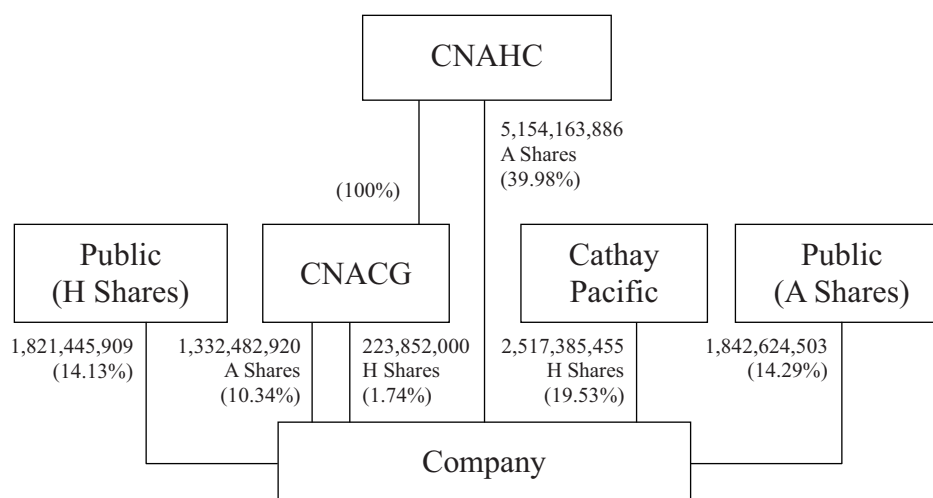
The subscription price shall be paid in cash.

Basis for determining the subscription price:	<p>The subscription price of new A Shares shall be RMB5.57 per A Share, i.e., 90% of the average trading price of the A Shares in the 20 trading days preceding the Pricing Base Day (the average trading price of the A Shares in the 20 trading days preceding the Pricing Base Day equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Base Day divided by the total volume of A Shares traded in the 20 trading days preceding the Pricing Base Day). The subscription price of the new A Shares will be adjusted in accordance with the relevant rules of the Shanghai Stock Exchange if there is any <i>ex-rights</i> or <i>ex-dividend</i> arrangement from the Pricing Base Day to the date of issuance. The Company and CNAHC will execute a written confirmation in respect of such adjustment to the subscription price of the new A Shares prior to the date of issuance.</p> <p>The subscription price of RMB5.57 per A Share represents: (i) a discount of approximately 10.88% as compared to the closing price of RMB6.25 per A Share immediately prior to the suspension of trading of A Share on 20 April 2012; and (ii) a discount of approximately 10.16% as compared to the average closing price of RMB6.20 per A Share for the last five trading days immediately prior to 20 April 2012.</p>
Rights attached to the new A Shares:	<p>The new A Shares to be issued pursuant to the Non-public A Share Issue will rank <i>pari passu</i> with the existing A Shares and H Shares in all respects.</p>
Conditions for the Share Subscription Agreement to take effect:	<p>The Share Subscription Agreement will take effect on the date when both of the following conditions have been satisfied:</p> <ol style="list-style-type: none"> <li>(1) the approvals having been granted by the Independent Shareholders by way of special resolutions at the EGM; and</li> <li>(2) all necessary approvals, consents from the relevant governmental and regulatory authorities, including but not limited to the approvals from the CSRC, the SASAC and the CAAC, in relation to the Non-public A Share Issue and the Share Subscription Agreement having been obtained.</li> </ol>
Net Proceeds from the Non-public A Share Issue:	<p>The net proceeds raised from the Non-public A Share Issue will be not more than RMB1,050.74 million after deduction of the fees and expenses relating to the Non-public A Share Issue.</p>

Use of proceeds:	The net proceeds raised from the Non-public A Share Issue will be used towards reduction of the bank borrowings of the Company and its working capital or towards its working capital only.
Lock-up Arrangement:	Pursuant to the relevant rules of CSRC, the new A Shares to be subscribed for by CNAHC shall not be disposed of within 36 months from the completion date of the issuance of such new A Shares.
Validity Period of the resolution:	The period from the passing of the special resolution with respect to the Non-public A Share Issue at the EGM until the expiration of the 6-month period following the approval from CSRC of the Non-public A Share Issue.
Listing Application:	Application will be made by the Company to the Shanghai Stock Exchange for the granting of the listing of, and permission to deal in, all A Shares issued pursuant to the Non-public A Share Issue. Upon the expiration of the lock-up period, the new A Shares will be traded on the Shanghai Stock Exchange.
Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-public A Share Issue:	The new and existing Shareholders will share the undistributed profits of the Company accumulated prior to the Non-public A Share Issue.

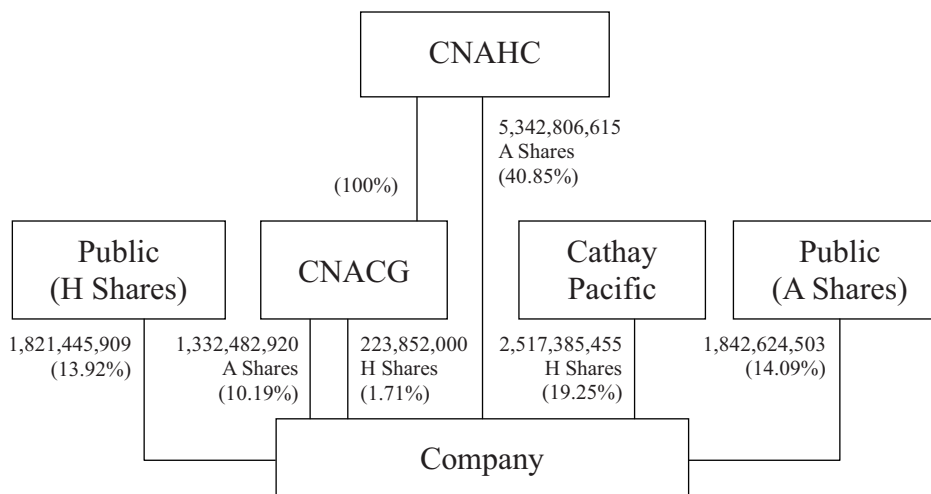
### 3. Shareholding structure of the Company

3.1 As at the date of this announcement, the shareholding structure of the Company is as follows:



*Note: The percentages shown are rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.*

3.2 Immediately following the completion of the Subscription, assuming that (i) CNAHC has subscribed for 188,642,729 new A Shares; and (ii) no other Shares have been issued after the date of this announcement until the completion of the Subscription, it is anticipated that the shareholding structure of the Company will be as follows:



*Note: The percentages shown are rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.*

#### 4. Listing Rules Implications relating to the Subscription

As at the date of this announcement, CNAHC directly holds 5,154,163,886 A Shares in the Company, representing 39.98% of the existing issued share capital of the Company. As at the date of this announcement, CNACG holds 1,332,482,920 A Shares and 223,852,000 H Shares in the Company, representing an aggregate of 10.34% and 1.74% of the existing issued share capital of the Company, respectively. CNACG is a wholly-owned subsidiary of CNAHC. CNAHC, by itself and through CNACG, owns in aggregate 52.05% of the existing issued share capital of the Company.

Since CNAHC is the controlling shareholder of the Company, and hence a connected person of the Company, the issue of new A Shares to CNAHC pursuant to the Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements. An Independent Board Committee comprising the independent non-executive directors of the Company has been formed to advise the Independent Shareholders on the terms of the Share Subscription Agreement. China Merchants Securities (HK) Co., Ltd. will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The Company intends to hold an EGM as soon as practicable, at which approval from the Independent Shareholders on the proposed Non-public A Share Issue will be sought. Voting at the EGM will be taken by way of poll. CNAHC and its associates will abstain from voting at the EGM.

The new A Shares to be issued pursuant to the Non-public A Share Issue will be allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 26 May 2011.

## **5. Reasons for and benefit of the proposed Non-public A Share Issue**

The Non-public A Share Issue will help the Company to improve its financial condition, satisfy the capital needs of its business development, maintain its competitive advantage and ensure its sustainable and sound development, all in the best interest of the Shareholders.

## **6. Fund raising activities in the past twelve months**

The Company has not conducted any equity fund raising activities during the twelve months immediately before the date of this announcement.

## **7. Shareholders' Circular**

A circular containing, among other things, further details of: (i) the proposed Non-public A Share Issue; and (ii) a notice of the EGM, is expected to be issued by the Company and dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **B. OPINION OF THE DIRECTORS**

The Directors (other than the independent non-executive directors of the Company whose views will be set out in the circular to be dispatched to the Shareholders together with the advice of the Independent Financial Adviser) consider that the terms and conditions of the issue of new A Shares under the Share Subscription Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **C. RESUMPTION OF TRADING**

At the request of the Company, trading of H Shares of the Company on the Hong Kong Stock Exchange was suspended with effect from 9:00 a.m. on 20 April 2012 pending the release of this announcement. The Company has made an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 27 April 2012.

**The Company advises its Shareholders and potential investors to note that the proposed Non-public A Share Issue is subject to certain conditions being satisfied, and consequently the proposed Non-public A Share Issue may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“A Shares”	means the ordinary shares issued by the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“associates”	has the meaning ascribed thereto under the Listing Rules;
“Board”	means the board of directors of the Company;
“CAAC”	means the Civil Aviation Administration of China;
“Cathay Pacific”	means Cathay Pacific Airways Limited;
“CNACG”	means China National Aviation Corporation (Group) Limited (中國航空 (集團) 有限公司), a company incorporated under the laws of Hong Kong, and a wholly-owned subsidiary of CNAHC and a substantial shareholder of the Company, which directly holds approximately 12.08% of the Company’s issued share capital as at the date of this announcement. CNACG is an investment holding company whose principal businesses include passenger terminal operation, cargo terminal operation, airport ground handling services, airline catering services, property investment, ticket and tourism services, logistics and other businesses conducted through its subsidiaries;
“CNAHC”	means 中國航空集團公司 (China National Aviation Holding Company), a wholly PRC state-owned enterprise and the controlling shareholder of the Company, which directly and indirectly holds an aggregate of approximately 52.05% of the Company’s issued share capital as at the date of this announcement and whose principal business is to manage the state-owned assets of CNAHC and the equity it holds in various companies;
“Company”	means 中國國際航空股份有限公司 (Air China Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Hong Kong 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, and whose principal business is the operation of scheduled airline services;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CSRC”	means the China Securities Regulatory Commission;
“Directors”	means the directors of the Company;



“EGM”	means the extraordinary general meeting of the Company to be convened to consider and approve, among other things, the proposed issuance of new A Shares and subscription of new A Shares by CNAHC;
“H Shares”	means the ordinary shares issued by the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	means the Hong Kong Special Administrative Region of China;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	means an independent committee of the independent non-executive directors of the Company comprising Fu Yang, Li Shuang, Han Fangming and Yang Yuzhong;
“Independent Financial Adviser”	means China Merchants Securities (HK) Co., Ltd.;
“Independent Shareholders”	means the shareholders of the Company, other than CNAHC and its associates;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Non-public A Share Issue”	as described under section “A. Proposed Non-public A Share Issue – 1. General” of this announcement;
“PRC” or “China”	means the People’s Republic of China;
“Pricing Base Day”	means 27 April 2012, being the date of this announcement;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SASAC”	means the State Asset Supervision and Administration Commission of China;
“Shareholders”	means the shareholders of the Company;
“Share Subscription Agreement”	means the subscription agreement entered into between CNAHC and the Company on 26 April 2012, pursuant to which, CNAHC agrees to commit RMB1,050.74 million to subscribe for, and the Company agrees to issue, 188,642,729 new A Shares at the subscription price of RMB5.57 per A Share, which may be adjusted in the manner as described under “ <i>Basis for determining the subscription price</i> ” of section “A. Proposed Non-public A Share Issue – 2. Structure of the Non-public A Share Issue” above;

“Subscription”	means the subscription of new A Shares pursuant to the Non-public A Share Issue;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“trading day”	means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and
“%”	per cent.

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

Beijing, the PRC, 27 April 2012

*As at the date of this announcement, the directors of the Company are Mr. Wang Changshun, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt, Mr. Ian Sai Cheung Shiu, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Fu Yang\*, Mr. Li Shuang\*, Mr. Han Fangming\* and Mr. Yang Yuzhong\*.*

\* *Independent non-executive director of the Company*