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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)

**CONTINUING CONNECTED TRANSACTION:
TRADEMARK LICENCE FRAMEWORK AGREEMENT**

This announcement is made by Air China Limited (the “**Company**”) pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

BACKGROUND

Reference is made to the prospectus of the Company dated 3 December 2004 (the “**Prospectus**”) relating to the global offering of the Company’s H shares and the listing of the Company’s H shares on the main board of The Stock Exchange of Hong Kong Limited. As disclosed in the Prospectus, pursuant to a trademark licensing agreement entered into between the Company and China National Aviation Holding Company (“**CNAHC**”) on 1 November 2004 (the “**2004 Trademark Licence Agreement**”), the Company granted CNAHC and its controlled companies a non-exclusive licence for the use of certain Company’s trademarks in connection with their business operations on a royalty-free basis. The non-exclusive licence is for a term of ten years expiring on 31 December 2014 and is subject to renewal through mutual consent. The 2004 Trademark Licence Agreement was entered into on normal commercial terms and fell below the de minimis threshold under Chapter 14A of the Listing Rules and thus was exempt from the disclosure and independent shareholders’ approval requirements.

TRADEMARK LICENCE FRAMEWORK AGREEMENT

Description of the Framework Agreement

On 28 October 2014, the Company entered into a trademark licensing framework agreement (the “**Framework Agreement**”) with CNAHC (for itself and on behalf of its controlled companies, collectively, the “**CNAHC Group**”, but excluding the Company and its subsidiaries), pursuant to which, the Company granted CNAHC Group a non-exclusive licence for the use of a total of 83

registered trademarks of the Company for a term of three years from 1 January 2015 to 31 December 2017 (the “**Transaction**”). CNAHC Group undertook to use such licensed trademarks subject to the terms of the non-competition agreement between CNAHC and the Company dated 20 November 2004, details of which were disclosed in the Prospectus, and to ensure the quality of the services using the licensed trademarks in order to maintain their reputation. The licence is granted on a royalty-free basis at nil consideration.

Pricing of and reasons for the Transaction

The licensed trademarks had been contributed by CNAHC, the controlling shareholder of the Company, to the Company as its intangible assets upon its incorporation at nil consideration. As the trademarks are related to the daily business of CNAHC Group, the Company licensed certain trademarks to CNAHC Group at nil consideration for its use in its ordinary course of business as a reciprocal arrangement pursuant to the 2004 Trademark Licence Agreement. Given that it is necessary for CNAHC Group to continue using such trademarks for its future business and that CNAHC Group has duly performed its obligations under the 2004 Trademark Licence Agreement without causing any detriment to the awareness and reputation of the Company’s brands, the Company considers that it shall enter into a new framework agreement to renew the above reciprocal arrangement that was entered into upon the incorporation of the Company.

In light of the above, the Framework Agreement is regarded as a renewal of the non-exclusive licence granted under the 2004 Trademark Licence Agreement and thus is also made on a royalty-free basis at nil consideration.

As the Company’s principal business, revenue and profit are not reliant on the performance of the Framework Agreement, the Framework Agreement will not have an impact on the independence of the Company, nor have a material effect on the Company’s operations.

Connection between the parties

CNAHC directly owns 41.48% of the total issued shares of the Company, and indirectly holds 11.89% of the total issued shares of the Company through its subsidiary China National Aviation Corporation (Group) Limited (“**CNACG**”). Accordingly, CNAHC is a substantial shareholder of the Company and therefore CNAHC and its associates are connected person of the Company under the Listing Rules.

CNAHC is a state-owned company incorporated in the People’s Republic of China (the “**PRC**”) with a registered capital of RMB10,027,830,000. Its registered address is Air China Plaza, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC and the legal representative is Mr. Cai Jianjiang. It is primarily engaged in managing its state-owned assets and its equity interest in investees, charter of aircrafts and maintenance of aviation equipment.

LISTING RULES IMPLICATIONS

The Transaction contemplated under the Framework Agreement between the Company and CNAHC constitutes a continuing connected transaction for the Company under the Listing Rules. As the Transaction is on normal commercial terms or better and on a royalty-free basis, it falls within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and therefore is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

PRC LAW IMPLICATIONS

Pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Transaction constitutes a connected transaction for the Company and shall be subject to the independent shareholders' approval at the extraordinary general meeting of the Company to be held on or about 18 December 2014 (the "EGM").

OPINION OF THE DIRECTORS

The Transaction was approved at the eleventh meeting of the fourth session of the board of directors of the Company (the "Board") on 28 October 2014. Mr. Cai Jianjiang, Ms. Wang Yinxiang, Mr. Cao Jianxiong and Mr. Feng Gang are considered to have a material interest in the Transaction and therefore have abstained from voting on the relevant Board resolution.

The Board (including the independent non-executive directors) has considered the Transaction and is of the view that the Transaction is on normal commercial terms or better and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Transaction is subject to independent shareholders' approval at the EGM, at which CNAHC and CNACG will abstain from voting on such matter.

A circular containing, among other things, details of the Framework Agreement will be despatched to shareholders of the Company on or about 31 October 2014 in accordance with the Listing Rules.

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

Beijing, the PRC, 28 October 2014

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Feng Gang, Mr. John Robert Slosar, Mr. Ian Sai Cheung Shiu, Mr. Song Zhiyong, Mr. Fan Cheng, Mr. Fu Yang, Mr. Yang Yuzhong*, Mr. Pan Xiaojiang* and Mr. Simon To Chi Keung*.*

* *Independent non-executive Director of the Company*