

## MEDIA RELEASE

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### CHINA EASTERN AIRLINES AND QANTAS ANNOUNCE JETSTAR HONG KONG

China Eastern Airlines and the Qantas Group (which owns the Jetstar Group) have entered a new strategic alliance to bring Asia's leading low fares airline model to China with the creation of **Jetstar Hong Kong**.

Jetstar Hong Kong will combine the partners' local knowledge, networks and successful low cost carrier model to service short haul routes in Asia, including Greater China, Japan, South Korea and South East Asia. It will be the first low fares airline based in Hong Kong.

Subject to regulatory approval Jetstar Hong Kong services will start in 2013 with a fleet of three Airbus A320s, growing to 18 A320s by 2015.

Jetstar Hong Kong is underpinned by a total maximum capitalisation of up to US\$198 million. The shareholding percentage in Jetstar Hong Kong will be equally held by China Eastern Airlines and Qantas Group, which will be equal partners in the Joint Venture. The maximum exposure for each partner is US\$99 million over a three year period.

Chairman of China Eastern Airlines, Mr Liu Shaoyong, said the airline was pleased to be extending its 20 year relationship with the Qantas Group.

"We believe there are huge opportunities for the Jetstar low fares model throughout Asia, including Greater China, and are excited to be the first major Chinese carrier to bring this travel option to the region," said Mr Liu.

"Cooperation with Qantas Group is a key step in China Eastern Airlines' international expansion strategy and an excellent opportunity for China Eastern Airlines to develop low cost carrier operations to complement its existing business model.

"Jetstar Hong Kong's low fare model will enable people to fly more often for less and will help to stimulate the Hong Kong tourism industry and the broader economy," said Mr Liu.

Qantas Group Chief Executive Officer, Mr Alan Joyce, said the new agreement would build a strong platform for accessing the world's largest, fastest growing and most profitable aviation market.

"We see tremendous potential for the Qantas Group in Asia and we're looking forward to working more closely with China Eastern Airlines to deliver on it," Mr Joyce said.

"Establishing Jetstar Hong Kong in the heart of Asia and on the doorstep of mainland China is a historic opportunity to continue the successful expansion of the Jetstar brand in this region.

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“We know from our experience with Jetstar in Australia and in the setup of Jetstar Japan the benefits of both a premium and a low cost airline operating in the same market. This will also apply to Jetstar Hong Kong, which will leverage the local knowledge and scale of China Eastern Airlines with the successful low cost model of Jetstar,” added Mr Joyce.

Vice Chairman and President of China Eastern Airlines, Mr Ma Xulun, said: “Jetstar Hong Kong will maximise synergies by combining Jetstar Group's resources including brand management, commercial management, safety, aircraft maintenance and IT systems with China Eastern Airlines' leading position in the Chinese aviation market.”

Chief Executive Officer of the Jetstar Group, Mr Bruce Buchanan, said the new airline would trigger new travel demand as the first low cost carrier based in Hong Kong and only the second currently based in Greater China.

“Jetstar Hong Kong’s fares will be 50 per cent less than existing full service carriers, which we’ve seen create new travel demand in our markets across Asia because it enables people to take more trips, more often,” said Mr Buchanan.

“Jetstar’s vision is to make travel more affordable for millions of people across Asia, and the demographics of China with its booming middle class are a key part of that plan.

“This is a unique opportunity for Jetstar to capitalise on the enormous potential of the Greater Chinese market, where the penetration rate of low cost carriers is less than 5 per cent, using a model that we know delivers for customers and shareholders,” added Mr Buchanan. Hong Kong is one of the Asia Pacific’s major travel hubs, with around 40 million passengers a year and a population base of around 7 million. Greater China has a travel market of almost 300 million passengers per annum, forecast to grow to 450 million by 2015.

The Jetstar Group is Asia Pacific’s fastest growing and largest low fares network by revenue, with airlines in Singapore, Japan, Vietnam, Australia and New Zealand. It operates up to 3,000 flights a week to almost 60 destinations, including 30 in Asia and eight in Greater China. The Jetstar Group is on track to carry more than 20 million people in FY12.

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## **ABOUT CHINA EASTERN AIRLINES**

China Eastern Airlines is a full service carrier and one of three major Chinese Airlines operating international, domestic and regional routes. Its headquarters are located in Shanghai, the commercial and financial centre of mainland China.

As a member of the SkyTeam Alliance, China Eastern Airlines has a route network covering over 900 destinations in 169 countries, and passenger traffic of 68.8 million in 2011. China Eastern Airlines has become a Top 10 global airline company in terms of passenger traffic.

China Eastern Airlines is China's second-largest carrier by passenger numbers. It operates a fleet of 377 passenger and cargo aircraft including Airbus A320s and Boeing 737s, as end of 2011.

In 1997, China Eastern Airlines was listed simultaneously in New York, Hong Kong and Shanghai stock markets.

## **ABOUT THE QANTAS GROUP**

The Qantas Group's two complementary flying brands, Qantas and Jetstar, give it unique strength in terms of scale, network and customer reach.

Qantas is Australia's largest domestic and international airline and is ranked among the world's leading premium carriers. Jetstar is one of the world's fastest-growing and most successful low-cost carrier brands, operating in Australia, New Zealand, the Pacific, and throughout Asia.

Jetstar is a low fares network of airlines operating in the leisure and value based markets. The Jetstar Group is made up of Jetstar Airways in Australia and New Zealand together with Jetstar branded airlines, Jetstar Asia based in Singapore, Jetstar Pacific based in Vietnam, and Jetstar Japan to be launched in July 2012. Jetstar was the first to offer low fare long-haul international services in 2006. The Jetstar Group has a fleet of 89 aircraft with an average age of around four years.

Jetstar has flown between Hong Kong and Singapore since 2004. It has carried more than 1 million passengers on this route so far and currently operates up to 21 return flights a week.

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