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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)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is published pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The attachment to this announcement is the following announcement of Air China Limited published on the Shanghai Stock Exchange:

**Announcement of Air China Limited Regarding Exchange of the
Self-raised Funds Funded in Advance with Proceeds
from the Issuance**

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

Beijing, the PRC, 30 March 2017

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Cao Jianxiong, Mr. Feng Gang, Mr. John Robert Slosar, Mr. Ian Sai Cheung Shiu, Mr. Pan Xiaojiang, Mr. Simon To Chi Keung*, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive Director of the Company*

Announcement of Air China Limited Regarding Exchange of the Self-raised Funds Funded in Advance with Proceeds from the Issuance

The board of directors and all members of the board of directors of the Company ensure that there are no false records, misleading statements or material omissions of the announcement and will be jointly and severally liable for truthfulness, accuracy and completeness of the announcement.

IMPORTANT INFORMATION

- The amounts invested in the targeted projects in advance using self-raised funds which would be exchanged with proceeds from the issuance amounted to RMB4,720,773,535.86, which satisfied the requirement that the period between the time of exchange and the time of availability of the proceeds from the issuance shall be within six months.

I. STATUS OF THE FUND RAISING ACTIVITIES

As approved by the Approval of the Non-public Issuance of Shares by Air China Limited (Zheng Jian Xu Ke [2016] No. 2026) (證監許可[2016]2026號《關於核准中國國際航空股份有限公司非公開發行股票的批覆》) issued by the China Securities Regulatory Commission (the “CSRC”), Air China Limited (the “Company”) issued 1,440,064,181 RMB-denominated ordinary shares (A Shares) to specific investors at an issue price of RMB7.79 per share by way of non-public issuance (the “Non-public Issuance”), raising a total of RMB11,218,099,969.99. After deducting issue expenses of RMB17,681,498.93 (tax inclusive) including sponsors’ underwriting fee, accountant’s fee, attorneys’ fee and other intermediary costs as well as other direct expenses, the net proceeds amounted to RMB11,200,418,471.06. The said proceeds from the Non-public Issuance were verified by KPMG Huazhen LLP which issued the Capital Verification Report (KPMG Huazhen Yan Zi No. 1700304) on 2 March 2017.

In order to regulate the management and use of proceeds of the Company and to safeguard the interests of investors, the Company established an exclusive account for the proceeds. Upon receipt, all proceeds were deposited into the exclusive account and proceeds supervision agreement was signed with the sponsor and the commercial bank to which the proceeds were deposited. For details, please refer to the Company’s announcement on the signing of tripartite supervision agreement for the exclusive account for proceeds published on China Securities Journal, Shanghai Securities News, Securities Daily and the website of Shanghai Stock Exchange on 21 March 2017.

II. DESCRIPTION ON THE INVESTMENT PROJECTS UTILISING THE PROCEEDS AS COMMITTED IN THE APPLICATION DOCUMENT FOR THE ISSUANCE

On 16 January 2016, the 2016 first extraordinary general meeting, the 2016 first A shareholders' class meeting and the 2016 first H shareholders' class meeting of the Company considered and approved the Proposed Non-public Issue of A Shares by the Company and other proposals in relation to the Non-public Issuance.

According to the resolutions passed at the general meeting and relevant class meetings, the amount of gross proceeds to be raised from this Non-public Issuance will be no more than RMB12,000 million (including RMB12,000 million). The proceeds after deducting the issue expenses were proposed to be applied to the following projects:

No.	Name of project	<i>Unit: RMB</i>	
		Investment amount in the project	Proceeds to be applied to the project
1	Purchase of 15 Boeing B787 aircraft (including supplemental in-cabin facilities such as seats)	24,000,000,000	7,450,000,000
2	Upgrade of e-commerce direct sale project	890,000,000	800,000,000
3	On-board WIFI (first phase) project	158,000,000	150,000,000
4	Replenish working capital	3,600,000,000	3,600,000,000
Total		28,648,000,000	12,000,000,000

In the event that the actual amount of proceeds raised from the Non-public Issuance after deducting the issue expenses is less than the total amount of proceeds proposed to be applied to the investment projects set out above, the Company may, based on the actual amount of net proceeds raised, adjust and determine the investment priority of proceeds and the specific investment amount for each project as well as other arrangements depending on the extent of urgency of such projects, and the Company will use self-raised funds to fund the shortfall. Before the proceeds from the Non-public Issuance are available, the Company may invest self-raised funds in the projects in advance depending on the actual progress of the projects. The proceeds, once available, will be exchanged with the self-raised funds following the procedures under relevant laws and regulations.

III. INVESTMENT OF THE SELF-RAISED FUNDS IN THE TARGETED PROJECTS IN ADVANCE

(I) *Investment of the Self-Raised Funds in Advance*

Before the proceeds become available, the Company used self-raised funds to fund the targeted projects in advance. According to the Verification Report on Investment of the Self-Raised Funds in the Targeted Projects in Advance by Air China Limited (KPMG Huazhen Zhuan Zi No. 1700434) issued by KPMG Huazhen LLP, as of 31 December 2016, the actual amounts invested in advance using self-raised funds by the Company amounted to RMB4,720,773,535.86, details of which are as follows:

Unit: RMB

Name of targeted project	Amount of proceeds committed	Amount of self-raised funds invested in the targeted project in advance as of 31 December 2016
Purchase of 15 Boeing B787 aircraft	7,450,000,000	4,720,773,535.86

(II) *Exchange of Proceeds*

The Company intends to exchange the self-raised funds invested in the targeted project in advanced with the proceeds raised from the Non-public Issuance as follows:

Unit: RMB

Name of project	Amount of investment in the project	Amount of proceeds proposed to be invested in the project	Amount of self-raised funds invested in the targeted project in advance as of 31 December 2016	Amount of exchange with proceeds
Purchase of 15 Boeing B787 aircraft	24,000,000,000	7,450,000,000	4,720,773,535.86	4,720,773,535.86

IV. PROCEDURES ADOPTED BY THE BOARD OF DIRECTORS IN REVIEWING THE EXCHANGE OF SELF-RAISED FUNDS FUNDED IN ADVANCE WITH PROCEEDS FROM THE ISSUANCE AND ITS COMPLIANCE WITH REGULATORY REQUIREMENTS

On 30 March 2017, the Resolution on Exchange of Self-raised Funds with the Proceeds Raised from the Non-public Issuance was considered and approved at the 43rd meeting of the fourth session of the board of directors of the Company, which consented to the Company's exchange of self-raised funds invested in advance with the proceeds raised from the Non-public Issuance of A shares. For details, please refer to the Company's Announcement on the Resolutions of the 43rd Meeting of the Fourth Session of the Board of Directors of Air China Limited published on China Securities Journal, Shanghai Securities News, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn) on the same day.

The exchange of the self-raised funds used in advance with the proceeds from the issuance does not contradict with the plan of implementation of the targeted projects; it does not affect the normal progress of the targeted projects; there exists no change in the targeted use of proceeds; there is no circumstance detrimental to the interests of shareholders; the period between the time of exchange and the time of availability of the proceeds from the issuance does not exceed six months and is therefore in compliance with the relevant requirements of the "Guidelines on the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds" issued by the CSRC and the "Measures for the Management of Funds Raised by Companies Listed on the Shanghai Stock Exchange (2013 Revision)".

V. SPECIFIC OPINIONS

(I) Verification opinions of the accounting firm

KPMG Huazhen LLP has conducted specific review on the actual use of self-raised funds on the targeted projects of the Company and issued the Verification Report on Investment of the Self-Raised Funds in the Targeted Projects in Advance by Air China Limited (KPMG Huazhen Zhuan Zi No. 1700434).

KPMG Huazhen LLP considered that: the Company's report on investment of the self-raised funds in the targeted projects in advance was prepared in accordance with the relevant requirements of the "Guidelines on the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds" and the "Measures for the Management of Funds Raised by Companies Listed on the Shanghai Stock Exchange (2013 Revision)" in all materials aspects, and reflected the actual conditions of investment of the self-raised funds in the targeted projects in advance by the Company as of 31 December 2016 in all material aspects.

(II) Examination opinions of the sponsor

CSC Financial Co., Ltd., being the sponsor, conducted specific examination on the Company's exchange of the self-raised funds invested in advance in the targeted projects with the proceeds from the issuance. It considered that the use of the self-raised funds invested in advance for funding the targeted projects has undergone the specific audit conducted by KPMG Huazhen LLP, which issued the Verification Report on Investment of the Self-Raised Funds in the Targeted Projects in Advance by Air China Limited (KPMG Huazhen Zhuan Zi No. 1700434); the Resolution on Exchange of Self-raised Funds with the Proceeds Raised from the Non-public Issuance has been considered and approved by the 43rd meeting of the fourth session of the board of directors and the 22nd meeting of the fourth session of the supervisory committee of the Company; the independent directors of the Company have expressly issued their consent opinions; the approval procedures which are necessary at this stage have been performed; it is in compliance with the relevant requirements of the "Guidelines on the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds" and the "Measures for the Management of Funds Raised by Companies Listed on the Shanghai Stock Exchange (2013 Revision)". The sponsor agrees to the Company's exchange of the self-raised funds invested in advance in the targeted projects with the proceeds from the issuance in the amount of RMB4,720,773,535.86.

(III) Opinions of the independent directors

The opinions of the independent directors of the Company are as follows: Before the proceeds from the Non-public Issuance become available, the Company used the self-raised funds to invest in the targeted project in advance as required by business operation. The exchange of self-raised funds invested in the targeted project in advance with the proceeds has been considered and approved by the board of directors and supervisory committee of the Company, and verified by KPMG Huazhen LLP. The period between the time of exchange of self-raised funds invested in the targeted project in advance with the proceeds and the time of availability of the proceeds from the issuance does not exceed six months, and the exchange is in line with the implementation plan of targeted projects. In addition, there exists no change in the targeted use of proceeds or circumstance detrimental to the interests of minority shareholders of the Company. The exchange is therefore in compliance with the relevant requirements of the "Guidelines on the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds" and the "Measures for the Management of Funds Raised by Companies Listed on the Shanghai Stock Exchange (2013 Revision)". Accordingly, the independent directors agree to the Company's implementation of the above matters.

(IV) Opinions of the Supervisory Committee

The supervisory committee of the Company agrees to the exchange of the self-raised funds with proceeds from the Non-public Issuance.

It is hereby announced.

By Order of the Board
Rao Xinyu
Secretary of the Board

Beijing, the PRC, 30 March 2017