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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) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE
TRANSACTIONS: FINANCIAL SERVICES AGREEMENTS; AND
(2) CONTINUING CONNECTED TRANSACTION: TRADEMARK LICENSE
FRAMEWORK AGREEMENT**

FINANCIAL SERVICES AGREEMENTS

On 30 August 2017 (after trading hours), the Company and CNAF entered into the Air China Financial Services Agreement to renew and amend the 2015 Air China Financial Services Agreement. On the same date, CNAHC and CNAF entered into the CNAHC Financial Services Agreement to renew and amend the 2015 CNAHC Financial Services Agreement.

CNAHC is the controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules, and the transactions contemplated under CNAHC Financial Services Agreement constitute continuing connected transactions of the Company. CNAF is a non-wholly owned subsidiary of the Company. Since CNAHC can exercise more than 10% of the voting power at CNAF's general meeting, CNAF is a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules, and the transactions contemplated under Air China Financial Services Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the Air China New Annual Caps exceed 5% and the maximum annual consideration is more than HK\$10,000,000, the deposit services to be provided to the Group by CNAF under the Air China Financial Services Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the CNAHC New Annual Caps exceed 5% and the maximum annual consideration is more than HK\$10,000,000, the Credit Services to be provided to CNAHC Group by CNAF under the CNAHC Financial Services Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable Percentage Ratios in respect of the Proposed Annual Caps exceed 5% but are less than 25%, the relevant transactions contemplated under the Financial Services Agreements also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

TRADEMARK LICENCE FRAMEWORK AGREEMENT

The Company and CNAHC (for itself and on behalf of its controlled companies, excluding the Group) entered into the Trademark Licence Framework Agreement on 28 October 2014. As the current term of the Trademark Licence Framework Agreement will expire on 31 December 2017, and the Company and CNAHC expect that the Trademark Licence Transaction will be carried out after 31 December 2017, the Company and CNAHC propose to renew the Trademark Licence Framework Agreement for three years from 1 January 2018 to 31 December 2020.

The Trademark Licence Transaction under the Trademark Licence Framework Agreement constitutes a continuing connected transaction of the Company under the Hong Kong Listing Rules. As the transaction is on normal commercial terms or better and on a royalty-free basis, it falls below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules and therefore is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. Pursuant to the Shanghai Listing Rules, the Trademark Licence Transaction is subject to the Independent Shareholders' approval.

SHAREHOLDERS' CIRCULAR

A circular containing, among other things, (i) details of the Air China Financial Services Agreement and the CNAHC Financial Services Agreement and the Proposed Annual Caps; (ii) a letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Non-exempt Continuing Connected Transactions contemplated thereunder and the Proposed Annual Caps; and (iii) the recommendation of the Independent Board Committee in respect of such transactions and the Proposed Annual Caps, will be despatched to Shareholders on or about 7 September 2017 in accordance with the Hong Kong Listing Rules.

I. FINANCIAL SERVICES AGREEMENTS

1. Introduction

Reference is made to the announcement of the Company dated 29 April 2015 and the circular of the Company dated 8 May 2015 in relation to the 2015 Air China Financial Services Agreement entered between the Company and CNAF on 29 April 2015 and the 2015 CNAHC Financial Services Agreement entered between CNAHC and CNAF on 29 April 2015. The current terms of the 2015 Air China Financial Services Agreement and the 2015 CNAHC Financial Services Agreement will expire on 31 December 2017.

As the Company expects that the transactions under 2015 Air China Financial Services Agreement will continue to be conducted after 31 December 2017, on 30 August 2017 (after trading hours), the Company and CNAF entered into the Air China Financial Services Agreement to renew and amend the 2015 Air China Financial Services Agreement. Air China Financial Services Agreement contains no material changes to the 2015 Air China Financial Services Agreement.

As CNAF expects that the transactions under 2015 CNAHC Financial Services Agreement will continue to be conducted after 31 December 2017, on 30 August 2017 (after trading hours), CNAF and CNAHC entered into the CNAHC Financial Services Agreement to renew and amend the 2015 CNAHC Financial Services Agreement. CNAHC Financial Services Agreement contains no material changes to the 2015 CNAHC Financial Services Agreement.

2. The Air China Financial Services Agreement

Date

30 August 2017

Parties

The Company and CNAF

Financial services to be provided by CNAF to the Group

Pursuant to the Air China Financial Services Agreement, CNAF has agreed to provide the Group with a range of financial services including the following:

- a. deposit services;
- b. Credit Services;

- c. other financial services, including but not limited to:
 - (i) negotiable instrument and letter of credit services;
 - (ii) trust loan and trust investment services;
 - (iii) underwriting services for debt issuances;
 - (iv) intermediary and consulting services;
 - (v) guarantee services;
 - (vi) settlement services;
 - (vii) internet banking services;
 - (viii) insurance agency services;
 - (ix) spot exchange settlement and sale services;
 - (x) cross-border bilateral RMB capital pooling services; and
 - (xi) other businesses of CNAF approved by CBRC, PBOC and SAFE.

Pricing basis

Deposit services

The interest rates applicable to the Group for deposits with CNAF shall (i) be in compliance with the requirements prescribed by PBOC on such type of deposit; (ii) be not lower than the interest rates charged by state-owned commercial banks to the Group for the same type of services under the same conditions; and (iii) be not lower than the interest rates charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Credit Services

The interest rates applicable to the Credit Services provided by CNAF to the Group shall (i) be in compliance with the requirements prescribed by PBOC on such type of loan; (ii) be not higher than the interest rates charged by state-owned commercial banks to the Group for the same type of services under the same conditions; and (iii) be not higher than the interest rates charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Other financial services

The fees charged by CNAF to the Group for providing paid services in the other financial services shall (i) be in line with the relevant standards (if any) prescribed by PBOC, CBRC, CSRC, NAFMII or other regulatory authorities; (ii) be not higher than the fees charged by state-owned commercial banks to the Group for the same type of services under the same conditions; and (iii) be not higher than the fees charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Currently, other financial services which are free of charge and provided by CNAF to the Group include the settlement services and financial information services (namely, providing statistics and information in relation to different types of financing products in the market). If CNAF charges fees for the settlement services and financial information services during the term of the Air China Financial Services Agreement, the pricing basis set out in the above paragraph shall apply, and the relevant transaction amount will be monitored closely to ensure that the aggregate annual fees to be paid by the Group to CNAF for other financial services will not exceed the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules.

Other terms

Pursuant to the Air China Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBRC or any illegal activities. CNAF is not allowed, during the term of the Air China Financial Services Agreement, to make use of the deposits of the Group for investments involving high risks including, but not limited to, investments in equity securities and corporate bonds. CNAF is obliged to provide convenience for the auditors of the Company. If the auditors of the Company intend to inspect the accounts of CNAF, CNAF shall make arrangement for such inspection after receiving notice from the Company.

The Air China Financial Services Agreement is subject to the approval by the Independent Shareholders at the EGM. The initial term of the Air China Financial Services Agreement is three years commencing from 1 January 2018 and ending on 31 December 2020, which is automatically renewable for successive terms of three years after the expiry of its initial term subject to the requirements under Hong Kong Listing Rules and the required approval procedures thereof. Upon expiry of the Air China Financial Services Agreement, the Board will re-assess the terms and conditions of the Air China Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules. During the term of the Air China Financial Services Agreement, the agreement can be terminated on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

Reasons and benefits for the transaction

The Directors believe that it is in the best interest of the Group to enter into the above transactions with CNAF having taken into account the following factors:

- a. in respect of transactions between the Group and CNAHC Group, CNAF is able to provide more efficient settlement services compared with independent third party banks;
- b. CNAF is able to provide safe, convenient, fast, comprehensive and tailor-made financial services to the Group. From 2015 and up to the date hereof, the connected transactions between CNAF and the Group have been carried out in compliance with the relevant laws and regulations and the relevant listing rules, and CNAF has a good track record on compliance. With its continuous improvement of professional level and financial services, CNAF is fully qualified for providing the relevant services to the Group;
- c. as a professional financial institution in the Group, CNAF could act more proactively in protecting the interest of the Group than external institutions; and
- d. a good cooperative relationship has been established between CNAF and the relevant departments of the Group over the years which makes their cooperation more efficient.

The Directors (including the independent non-executive Directors) consider that the Air China Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical Figures and Air China New Annual Caps

Set forth below is a summary of the historical annual caps, the actual maximum amount and the Air China New Annual Caps for the daily balance of deposits (including accrued interests) placed or to be placed by the Group with CNAF:

Transaction	Historical Annual Caps			Actual maximum amount			Air China New Annual Caps			
	for the year ended 31 December 2015	for the year ended 31 December 2016	for the year ending 31 December 2017	for the year ended 31 December 2015	for the year ended 31 December 2016	for the year ended 31 December 2016	for the period from 1 January to 30 June 2017	for the year ending 31 December 2018	for the year ending 31 December 2019	for the year ending 31 December 2020
Financial Services (daily balance of deposits)	RMB12 billion	RMB14 billion	RMB15 billion	RMB3.996 billion	RMB4.772 billion	RMB6.403 billion	RMB6.403 billion	RMB12 billion	RMB14 billion	RMB15 billion

Basis for the Air China New Annual Caps

The Air China New Annual Caps are determined based on the following factors:

- a. The historical amount of the Group's daily balance of deposits placed with CNAF for the two years ended 31 December 2016 and the six months ended 30 June 2017 as shown in the table above. The historical utilization ratios are relatively low mainly because the planned cross-border bilateral RMB capital polling services were not carried out due to the market interest rates and foreign exchange control, etc.. As market uncertainties still exist and specific business model is still under discussion, for the sake of prudence, the cross-border bilateral RMB capital polling services are not taken into account in determining the annual caps for the three years ending 31 December 2020.
- b. The annual caps for the daily balance of deposits to be placed by the Group with CNAF in the next three years are mainly determined based on the highest cash and bank balance of the Group, and the possible proportion of the Group's monetary funds deposited with CNAF. For the past three years, the highest cash and bank balance of the Group increased at a growth rate of 12%, and the average amount of the highest cash and bank balance of the Group for the three years ended 31 December 2016 and the first three months of 2017 is approximately RMB11.6 billion. Based on such average highest cash and bank balance and the historical growth rate of 12%, it is estimated that the highest cash and bank balance of the Group for each of the three years ending 31 December 2020 will reach up to RMB13 billion, RMB14.6 billion and RMB16.3 billion, respectively. In addition, as at the end of 2017, the proportion of the Group's monetary funds deposited in CNAF is expected to reach 62%, representing an increase of 14 percentage points as compared

to that as at the end of 2016. Considering the historical growth of the proportion of such deposits of monetary funds, the Group's demands for fund utilisation, and the requirements of centralisation of fund management and improvement of efficiency of fund utilisation by relevant regulatory authorities, for each of the three years ending 31 December 2020, the Group's proportion of deposits of monetary funds in CNAF is expected to be no less than 70%. Based on the above, it is estimated that the Group's deposits placed with CNAF for each of the three years ending 31 December 2020 will reach up to RMB9 billion, RMB11 billion and RMB12 billion respectively.

- c. In addition to the factor mentioned in paragraph b above, the Company will continue to deposit unutilized proceeds from issue of debts financing instruments with CNAF in the next three years. In 2016, the Company has been approved to issue super short-term commercial papers with principal amount of RMB10 billion. During the year of 2016, the Company issued super short-term commercial papers of RMB7.2 billion, among which a total of RMB3 billion were issued within one month, and some of the unutilized proceeds had been deposited with CNAF. As the Company will continue to issue direct financing instruments to raise funds in the next three years and the unutilized proceeds will continue to be deposited with CNAF, with reference to the historical maximum net proceeds received within a month, it is estimated that an additional deposit of approximately RMB3 billion will be placed by the Company with CNAF for each of the three years ending 31 December 2020.

Taking into account the aforesaid various factors, it is proposed that the maximum daily balance of deposits (including accrued interests) placed by the Group with CNAF for each of the three years ending 31 December 2020 shall be RMB12 billion, RMB14 billion and RMB15 billion, respectively.

3. The CNAHC Financial Services Agreement

Date

30 August 2017

Parties

CNAF and CNAHC

Financial services to be provided by CNAF to CNAHC Group

Pursuant to the CNAHC Financial Services Agreement, CNAF has agreed to provide CNAHC Group with a range of financial services including the following:

- a. deposit services;

- b. Credit Services;
- c. other financial services, including but not limited to:
 - (i) negotiable instrument and letter of credit services;
 - (ii) trust loan and trust investment services;
 - (iii) underwriting services for debt issuances;
 - (iv) intermediary and consulting services;
 - (v) guarantee services;
 - (vi) settlement services;
 - (vii) internet banking services;
 - (viii) insurance agency services;
 - (ix) spot exchange settlement and sale services;
 - (x) cross-border bilateral RMB capital pooling services; and
 - (xi) other businesses of CNAF approved by CBRC, PBOC and SAFE.

Pricing basis

Deposit services

The interest rates applicable to CNAHC Group's deposits with CNAF shall (i) be in compliance with the requirements prescribed by PBOC on such type of deposit; (ii) be not higher than the interest rates charged by state-owned commercial banks to the CNAHC Group for the same type of services under the same conditions; and (iii) be not higher than the interest rates charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Credit Services

The interest rates applicable to the Credit Services provided by CNAF to CNAHC Group shall (i) be in compliance with the requirements prescribed by PBOC on such type of loan; (ii) be not lower than the interest rates charged by state-owned commercial banks to the

CNAHC Group for the same type of services under the same conditions; and (iii) be not lower than the interest rates charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Other financial services

The fees charged by CNAF to the CNAHC Group for providing paid services in the other financial services shall (i) be in line with the relevant rate standards (if any) prescribed by the PBOC, CBRC, CSRC, NAFMII or other regulatory authorities; (ii) be not lower than the fees charged by state-owned commercial banks to CNAHC Group for the same type of services under the same conditions; and (iii) be not lower than the fees charged by CNAF to other CNAHC Member Companies for the same type of services under the same conditions.

Currently, other financial services which are free of charge and provided by CNAF to the CNAHC Group include the settlement services and financial information services (namely, providing statistics and information in relation to different types of financing products in the market). If CNAF charges fees for the settlement services and financial information services during the term of the CNAHC Financial Services Agreement, the pricing basis set out in the above paragraph shall apply, and the relevant transaction amount will be monitored closely to ensure that the aggregate annual fees to be paid by CNAHC Group to CNAF for other financial services will not exceed the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules.

Other terms

Pursuant to the CNAHC Financial Services Agreement, CNAF shall not carry out any business that has not been approved by CBRC or any illegal activities.

The CNAHC Financial Services Agreement is subject to the approval by the Independent Shareholders at the EGM. The initial term of the CNAHC Financial Services Agreement is three years commencing from 1 January 2018 and ending on 31 December 2020, which is automatically renewable for successive terms of three years after the expiry of its initial term subject to the requirements under Hong Kong Listing Rules/Shanghai Listing Rules and the required approval procedures thereof. Upon expiry of the CNAHC Financial Services Agreement, the Board will re-assess the terms and conditions of the CNAHC Financial Services Agreement, and the Company will re-comply with the relevant rules governing connected transactions under the Hong Kong Listing Rules/Shanghai Listing Rules. During the term of the CNAHC Financial Services Agreement, the agreement can be terminated on any 31 December by either party thereto by serving the other party a written notice of termination of not less than three months.

Reasons and benefits for the transaction

CNAF has been providing financial services to CNAHC Group for years. The business with CNAHC Group contributed a steady and significant portion to CNAF's revenues in the past. The Directors believe that it would be in the best interest of CNAF and the Group to continue the provision of financial services by CNAF to CNAHC Group.

The Directors (including the independent non-executive Directors) consider that the CNAHC Financial Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical Figures and CNAHC New Annual Caps

Set forth below is a summary of the historical annual caps, the actual maximum amount and the CNAHC New Annual Caps of the daily balance of Credit Services (including accrued interests) granted or to be granted by CNAF to CNAHC Group:

Transaction	Historical Annual Caps			Actual maximum amount			CNAHC New Annual Caps		
	for the year ended 31 December 2015	for the year ended 31 December 2016	for the year ending 31 December 2017	for the year ended 31 December 2015	for the year ended 31 December 2016	for the period from 1 January to 30 June 2017	for the year ending 31 December 2018	for the year ending 31 December 2019	for the year ending 31 December 2020
Financial Services (daily balance of Credit Services)	RMB8 billion	RMB9 billion	RMB10 billion	RMB2.2 billion	RMB2.146 billion	RMB3.125 billion	RMB8 billion	RMB9 billion	RMB10 billion

Basis for the CNAHC New Annual Caps:

The CNAHC New Annual Caps are determined based on the following factors:

- a. The historical maximum amount of daily balance of Credit Services provided by CNAF to CNAHC Group for the two years ended 31 December 2015 and 2016 and the period from 1 January 2017 to 30 June 2017.
- b. On the foundation of consolidating its principal business activity, the CNAHC Group will promote the development of the industries which are highly related to aviation, expand the production scale of on-board catering and services products, increase infrastructure investments in the fields such as air logistics network construction, development and innovation of new media, as well as the logistics and warehousing

which supports hub construction, and gradually expand the operation scale of related industries. With the continuous expansion of operation scale of CNAHC Group, the loans obtained from CNAF will steadily increase. The maximum amount of daily balance in relation to the Credit Services provided by CNAF to the CNAHC Group was approximately RMB1.9 billion, RMB2.2 billion, RMB2.146 billion and RMB3.125 billion during the three years ended 31 December 2014, 2015 and 2016 and the first six months of 2017 respectively, with a growth rate of approximately 19%. Taking the maximum amount of daily balance for the six months ended 30 June 2017 as the basis and assuming the historical growth rate of 19% will be maintained in the next three years, it is estimated that the maximum amount of daily balance of Credit Services provided by CNAF to CNAHC Group for each of the three years ending 31 December 2020 will reach RMB3.7 billion, RMB4.5 billion and RMB5.4 billion respectively.

- c. CNAF can fully function as a financial company and become the lender of CNAHC Group in place of banks, so as to effectively improve the overall efficiency of the utilization of funds. Taking into account the amount of borrowings previously obtained from banks by the CNAHC Group and its future fund use plan, it is estimated that an additional borrowings of RMB4.0 billion, RMB4.2 billion and RMB4.5 billion will be obtained from CNAF in place of banks for each of the three years ending 31 December 2020 respectively.
- d. According to the project planning of certain subsidiaries of CNAHC, they will conduct the construction of auxiliary facilities of a project, and the estimated total investment amount is approximately RMB1 billion. CNAHC Group will borrow up to approximately RMB0.7 billion in aggregate from CNAF for this purpose. It is estimated that CNAHC Group will therefore require additional loans from CNAF amounting to RMB0.3 billion, RMB0.3 billion and RMB0.1 billion for each of the three years ending 31 December 2020 respectively.

Taking into account the various factors as mentioned above, it is proposed that the maximum daily balance of Credit Services (including accrued interests) to be provided by CNAF to CNAHC Group for each of the three years ending 31 December 2020 shall be RMB8 billion, RMB9 billion and RMB10 billion, respectively.

4. Parties and Connected Relationship of the Parties

The Company

The Company's principal business activity is air passenger, air cargo and airline-related services.

CNAF

CNAF is a company with limited liability incorporated in the PRC, and is a non-wholly owned subsidiary of the Group. CNAF is primarily engaged in providing financial services to CNAHC Member Companies. Since CNAHC can exercise more than 10% of the voting power at CNAF's general meeting, CNAF is a connected subsidiary of the Company as defined under Rule 14A.16 of the Hong Kong Listing Rules.

CNAHC

CNAHC is a state-owned company incorporated in 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 its legal representative is Mr. Cai Jianjiang. It is primarily engaged in managing its state-owned assets and its equity interest in investees, charter of aircraft and maintenance of aviation equipment. CNAHC is the controlling shareholder of the Company and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules.

5. Hong Kong Listing Rules Implications

The Air China Financial Services Agreement

Deposit services

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the Air China New Annual Caps exceed 5% and the maximum annual consideration is more than HK\$10,000,000, the deposit services to be provided to the Group by CNAF under the Air China Financial Services Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Credit Services

Credit services to be provided to the Group by CNAF are expected to be conducted on normal commercial terms or better, and not to be secured by the assets of the Group. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions in accordance with Rule 14A.90 of the Hong Kong Listing Rules.

Other financial services

The other financial services to be provided by CNAF to the Group will be carried out on normal commercial terms or better and the aggregate annual fees to be paid by the Group to CNAF for such services for each of the three years ending 31 December 2018, 2019

and 2020 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

The CNAHC Financial Services Agreement

Deposit services

The deposits placed by CNAHC Group with CNAF are expected to be conducted on normal commercial terms or better, and not to be secured by the assets of the Group. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions as provided under Rule 14A.90 of the Hong Kong Listing Rules.

Credit Services

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the CNAHC New Annual Caps exceed 5% and the maximum annual consideration is more than HK\$10,000,000, the Credit Services to be provided to CNAHC Group by CNAF under the CNAHC Financial Services Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Other financial services

The other financial services to be provided by CNAF to the CNAHC Group will be carried out on normal commercial terms or better and the aggregate annual fees to be paid by the CNAHC Group to CNAF for such services for each of the three years ending 31 December 2018, 2019 and 2020 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions.

Discloseable Transactions

As one or more of the applicable Percentage Ratios in respect of the Proposed Annual Caps exceed 5% but are less than 25%, the relevant transactions contemplated under the Financial Services Agreements also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

6. Shanghai Listing Rules Implications

Pursuant to the Shanghai Listing Rules, the CNAHC Financial Services Agreement shall be approved or ratified by Independent Shareholders at the EGM.

7. General

The Company will seek Independent Shareholders' approval for the Financial Services Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps.

The Independent Board Committee comprising all independent non-executive Directors has been set up to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions contemplated under the Air China Financial Services Agreement and the CNAHC Financial Services Agreement and the Proposed Annual Caps. Octal Capital Limited has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

II. TRADEMARK LICENCE FRAMEWORK AGREEMENT

1. Renewal of the Trademark Licence Framework Agreement

Description of the Trademark Licence Framework Agreement

The Company and CNAHC (for itself and on behalf of its controlled companies, excluding the Group) entered into the Trademark Licence Framework Agreement on 28 October 2014. According to the Trademark Licence Framework Agreement, the Company granted CNAHC and its controlled companies (excluding the Group) a non-exclusive licence for the use of a total of 83 registered trademarks of the Company. The granting of the non-exclusive licence under the Trademark Licence Framework Agreement is made on a royalty free basis at nil consideration. CNAHC and its controlled companies undertook to use such licensed trademarks subject to the terms of the non-competition agreement, and to ensure the quality of the services using the licensed trademarks in order to maintain their reputation.

Pricing of and reasons for the Transaction

The licensed trademarks had been contributed by CNAHC to the Company as its intangible assets upon its incorporation at nil consideration. As the trademarks are related to the daily business of CNAHC and its controlled companies, the Company licensed certain trademarks to CNAHC and its controlled companies at nil consideration for its use in its ordinary course of business as a reciprocal arrangement pursuant to the 2004 Trademark Licence Agreement. On 1 November 2004, the Company and CNAHC entered into the 2004 Trademark Licence Agreement, which expired on 31 December 2014; on 28

October 2014, the Company and CNAHC entered into Trademark License Framework Agreement, which expires on 31 December 2017. Given the above circumstances, the current extension period of the Trademark Licence Framework Agreement still adopts the same method of trademark licencing at nil consideration.

As the current validity period of the Trademark Licence Framework Agreement will expire on 31 December 2017. To maintain the consistency of the business operation, the Company and CNAHC have proposed to extend the valid period of the Trademark Licence Framework Agreement to 31 December 2020.

2. Parties and the Relationship between the Parties

The Company

The Company's principal business activity is air passenger, air cargo and airline-related services.

CNAHC

CNAHC is a state-owned company incorporated in 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 aircraft and maintenance of aviation equipment. CNAHC is a substantial shareholder of the Company and is therefore a connected person of the Company as defined under the Hong Kong Listing Rules.

3. Hong Kong Listing Rules Implications

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

4. Shanghai Listing Rules Implications

Pursuant to the Shanghai Listing Rules, the Trademark Licence Transaction is subject to the Independent Shareholders' approval. The Company therefore seeks approval from Independent Shareholders at the EGM of the renewal of the Trademark Licence Framework Agreement for a term of three years from 1 January 2018 to 31 December 2020.

III. SHAREHOLDERS' CIRCULAR

A circular containing, among other things, (i) details of the Air China Financial Services Agreement and the CNAHC Financial Services Agreement and the Proposed Annual Caps; (ii) a letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Non-exempt Continuing Connected Transactions contemplated thereunder and the Proposed Annual Caps; and (iii) the recommendation of the Independent Board Committee in respect of such transactions and the Proposed Annual Caps, will be despatched to Shareholders on or about 7 September 2017 in accordance with the Hong Kong Listing Rules.

DEFINITIONS

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

“2004 Trademark Licence Agreement”	the trademark licensing agreement entered into between the Company and CNAHC on 1 November 2004
“2015 Air China Financial Services Agreement”	the financial services framework agreement entered into between the Company and CNAF on 29 April 2015
“2015 CNAHC Financial Services Agreement”	the financial services framework agreement entered into between CNAF and CNAHC on 29 April 2015
“Air China Financial Services Agreement”	the financial services framework agreement entered into between the Company and CNAF on 30 August 2017
“Air China New Annual Caps”	RMB12 billion, RMB14 billion and RMB15 billion, being the proposed maximum daily balance of deposits (including accrued interests) to be placed by the Group with CNAF under the Air China Financial Services Agreement for each of the three years ending 31 December 2020, respectively
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission
“CNAF”	China National Aviation Finance Co., Ltd. (中國航空集團財務有限責任公司), a limited liability company incorporated under the laws of the PRC
“CNAHC”	China National Aviation Holding Company (中國航空集團公司)

“CNAHC Financial Services Agreement”	the financial services framework agreement entered into between CNAHC and CNAF on 30 August 2017
“CNAHC Group”	CNAHC, its subsidiaries and their associates, companies falling within the definition of commonly held entity under the Hong Kong Listing Rules, as well as any other CNAHC Member Company which, in accordance with the listing rules of the places where the shares of the Company are listed as in force and as amended from time to time, is a connected person or related party of the Company, but excluding the Group
“CNAHC Member Companies”	the member companies of the enterprise group of which CNAHC is the parent company, specific scope of the CNAHC Member Companies shall be determined in accordance with the Administrative Measures for Finance Companies of Enterprise Groups and other relevant regulations
“CNAHC New Annual Caps”	RMB8 billion, RMB9 billion and RMB10 billion, being the proposed maximum daily balance of Credit Services (including accrued interests) to be provided by CNAF to the CNAHC Group under the CNAHC Financial Services Agreement for each of the three years ending 31 December 2020, respectively
“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
“Credit Services”	loan, finance lease, and other credit services
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 27 October 2017
“Financial Services Agreements”	the Air China Financial Services Agreement and the CNAHC Financial Services Agreement
“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
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Independent Board Committee”	a board committee comprising Mr. Wang Xiaokang, Mr. Liu Deheng, Mr. Stanley Hui Hon-chung and Mr. Li Dajin, all being the independent non-executive Directors
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps
“Independent Shareholders”	the independent shareholders of the Company
“NAFMII”	National Association of Financial Market Institutional Investors
“Non-exempt Continuing Connected Transactions”	the deposit services to be provided by CNAF to the Group under the Air China Financial Services Agreement and the Credit Services to be provided by CNAF to CNAHC Group under the CNAHC Financial Services Agreement
“PBOC”	the People’s Bank of China
“Percentage Ratio”	shall have the meaning ascribed to it by the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau and Taiwan
“Proposed Annual Caps”	the Air China New Annual Caps and the CNAHC New Annual Caps
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“Shanghai Listing Rules”	the Rules Governing the Trading of Stocks on the Shanghai Stock Exchange

“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Licence Framework Agreement”	the trademark licence framework agreement, dated 28 October 2014, entered into between the Company and CNAHC in respect of the Trademark Licence Transaction
“Trademark Licence Transaction”	the continuing connected transaction contemplated under the Trademark Licence Framework Agreement in relation to the granting by the Company to CNAHC and its controlled companies (excluding the Group) of a non-exclusive licence for the use of 83 registered trademarks of the Company

By Order of the Board
Air China Limited
Zhou Feng Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 30 August 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. Wang Xiaokang, Mr. Liu Deheng*, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*