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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)

FIRST QUARTERLY REPORT 2017

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) held a meeting of the Board on 27 April 2017 and passed the resolution approving the first quarterly report 2017 of the Company for the first quarter ended 31 March 2017 (the “**Reporting Period**”) prepared in accordance with the PRC Accounting Standards.

1. IMPORTANT NOTICE

1.1 The Board, the supervisory committee, as well as the directors, supervisors and senior management of the Company hereby confirm that there are no misrepresentation or misleading statements contained in or material omissions from this quarterly report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this quarterly report.

1.2 Particulars of absent directors

| Name of absent director | Position of absent director | Reason(s) for absence | Name of proxy |
|--------------------------------|------------------------------------|------------------------------|----------------------|
| Feng Gang | Director | Business engagement | Cai Jianjiang |
| John Robert Slosar | Director | Business engagement | – |

1.3 Mr. Cai Jianjiang (legal representative and the chairman of the Board of the Company), Mr. Xiao Feng (person in charge of accounting function and the chief financial officer), and Mr. Zhan Zhong (person in charge of accounting department and the accounting superintendent) hereby confirm that the financial statements set out in this quarterly report are true, accurate and complete.

1.4 The first quarterly report of the Company is unaudited.

2. BASIC INFORMATION OF THE COMPANY

2.1 Major financial data

| | | | <i>Unit: RMB'000</i> |
|---|---|--|---|
| | At the end of the Reporting Period | At the end of the previous year | Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%) |
| Total assets | 233,352,304 | 224,128,192 | 4.12 |
| Net asset attributable to shareholders of the listed company | 81,388,740 | 68,876,496 | 18.17 |

| | For the period from the beginning of the year to the end of the Reporting Period | For the corresponding period of the previous year | Increase/ decrease as compared to the corresponding period of the previous year (%) |
|--|--|--|---|
| Revenue | 28,968,982 | 26,388,811 | 9.78 |
| Net profit attributable to shareholders of the listed company | 1,466,400 | 2,435,293 | -39.79 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses | 1,439,366 | 2,384,011 | -39.62 |
| Weighted average return on net assets (%) | 2.03 | 3.99 | Decrease by 1.96 ppts |
| Basic earnings per share (<i>RMB per share</i>) | 0.11 | 0.20 | -46.06 |
| Diluted earnings per share (<i>RMB per share</i>) | N/A | N/A | N/A |

Non-recurring profits and losses

Applicable Not applicable

Unit: RMB'000

| Items | Amounts for the Reporting Period |
|--|-------------------------------------|
| Gains or losses on disposal of non-current assets | -1,490 |
| Government subsidies recorded in the income statement for the current period (exclusive of government subsidies which are closely related to the business of the Company and entitled pursuant to unified standard quota or amount under the government policy) | 45,904 |
| Gains or losses from changes in fair value of financial assets/liabilities held for trading and investment gains from disposal of financial assets/liabilities held for trading and available-for-sale financial assets (except for hedging activities related to the Company's normal operating business) | 25 |
| Other non-operating income and expenses not covered by the above | 3,197 |
| Effect of minority shareholders' interests (after tax) | -8,366 |
| Effect of income tax | -12,236 |
| Total | <u>27,034</u> |

2.2 Total number of shareholders, the top 10 shareholders and the top 10 holders of tradable shares (or shares not subject to selling restrictions) as at the end of the Reporting Period

Total number of shareholders 176,882

Unit: share

| Name of shareholder (full name) | Particulars of the top 10 shareholders | | | | | |
|---|--|-----------------------------------|---|--------------------------|-------------|--------------------------|
| | Number of shares held as at the end of the period | Shareholding percentage (%) | Number of shares held subject to selling restrictions | Shares pledged or frozen | | Nature of shareholder |
| | | | | Status | Number | |
| China National Aviation Holding Company | 5,952,236,697 | 40.98 | 513,478,818 | Frozen | 127,445,536 | State |
| Cathay Pacific Airways Limited | 2,633,725,455 | 18.13 | | Nil | | Foreign legal person |
| HKSCC NOMINEES LIMITED | 1,683,174,520 | 11.59 | | Nil | | Foreign legal person |
| China National Aviation Corporation (Group) Limited | 1,556,334,920 | 10.72 | | Frozen | 36,454,464 | Foreign legal person |
| China National Aviation Fuel Group Corporation | 471,409,114 | 3.25 | 385,109,114 | Nil | | State-owned legal person |
| Zhongyuan Equity Investment Management Co., Ltd. | 262,569,409 | 1.81 | 256,739,409 | Unknown | 262,569,405 | State-owned legal person |
| China Structural Reform Fund Co., Ltd. | 231,065,468 | 1.59 | 231,065,468 | Nil | | State-owned legal person |
| China Securities Finance Corporation Limited | 224,397,428 | 1.54 | | Nil | | State-owned legal person |
| Sinotrans Air Transportation Development Co., Ltd. | 75,800,000 | 0.52 | | Nil | | State-owned legal person |
| National Social Security Fund 118 | 49,219,106 | 0.34 | | Nil | | Unknown |

Particulars of the top 10 shareholders not subject to selling restrictions

| Name of shareholder | Number of tradable shares held not subject to selling restrictions | Class and number of shares | |
|---|---|-----------------------------------|---------------|
| | | Class | Number |
| China National Aviation Holding Company | 5,438,757,879 | RMB ordinary shares | 5,438,757,879 |
| Cathay Pacific Airways Limited | 2,633,725,455 | Overseas listed foreign shares | 2,633,725,455 |
| HKSCC NOMINEES LIMITED | 1,683,174,520 | Overseas listed foreign shares | 1,683,174,520 |
| China National Aviation Corporation (Group) Limited | 1,556,334,920 | RMB ordinary shares | 1,332,482,920 |
| | | Overseas listed foreign shares | 223,852,000 |
| China Securities Finance Corporation Limited | 224,397,428 | RMB ordinary shares | 224,397,428 |
| China National Aviation Fuel Group Corporation | 86,300,000 | RMB ordinary shares | 86,300,000 |
| Sinotrans Air Transportation Development Co., Ltd. | 75,800,000 | RMB ordinary shares | 75,800,000 |
| National Social Security Fund 118 | 49,219,106 | RMB ordinary shares | 49,219,106 |
| China Merchants Securities Co., Ltd. | 34,848,900 | RMB ordinary shares | 34,848,900 |
| Tianan Property Insurance Co., Ltd- BAO YING NO. 1 | 23,918,908 | RMB ordinary shares | 23,918,908 |
| Explanation on connected relationship or action in concert among the above shareholders | China National Aviation Corporation (Group) Limited is a wholly-owned subsidiary of China National Aviation Holding Company. Accordingly, China National Aviation Holding Company is directly and indirectly interested in 51.70% of the shares of the Company. | | |
| Explanation of holders of preference shares with restored voting rights and number of shares held | Nil | | |

Notes:

1. HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,683,174,520 H shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of China National Aviation Corporation (Group) Limited.
2. According to the “Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market” (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by China National Aviation Holding Company, the controlling shareholder of the Company, and China National Aviation Corporation (Group) Limited respectively are frozen at present.

2.3 Total number of holders of preference shares, the top 10 holders of preference shares and the top 10 holders of preference shares not subject to selling restrictions as at the end of the Reporting Period

Applicable Not applicable

3. SIGNIFICANT EVENTS

3.1 Particulars of, and reasons for, significant changes in major items in the accounting statements and key financial indicators of the Company

Applicable Not applicable

Total profit of the Group for the first quarter of 2017 was RMB2,420 million, representing a year-on-year decrease of RMB1,258 million; net profit attributable to the Company was RMB1,466 million, representing a year-on-year decrease of RMB969 million, which was mainly due to the increase in oil price, substantial increase in the cost of aviation fuel and substantial decrease in investment income.

Unit: RMB'000

| Items in consolidated balance sheet | Balance at the end of the Reporting Period | Balance at the beginning of the year | Amount of Change | Percentage | Reasons for Change |
|-------------------------------------|--|--------------------------------------|------------------|------------|--|
| Cash and bank | 15,680,112 | 7,322,356 | 8,357,756 | 114.14% | Mainly due to the impact of fund raising through the non-public issue of A shares during the Reporting Period. |
| Prepayments | 3,038,397 | 1,136,826 | 1,901,571 | 167.27% | Increase in prepayment of aviation oil during the Reporting Period. |

| Items in consolidated balance sheet | Balance at the end of the Reporting Period | Balance at the beginning of the year | Amount of Change | Percentage | Reasons for Change |
|--|---|---|-------------------------|-------------------|--|
| Held-for-sale assets | 538,598 | 918,587 | -379,989 | -41.37% | Disposal of some aircraft held for sale during the Reporting Period. |
| Other current assets | 2,102,876 | 3,053,370 | -950,494 | -31.13% | Decrease in the financial assets held by China National Aviation Finance Co., Ltd., a subsidiary of the Group, at the end of the Reporting Period. |
| Domestic air traffic liabilities | 1,639,834 | 2,933,845 | -1,294,011 | -44.11% | Decrease in outstanding air traffic tickets at the end of the Reporting Period. |
| Capital reserve | 26,270,841 | 16,509,531 | 9,761,310 | 59.13% | Mainly due to the impact of the non-public issue of A shares during the Reporting Period. |

| Items in Consolidated income statement | Amounts for the Reporting Period | Amounts for the corresponding period of the previous year | Amount of Change | Percentage | Reasons for Change |
|---|---|--|-------------------------|-------------------|---|
| Investment income | -141,592 | 330,690 | -472,282 | -142.82% | Decrease in investment income from joint ventures and associates recognized during the Reporting Period as compared to the corresponding period of the previous year. |

| Items in consolidate cash flow statement | Amounts for the Reporting Period | Amounts for the corresponding period of the previous year | Amount of Change | Percentage | Reasons for Change |
|--|---|--|-------------------------|-------------------|--|
| Other cash received relating to operating activities | 725,989 | 1,449,552 | -723,563 | -49.92% | Mainly due to net decrease in deposits from clients by China National Aviation Finance Co., Ltd., a subsidiary of the Group, during the Reporting Period as compared to the corresponding period of the previous year. |

| Items in consolidate cash flow statement | Amounts for the Reporting Period | Amounts for the corresponding period of the previous year | Amount of Change | Percentage | Reasons for Change |
|---|---|--|-------------------------|-------------------|--|
| Cash paid for goods purchased and services received | 18,515,079 | 13,413,663 | 5,101,416 | 38.03% | Increase in operating costs and prepayments for aviation fuel during the Reporting Period. |
| Net cash proceeds from disposal of fixed assets and intangible assets | 372,961 | 126,093 | 246,868 | 195.78% | Increase in disposal amount received from disposal of aircraft held for sale during the Reporting Period as compared to the corresponding period of the previous year. |
| Other cash received relating to investment activities | 34,144 | 283,413 | -249,269 | -87.95% | Mainly due to decrease in the balance of secured deposits during the Reporting Period is less than that of the corresponding period of the previous year. |
| Cash paid for purchase of fixed assets and other long-term assets | 3,332,804 | 6,995,326 | -3,662,522 | -52.36% | Decrease in prepayments for the purchase of aircraft and payment of the balance of purchase prices of aircraft during the Reporting Period as compared to the corresponding period of the previous year. |
| Cash received from issue of debentures | – | 4,800,000 | -4,800,000 | -100.00% | Mainly due to that the Group issued short-term bonds in the corresponding period of the previous year. |
| Cash received from capital injection | 11,201,374 | – | 11,201,374 | 100.00% | Raising capital by non-public issue of shares during the Reporting Period. |
| Cash paid for repayment of debentures | 1,200,000 | 600,000 | 600,000 | 100.00% | Increase in repayment of short-term bonds by a subsidiary of the Group during the Reporting Period as compared to the corresponding period of the previous year. |

3.2 Analysis and explanation on the progress of significant events and their impact and resolutions

Applicable Not applicable

Considered and approved by the 39th meeting of the fourth session of the Board, the 2017 first extraordinary general meeting of the Company, and the 2017 first A shareholders' class meeting, the validity period of resolution relating to the non-public A share issue of the Company was extended until 30 April 2017, and the validity period of the authorisation granted to the Board and the Board's authorised person(s) to handle all relevant matters relating to the non-public A share issue was extended for a 12-month period from the date of approval of relevant resolution at the 2017 first extraordinary general meeting. Please refer to the announcements published by the Company on 24 January 2017 on the website of Shanghai Stock Exchange (<http://www.sse.com.cn/>) and the China Securities Journal, Shanghai Securities News and Securities Daily.

On 10 March 2017, the Company completed the non-public issue of 1,440,064,181 A shares, at the issue price of RMB7.79 per share, to China National Aviation Holding Company, China Structural Reform Fund Co., Ltd., Zhongyuan Equity Investment Management Co., Ltd., China National Aviation Fuel Group Corporation, Caitong Fund Management Co., Ltd., CIB Asset Management Co., Ltd., Horizon Asset Management Co., Ltd., and E Fund Management Co., Ltd. The shares subscribed by China National Aviation Holding Company shall not be transferred within 36 months from the completion date of the issuance, and those shares subscribed by other investors shall not be transferred within 12 months from the completion date of the issuance. After the non-public A share issue, China National Aviation Holding Company holds directly and indirectly 7,508,571,617 shares of the Company, representing 51.70% of the total issued share capital of the Company, and remains the controlling shareholder of the Company. Please refer to the announcement published by the Company on 14 March 2017 on the website of Shanghai Stock Exchange (<http://www.sse.com.cn/>) and the China Securities Journal, Shanghai Securities News and Securities Daily.

3.3 Undertakings that were failed to fulfill as scheduled during the Reporting Period

Applicable Not applicable

3.4 Warning in respect of forecast of possible net loss from the beginning of the year to the end of the next reporting period or warning in respect of any significant changes in net profit as compared with that of the corresponding period of previous year and the underlying reasons

Applicable Not applicable

Company name Air China Limited
Legal representative Cai Jianjiang
Date 27 April 2017

4. APPENDIX

4.1 Financial Statements

Consolidated Balance Sheet

31 March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Balance at the end of the period | Balance at the beginning of the year |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and bank | 15,680,112 | 7,322,356 |
| Provisions on payables | | |
| Contributions made | | |
| Financial assets at fair value through profit or loss | 10,229 | 222 |
| Derivative financial assets | | |
| Bills receivable | 598 | 837 |
| Accounts receivable | 3,443,407 | 3,286,091 |
| Other receivables | 1,754,976 | 1,923,459 |
| Prepayments | 3,038,397 | 1,136,826 |
| Premium receivable | | |
| Receivables on reinsurance | | |
| Provisions for reinsurance contracts | | |
| Interest receivable | | |
| Dividend receivable | | |
| Other receivables | | |
| Purchase of financial assets resold | | |
| Inventories | 1,976,963 | 1,680,633 |
| Held-for-sale assets | 538,598 | 918,587 |
| Non-current assets due within a year | | |
| Other current assets | 2,102,876 | 3,053,370 |
| Total current assets | 28,546,156 | 19,322,381 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|-------------------------------------|---|---|
| NON-CURRENT ASSETS: | | |
| Loans and advances | | |
| Available-for-sale financial assets | 1,244,368 | 1,152,704 |
| Held-to-maturity investments | 10,000 | 10,000 |
| Long-term receivables | 889,383 | 898,845 |
| Long-term equity investments | 14,899,551 | 15,168,760 |
| Investment properties | 333,354 | 337,551 |
| Fixed assets | 146,604,258 | 148,910,057 |
| Construction in progress | 31,886,669 | 29,320,914 |
| Construction materials | | |
| Disposal of fixed assets | | |
| Biological assets for production | | |
| Oil and gas assets | | |
| Intangible assets | 4,221,131 | 4,252,314 |
| Development expenses | | |
| Goodwill | 1,102,185 | 1,102,185 |
| Long-term deferred expenses | 653,431 | 669,414 |
| Deferred tax assets | 2,961,818 | 2,983,067 |
| Other non-current assets | | |
| Total non-current assets | 204,806,148 | 204,805,811 |
| Total assets | 233,352,304 | 224,128,192 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|--|---|---|
| CURRENT LIABILITIES: | | |
| Short-term loans | 18,130,395 | 14,488,948 |
| Short-term bonds payable | 3,948,509 | 5,147,083 |
| Borrowings from central bank | | |
| Deposits from clients and placements from other banks | | |
| Contributions received | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Bills payable | | |
| Accounts payable | 12,711,929 | 11,775,901 |
| Domestic air traffic liabilities | 1,639,834 | 2,933,845 |
| International air traffic liabilities | 3,142,805 | 3,380,091 |
| Receipts in advance | 187,963 | 181,050 |
| Sale of financial assets repurchased | | |
| Fees and commissions payable | | |
| Employee compensations payable | 1,698,136 | 2,191,248 |
| Taxes payable | 1,469,326 | 1,361,742 |
| Interest payable | 791,252 | 761,913 |
| Dividend payable | | |
| Other payables | 7,426,389 | 8,480,453 |
| Amounts payable on reinsurance | | |
| Reserves on insurance contracts | | |
| Brokerage payable | | |
| Underwriting fees payable | | |
| Held-for-sale liabilities | | |
| Non-current liabilities due within a year | 13,056,730 | 13,144,160 |
| Other current liabilities | | |
| Total current liabilities | 64,203,268 | 63,846,434 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|--|---|---|
| NON-CURRENT LIABILITIES: | | |
| Long-term loans | 10,359,272 | 12,835,222 |
| Debentures payable | 24,998,274 | 24,998,024 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 3,705,022 | 3,546,586 |
| Obligations under finance leases | 34,502,027 | 36,295,471 |
| Defined benefit obligations | 269,742 | 269,742 |
| Specific payables | | |
| Accrued liabilities | 341,919 | 341,919 |
| Deferred income | 3,272,472 | 3,092,841 |
| Deferred tax liabilities | 2,374,211 | 2,428,313 |
| Other non-current liabilities | | |
| Total non-current liabilities | 79,822,939 | 83,808,118 |
| Total liabilities | 144,026,207 | 147,654,552 |
| OWNER'S EQUITY | | |
| Issued capital | 14,524,815 | 13,084,751 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 26,270,841 | 16,509,531 |
| Less: Treasury shares | | |
| Other comprehensive income | -2,218,128 | -2,062,598 |
| Specific reserves | | |
| Surplus reserves | 7,829,643 | 7,829,643 |
| General risk provisions | 66,709 | 66,709 |
| Retained earnings | 34,914,860 | 33,448,460 |
| Total owner's equity attributable to equity shareholders of the Company | 81,388,740 | 68,876,496 |
| Non-controlling interests | 7,937,357 | 7,597,144 |
| Total owner's equity | 89,326,097 | 76,473,640 |
| Total liabilities and owner's equity | 233,352,304 | 224,128,192 |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

Balance Sheet of the Company

31 March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Balance at the end of the period | Balance at the beginning of the year |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and bank | 10,872,576 | 2,221,952 |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 3,313,576 | 3,028,488 |
| Prepayments | 2,685,437 | 683,229 |
| Interest receivable | | |
| Dividend receivable | | |
| Other receivables | 2,296,572 | 2,449,640 |
| Inventories | 135,330 | 130,941 |
| Held-for-sale assets | 537,147 | 917,136 |
| Non-current assets due within a year | | |
| Other current assets | 746,566 | 829,828 |
| Total current assets | 20,587,204 | 10,261,214 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|-------------------------------------|---|---|
| NON-CURRENT ASSETS: | | |
| Available-for-sale financial assets | 22,783 | 22,784 |
| Entrusted loans | 1,020,000 | 1,020,000 |
| Held-to-maturity investments | | |
| Long-term receivables | 467,961 | 470,648 |
| Long-term equity investments | 26,994,096 | 26,909,004 |
| Investment properties | | |
| Fixed assets | 95,357,124 | 97,170,211 |
| Construction in progress | 24,962,770 | 22,939,247 |
| Construction materials | | |
| Disposal of fixed assets | | |
| Biological assets for production | | |
| Oil and gas assets | | |
| Intangible assets | 2,531,605 | 2,555,719 |
| Development expenses | | |
| Goodwill | | |
| Long-term deferred expenses | 318,981 | 338,712 |
| Deferred tax assets | 1,910,934 | 1,865,409 |
| Other non-current assets | | |
| Total non-current assets | 153,586,254 | 153,291,734 |
| Total assets | 174,173,458 | 163,552,948 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|--|--|--|
| CURRENT LIABILITIES: | | |
| Short-term loans | 15,508,504 | 13,637,422 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Bills payable | | |
| Accounts payable | 11,050,630 | 10,286,723 |
| Domestic air traffic liabilities | 1,106,739 | 1,904,317 |
| International air traffic liabilities | 2,826,330 | 3,005,001 |
| Receipts in advance | 71,432 | 87,372 |
| Employee compensations payable | 502,272 | 644,294 |
| Taxes payable | 718,050 | 857,313 |
| Interest payable | 640,812 | 644,030 |
| Dividend payable | | |
| Other payables | 6,702,314 | 6,975,454 |
| Held-for-sale liabilities | | |
| Non-current liabilities due within a year | 7,737,271 | 7,769,333 |
| Other current liabilities | | |
| Total current liabilities | 46,864,354 | 45,811,259 |
| NON-CURRENT LIABILITIES: | | |
| Long-term loans | 1,271,472 | 3,025,373 |
| Debentures payable | 24,000,000 | 24,000,000 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 1,876,461 | 1,821,218 |
| Obligations under finance leases | 21,060,039 | 22,519,793 |
| Defined benefit obligations | | |
| Specific payables | | |
| Accrued liabilities | 7,760 | 7,760 |
| Deferred income | 2,808,092 | 2,614,384 |
| Deferred tax liabilities | 102,654 | 102,654 |
| Other non-current liabilities | | |
| Total non-current liabilities | 51,126,478 | 54,091,182 |
| Total liabilities | 97,990,832 | 99,902,441 |

| Items | Balance at the end of the period | Balance at the beginning of the year |
|--------------------------------------|---|---|
| OWNER'S EQUITY: | | |
| Issued capital | 14,524,815 | 13,084,751 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 30,618,680 | 20,857,370 |
| Less: Treasury shares | | |
| Other comprehensive income | 198,728 | 198,728 |
| Specific reserves | | |
| Surplus reserves | 7,792,537 | 7,792,537 |
| Retained earnings | 23,047,866 | 21,717,121 |
| Total owner's equity | 76,182,626 | 63,650,507 |
| Total liabilities and owner's equity | 174,173,458 | 163,552,948 |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

Consolidated Income Statement

January to March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|---|---------------------------|--|
| I. Revenue from operations | 28,968,982 | 26,388,811 |
| Including: Revenue | | |
| Interest income | | |
| Premium earned | | |
| Fees and commission income | | |
| II. Total operating costs | | |
| Including: Operating costs | 23,435,307 | 20,031,270 |
| Interest expenses | | |
| Fees and commission expenses | | |
| Returned premium | | |
| Net reimbursement paid | | |
| Net amounts of provisions on insurance contracts drawn | | |
| Bonus paid on insurance policy | | |
| Reinsurance premium | | |
| Business taxes and other levies | 62,818 | 77,502 |
| Selling expenses | 1,528,115 | 1,453,115 |
| General and Administrative expenses | 925,965 | 963,807 |
| Finance expenses | 496,915 | 616,743 |
| Impairment loss of assets | 6,141 | 6,632 |
| Add: Gains from changes in fair value (loss is represented by “-” sign) | 82 | 78 |
| Investment income (loss is represented by “-” sign) | -141,592 | 330,690 |
| Including: Share of profits less losses of associates and joint ventures | -153,770 | 315,674 |
| Exchange gains (loss is represented by “-” sign) | | |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|---|---------------------------|--|
| III. Profit from operations (loss is represented by “-” sign) | 2,372,211 | 3,570,510 |
| Add: Non-operating income | 53,977 | 114,855 |
| Including: Gains arising from disposal of non-current assets | 145 | 196 |
| Less: Non-operating expenses | 6,366 | 7,590 |
| Including: Loss arising from disposal of non-current assets | 1,635 | 1,664 |
| IV. Total profit (total loss is represented by “-” sign) | 2,419,822 | 3,677,775 |
| Less: Income Taxation | 610,832 | 795,430 |
| V. Net profit (net loss is represented by “-” sign) | 1,808,990 | 2,882,345 |
| Net profits attributable to shareholders of the Company | 1,466,400 | 2,435,293 |
| Net profits attributable to non-controlling interests | 342,590 | 447,052 |
| VI. Other comprehensive income after taxation | -157,907 | -115,201 |
| Other comprehensive income after taxation attributable to shareholders of the Company | -155,530 | -114,759 |
| (I) Other comprehensive income that cannot be subsequently reclassified to profit or loss | | |
| 1. Change arising from re-measurement of net liabilities or net assets in defined benefit plans | | |
| 2. Share of other comprehensive income of the investees accounted for using the equity method that cannot be reclassified to profit or loss | | |
| (II) Other comprehensive income that will be subsequently reclassified to profit or loss | -155,530 | -114,759 |
| 1. Share of other comprehensive income of the investees accounted for using the equity method that will be subsequently reclassified to profit or loss | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | 2,389 | 1,661 |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 4. Effective portion of profit or loss on cash flow hedge | | |
| 5. Exchange difference on translation of financial statements in foreign currency | -157,919 | -116,420 |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|---|---------------------------|--|
| 6. Others | | |
| Other comprehensive income after taxation attributable to non-controlling interests | -2,377 | -442 |
| VII. Total comprehensive income | 1,651,083 | 2,767,144 |
| Total comprehensive income attributable to shareholders of the Company | 1,310,870 | 2,320,534 |
| Total comprehensive income attributable to non-controlling interests | 340,213 | 446,610 |
| VIII. Earnings per share: | | |
| (I) Basic earnings per share (<i>RMB</i>) | 0.11 | 0.20 |
| (II) Diluted earnings per share (<i>RMB</i>) | N/A | N/A |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

Income Statement of the Company

January to March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|--|---------------------------|--|
| I. Revenue from operations | 19,511,606 | 17,873,234 |
| Less: Operating costs | 15,958,142 | 13,743,590 |
| Business taxes and other levies | 18,601 | 27,659 |
| Selling expenses | 1,153,433 | 1,075,197 |
| General and Administrative expenses | 363,780 | 366,783 |
| Finance expenses | 400,399 | 529,088 |
| Impairment loss of assets | | |
| Add: Gains from changes in fair value (loss is represented by “-” sign) | | |
| Investment income (loss is represented by “-” sign) | 85,092 | 172,900 |
| Including: Share of profits less losses of associates and joint ventures | 85,092 | 172,900 |
| II. Profit from operations (loss is represented by “-” sign) | 1,702,343 | 2,303,817 |
| Add: Non-operating income | 15,553 | 30,743 |
| Including: Gains arising from disposal of non-current assets | 13 | 52 |
| Less: Non-operating expenses | 2,683 | 4,195 |
| Including: Loss arising from disposal of non-current assets | 0 | 333 |
| III. Total profit (total loss is represented by “-” sign) | 1,715,213 | 2,330,365 |
| Less: Income Taxation | 384,468 | 512,159 |
| IV. Net profit (net loss is represented by “-” sign) | 1,330,745 | 1,818,206 |
| V. Other comprehensive income after taxation | | |
| (I) Other comprehensive income that cannot be subsequently reclassified to profit or loss | | |
| 1. Change arising from re-measurement of net liabilities or net assets in defined benefit plans | | |
| 2. Share of other comprehensive income of the investees accounted for using the equity method that cannot be reclassified to profit or loss | | |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|--|---------------------------|--|
| (II) Other comprehensive income that will be subsequently reclassified to profit or loss | | |
| 1. Share of other comprehensive income of the investees accounted for using the equity method that will be subsequently reclassified to profit or loss | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | | |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 4. Effective portion of profit or loss on cash flow hedge | | |
| 5. Exchange difference on translation of financial statements in foreign currency | | |
| 6. Others | | |
| VI. Total comprehensive income | 1,330,745 | 1,818,206 |
| VII. Earnings per share: | | |
| (I) Basic earnings per share (<i>RMB per share</i>) | | |
| (II) Diluted earnings per share (<i>RMB per share</i>) | | |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

Consolidated Cash Flow Statement

January to March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|--|---------------------------|--|
| I. Cash flows from operating activities: | | |
| Cash received from sales of goods and provision of services | 29,017,429 | 26,625,375 |
| Net increase in deposits from clients and placements from other banks | | |
| Net increase in borrowings from central bank | | |
| Net increase in contributions made to other financial institutions | | |
| Cash received from premiums of original insurance contracts | | |
| Net cash receipt from reinsurance operations | | |
| Net increase in reserve of the insured and investment | | |
| Net increase in disposal of financial assets at fair value through profit or loss | | |
| Cash received from interests, fees and commission | | |
| Net increase in contributions received | | |
| Net increase in cash from repurchase operations | | |
| Refund of tax and levy | 7,267 | 4,719 |
| Other cash received relating to operating activities | 725,989 | 1,449,552 |
| Subtotal of cash inflows of operating activities | 29,750,685 | 28,079,646 |
| Cash paid for goods purchased and services received | 18,515,079 | 13,413,663 |
| Net increase in loans and advances to clients | | |
| Net increase in deposits in central bank and other banks | | |
| Cash paid in respect of claims under original insurance contracts | | |
| Cash paid for interests, fees and commission | | |
| Cash paid for bonus paid on insurance policy | | |
| Cash paid to or on behalf of employees | 5,378,811 | 4,892,136 |
| Tax and levies paid | 1,401,135 | 1,086,502 |
| Other cash paid relating to operating activities | 1,983,111 | 1,868,151 |
| Subtotal of cash outflows from operating activities | 27,278,136 | 21,260,452 |
| Net cash flows from operating activities | 2,472,549 | 6,819,194 |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|--|---------------------------|--|
| II. Cash flows from investment activities: | | |
| Cash received from sales and redemption of investments | | |
| Cash received from investment income | 13,031 | 15,990 |
| Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets | 372,961 | 126,093 |
| Net cash proceeds from disposal of subsidiaries and other business units | | |
| Other cash received relating to operating activities | 34,144 | 283,413 |
| Subtotal of cash inflows from investment activities | 420,136 | 425,496 |
| Cash paid for purchase of fixed assets, intangible assets and other long-term assets | 3,332,804 | 6,995,326 |
| Cash paid for investments | 85,551 | 81,296 |
| Net increase in secured loans | | |
| Net cash payments for acquisition of subsidiaries and other business units | | |
| Other cash paid relating to investment activities | 868 | 149 |
| Subtotal of cash outflows from investment activities | 3,419,223 | 7,076,771 |
| Net cash flows from investment activities | -2,999,087 | -6,651,275 |
| III. Cash flows from financing activities: | | |
| Cash received from capital injection | 11,201,374 | |
| Including: Cash received from capital injection of minority shareholders in subsidiaries | | |
| Cash received from borrowings | 9,558,000 | 7,485,382 |
| Cash received from issue of debentures | | 4,800,000 |
| Other cash received relating to financing activities | | |
| Subtotal of cash inflows from financing activities | 20,759,374 | 12,285,382 |
| Cash paid for repayment of borrowings | 8,613,146 | 8,328,734 |
| Cash paid for repayment of debentures | 1,200,000 | 600,000 |
| Cash paid for distribution of dividends, profits or payment of interest expenses | 851,181 | 710,529 |
| Including: Dividends and profit paid to minority shareholders by subsidiaries | | |
| Cash paid relating to finance lease | 1,259,774 | 1,554,426 |
| Other cash paid relating to financing activities | | |
| Subtotal of cash outflows from financing activities | 11,924,101 | 11,193,689 |
| Net cash flows from financing activities | 8,835,273 | 1,091,693 |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|---|-----------------------------------|--|
| IV. Effect of exchange rate changes on cash and cash equivalents | -12,293 | 20,751 |
| V. Net increase in cash and cash equivalents | 8,296,442 | 1,280,363 |
| Add: Balance of cash and cash equivalents as at the beginning of the period | 6,848,018 | 7,138,098 |
| VI. Balance of cash and cash equivalents as at the end of the period | 15,144,460 | 8,418,461 |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

Cash Flow Statement of the Company

January to March 2017

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|--|---------------------------|--|
| I. Cash flows from operating activities: | | |
| Cash received from sales of goods and provision of services | 19,071,678 | 17,638,277 |
| Refund of tax and levies | | |
| Other cash received relating to operating activities | 560,776 | 404,165 |
| Subtotal of cash inflows of operating activities | 19,632,454 | 18,042,442 |
| Cash paid for goods purchased and services received | 13,981,210 | 9,575,772 |
| Cash paid to or on behalf of employees | 2,152,973 | 2,140,424 |
| Tax and levies paid | 936,328 | 666,973 |
| Other cash paid relating to operating activities | 1,573,503 | 1,599,806 |
| Subtotal of cash outflows from operating activities | 18,644,014 | 13,982,975 |
| Net cash flows from operating activities | 988,440 | 4,059,467 |
| II. Cash flows from investment activities: | | |
| Cash received from sales and redemption of investments | | |
| Cash received from investment income | 86,818 | 975 |
| Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets | 362,761 | 7,523 |
| Net cash proceeds from disposal of subsidiaries and other business units | | |
| Other cash received relating to investment activities | 14,420 | 13,263 |
| Subtotal of cash inflows from investment activities | 463,999 | 21,761 |
| Cash paid for purchase of fixed assets, intangible assets and other long-term assets | 2,252,618 | 5,896,293 |
| Cash paid for investments | | |
| Net cash payments for acquisition of subsidiaries and other business units | | |
| Other cash paid relating to investment activities | | |
| Subtotal of cash outflows from investment activities | 2,252,618 | 5,896,293 |
| Net cash flows from investment activities | -1,788,619 | -5,874,532 |

| Items | Amounts for the period | Amounts for the corresponding period of the previous year |
|---|-----------------------------------|--|
| III. Cash flows from financing activities: | | |
| Cash received from capital injection | 11,201,374 | |
| Cash received from borrowings | 7,673,000 | 7,227,898 |
| Cash received from issue of debentures | - | 3,000,000 |
| Other cash received relating to financing activities | | |
| Subtotal of cash inflows from financing activities | 18,874,374 | 10,227,898 |
| Cash paid for repayment of borrowings | 7,757,232 | 7,521,736 |
| Cash paid relating to finance lease | 603,237 | 488,412 |
| Cash paid for distribution of dividends, profits or payment of interest expenses | 1,067,048 | 1,263,049 |
| Other cash paid relating to financing activities | | |
| Subtotal of cash outflows from financing activities | 9,427,517 | 9,273,197 |
| Net cash flows from financing activities | 9,446,857 | 954,701 |
| IV. Effect of exchange rate changes on cash and cash equivalents | 3,946 | 5,510 |
| V. Net increase in cash and cash equivalents | 8,650,624 | -854,854 |
| Add: Balance of cash and cash equivalents as at the beginning of the period | 2,221,952 | 3,223,977 |
| VI. Balance of cash and cash equivalents as at the end of the period | 10,872,576 | 2,369,123 |

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

4.2 Auditor's Report

Applicable Not applicable

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

Beijing, the PRC, 27 April 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*