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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)

PAYMENT OF THE FINAL DIVIDENDS

Reference is made to the announcement of Air China Limited (the “**Company**”) dated 25 May 2017 in relation to the poll results of the 2016 annual general meeting of the Company (the “**AGM**”). The Company’s shareholders approved the profit distribution proposal for the year 2016 at the AGM.

The Company will pay a final dividend of RMB1.0771 per ten shares (equivalent to HK\$1.2204 per ten shares) (including tax) for the year ended 31 December 2016 (the “**2016 Final Dividends**”). For H shares, as set out in the notice of the AGM dated 7 April 2017, the 2016 Final Dividends will be paid to holders of H shares of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 7 June 2017. Dividends payable to the Company’s shareholders shall be denominated and declared in Renminbi.

PAYMENT OF THE FINAL DIVIDENDS

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company that details of the payment of the 2016 Final Dividends are as follows:

- 1. Holders of H shares of the Company (excluding mainland individual investors or corporate investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect)**

Dividends payable to the holders of H shares of the Company (excluding mainland individual investors or corporate investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the

average of the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to the declaration of the 2016 Final Dividends at the AGM (RMB0.882606 equivalent to HK\$1.00).

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the “**Receiving Agent**”) and will pay to such Receiving Agent the 2016 Final Dividends declared for payment to holders of H shares of the Company (excluding mainland individual investors or corporate investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect). The Receiving Agent will pay the 2016 Final Dividends on 7 July 2017. Relevant cheques will be dispatched to holders of H shares of the Company (excluding mainland individual investors or corporate investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) entitled to receive such dividends by ordinary post and at their own risk on or around 7 July 2017.

2. Mainland individual investors or corporate investors investing in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Dividends payable to mainland individual investors and corporate investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will be paid in Renminbi by China Securities Depository and Clearing Corporation Limited (the “**CSDC**”) as entrusted by the Company. The Company will pay the 2016 Final Dividends to CSDC on 7 July 2017 for distribution thereafter.

3. Holders of A shares of the Company

Dividends payable to the holders of A shares of the Company shall be paid in Renminbi. The 2016 Final Dividends will be paid on 7 July 2017 to holders of A shares of the Company registered with the Shanghai Branch of CSDC after the close of trading hours of the Shanghai Stock Exchange in the afternoon on Thursday, 6 July 2017.

TAXATION ON THE FINAL DIVIDENDS

In accordance with the “Enterprise Income Tax Law of the People's Republic of China” (《中華人民共和國企業所得稅法》) and the “Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China” (《中華人民共和國企業所得稅法實施條例》), both implemented on 1 January 2008 and the “Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Offshore Nonresident Enterprise Holders of H Shares” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》)(國稅函[2008]897號)) promulgated on 6 November 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% from 2008 onwards when the Company distributes any dividends to non-resident enterprise shareholders whose names

appear on the register of members of H shares of the Company. As such, any H shares of the Company which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organisations or groups) shall be deemed to be H shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

In accordance with the “Circular on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No.020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the 2016 Final Dividends to individual shareholders whose names appear on the register of members of H shares of the Company.

Pursuant to the “Circular on Tax Policies Concerning the Pilot Programme of the Shanghai and Hong Kong Stock Market Trading Interconnection Mechanism (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) promulgated on 31 October 2014 and the Circular on Tax Policies Concerning the Pilot Programme of the Shenzhen and Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) promulgated on 5 November 2016:

- For mainland individual investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of the 2016 Final Dividends. For mainland securities investment funds that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of the 2016 Final Dividends pursuant to the foregoing provisions; and
- For mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of the 2016 Final Dividends and the mainland corporate investors shall file the tax returns on their own.

Shareholders are recommended to consult their tax advisors for the Mainland China, Hong Kong and other tax effects regarding the ownership and disposal of H shares of the Company.

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

Beijing, the PRC, 29 June 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. Stanley Hui Hon-chung, Mr. Li Dajin*, Mr. Wang Xiaokang* and Mr. Liu Deheng*.*

** Independent non-executive director of the Company*