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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to what action to take in relation to this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Air China Limited, you should at once hand this circular and the form of proxy and the notice of attendance to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION RELATING  
TO THE NON-PUBLIC A SHARE ISSUE;  
EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORISATION GRANTED BY  
SHAREHOLDERS' MEETING TO THE BOARD AND THE BOARD'S AUTHORISED  
PERSON(S) TO HANDLE ALL RELEVANT MATTERS RELATING TO THE NON-PUBLIC  
A SHARE ISSUE;  
NOTICE OF EXTRAORDINARY GENERAL MEETING;  
AND  
NOTICE OF H SHAREHOLDERS' CLASS MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 1 to 8 of this circular.

A letter from the Independent Board Committee ("**Letter from the Independent Board Committee**"), containing its advice to the Independent Shareholders of the Company, is set out on pages 9 to 10 of this circular.

A letter from VMS Securities Limited ("**Letter from VMS Securities Limited**"), the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 11 to 17 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Friday, 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC, was despatched to the Shareholders on 5 December 2016 and is reproduced on pages II-1 to II-2 of this circular. A notice convening the H Shareholders' Class Meeting to be held at 10:30 a.m. on Friday, 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC, was despatched to the H Shareholders on 5 December 2016 and is reproduced on pages III-1 to III-2 of this circular. Notices of attendance and forms of proxy to be used at the EGM and the H Shareholders' Class Meeting respectively were enclosed in the notices of the EGM and the H Shareholders' Class Meeting and have been despatched to Shareholders. The relevant notices, notices of attendance and forms of proxy are also published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). If you are eligible and intend to attend the EGM/H Shareholders' Class Meeting, you should have completed and returned the notice(s) of attendance in accordance with the instructions printed thereon on or before Friday, 30 December 2016. Shareholders who intend to appoint a proxy to attend the EGM/H Shareholders' Class Meeting shall complete and return the form(s) of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM/H Shareholders' Class Meeting or any adjourned meeting and voting in person if you so wish.

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LETTER FROM THE BOARD

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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)

*Non-executive Directors:*

Mr. Cai Jianjiang (*Chairman*)  
Mr. Cao Jianxiong  
Mr. Feng Gang  
Mr. John Robert Slosar  
Mr. Ian Sai Cheung Shiu

*Executive Director:*

Mr. Song Zhiyong (*President*)

*Independent non-executive Directors:*

Mr. Pan Xiaojiang  
Mr. Simon To Chi Keung  
Mr. Stanley Hui Hon-chung  
Mr. Li Dajin

*Registered office:*

Blue Sky Mansion  
28 Tianzhu Road  
Airport Industrial Zone  
Shunyi District  
Beijing  
the PRC

*Principal place of business in Hong Kong:*

5th Floor, CNAC House  
12 Tung Fai Road  
Hong Kong International Airport  
Hong Kong

5 December 2016

*To the Shareholders*

Dear Sir or Madam,

**EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION RELATING  
TO THE NON-PUBLIC A SHARE ISSUE;  
EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORISATION GRANTED BY  
SHAREHOLDERS' MEETING TO THE BOARD AND THE BOARD'S AUTHORISED  
PERSON(S) TO HANDLE ALL RELEVANT MATTERS RELATING TO THE NON-PUBLIC  
A SHARE ISSUE;  
NOTICE OF EXTRAORDINARY GENERAL MEETING;  
AND  
NOTICE OF H SHAREHOLDERS' CLASS MEETING**

**I. INTRODUCTION**

References are made to (i) the circular of the Company dated 5 January 2016 in relation to, among other things, the Non-public A Share Issue; (ii) the announcement of the Company dated 26 January 2016 in relation to the poll results of the extraordinary general meeting, the H shareholders' class meeting and the A

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## LETTER FROM THE BOARD

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shareholders' class meeting held on 26 January 2016 (together, the "**Previous Shareholders' Meetings**"); (iii) the announcement of the Company dated 22 July 2016 in relation to the adjustments to the issue price and the number of shares to be issued under the Non-public A Share Issue following the implementation of the profit distribution proposal for the year 2015; and (iv) the announcement of the Company dated 1 November 2016 in relation to the formal approval of the CSRC on the Non-public A Share Issue. Unless otherwise indicated, capitalised terms used in this circular shall have the same meanings as those defined in the circular of the Company dated 5 January 2016.

### **II. EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION RELATING TO THE NON-PUBLIC A SHARE ISSUE AND EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORISATION GRANTED BY SHAREHOLDERS' MEETING TO THE BOARD AND THE BOARD'S AUTHORISED PERSON(S) TO HANDLE ALL RELEVANT MATTERS RELATING TO THE NON-PUBLIC A SHARE ISSUE**

The validity period of the resolution relating to the Non-public A Share Issue (the "**Validity Period of Resolution Relating to the Non-public A Share Issue**") 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 (the "**Validity Period of Authorisation to the Board**") considered and approved at the Previous Shareholders' Meetings will expire on 26 January 2017.

The Company received a formal approval from the CSRC on the Non-public A Share Issue on 31 October 2016. Accordingly, all conditions for the Non-public A Share Issue to take effect have been satisfied and the new A Shares shall be issued within six months of the date of the formal approval from the CSRC. Upon the receipt of the formal approval from the CSRC on the Non-public A Share Issue, the Company has been conducting research on market conditions and communicating with potential Investors. In light of the current market conditions and the comprehensive evaluation by the relevant intermediary institutions of the Non-public A Share Issue, the Company expects that it may not complete the Non-public A Share Issue by 26 January 2017. Since the validity period of the formal approval from the CSRC extends beyond 26 January 2017 for a few months, in order to ensure the smooth implementation of the Non-public A Share Issue, the Company proposed to extend the Validity Period of Resolution Relating to the Non-public A Share Issue until 30 April 2017 and extend the Validity Period of Authorisation to the Board for a 12-month period from the date of approval of the relevant resolution at the extraordinary general meeting (the "**EGM**") to be held on 20 January 2017. The Board will propose two special resolutions at the EGM to consider and approve, (i) the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue; and (ii) the extension of the Validity Period of Authorisation to the Board. The Board will propose one special resolution at the H shareholders' class meeting (the "**H Shareholders' Class Meeting**") to be held on 20 January 2017 to consider and approve, the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue.

Subject to the market conditions, if and to the extent that the Non-public A Share Issue is to be completed on or before 26 January 2017, the Validity Period of Resolution to the Non-public A Share Issue does not need to be extended and in such case, the H Shareholders' Class Meeting proposed to be convened on 20 January 2017 will not be necessary. However, upon the completion of the Non-public A Share Issue, there would still be certain administrative matters relating to the Non-public A Share Issue such as adjustment of registered capital of the Company and amendment of relevant provisions of Articles of Association that the Company would need a certain amount of time to deal with. As such, the Board expects

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## LETTER FROM THE BOARD

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that the extension of the Validity Period of Authorisation to the Board would still be required to ensure a smooth implementation of the Non-public A Share Issue. Accordingly, prior to the date of EGM and H Shareholders' Class Meeting (together, the "**Shareholders' Meetings**"). the Board will determine, based on the progress of the Non-public A Share Issue, whether the proposed resolutions at the EGM shall be modified accordingly and whether the H Shareholders' Class Meeting shall be cancelled. The Company will in due course make further announcement(s) as necessary.

Mr. Cai Jianjiang, Mr. Cao Jianxiong and Mr. Feng Gang are considered to have a material interest in the CNAHC A Share Subscription and therefore have abstained from voting on the relevant board resolutions of the Company in respect of the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue. Save as disclosed above, none of the other Directors have a material interest in the Non-public A Share Issue and hence no other Director is required to abstain from voting on the relevant board resolutions.

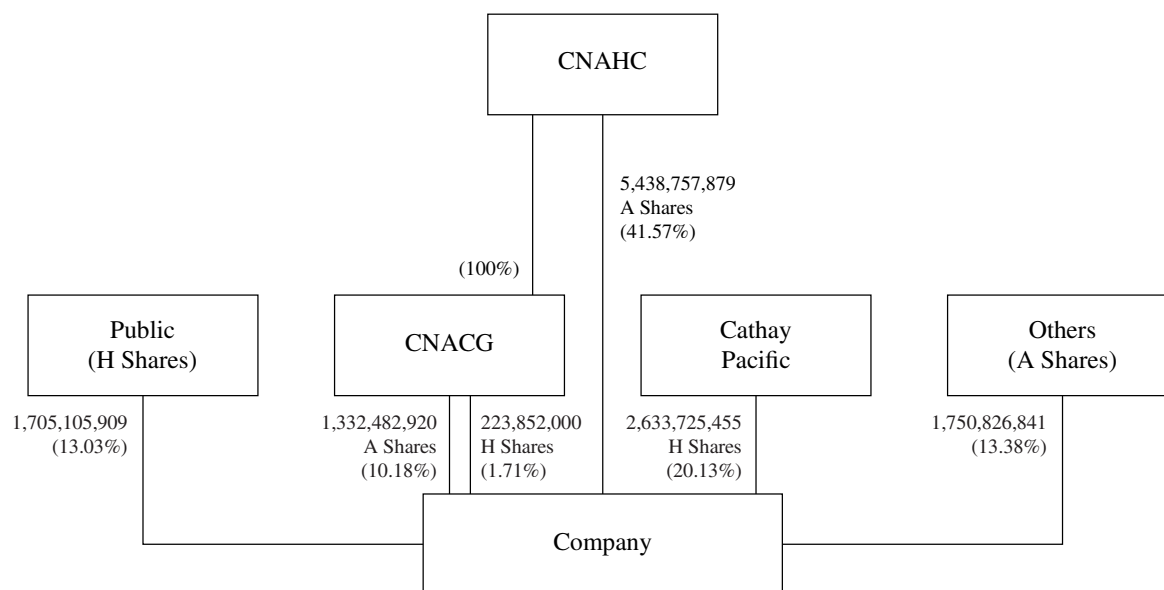
The Board confirms that save as disclosed in the announcement of the Company dated 22 July 2016 in relation to the adjustments to the issue price and the number of shares to be issued under the Non-public A Share Issue and the matters disclosed in this circular, the other matters in relation to the Non-public A Share Issue as approved by the Shareholders at the Previous Shareholders' Meetings remain unchanged and in force. Certain information of the Non-public A Share Issue (Revised) as set out in the circular of the Company dated 5 January 2016, is reproduced in Appendix I to this circular.

### **III. EFFECTS OF THE NON-PUBLIC A SHARE ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

For illustration purpose only, set out below are the implications of the Non-public A Share Issue on the shareholding structure of the Company.

## LETTER FROM THE BOARD

As at 29 November 2016 (the “**Latest Practicable Date**”), the shareholding structure of the Company is as follows:



Shareholders	Number of Shares held	Percentage of the total issued share capital of the Company
A Shareholders	8,522,067,640	65.13%
H Shareholders	4,562,683,364	34.87%
<b>Total</b>	<b><u>13,084,751,004</u></b>	<b><u>100.00%</u></b>

*Note:* The percentages shown are rounded to the nearest 2 decimal places.

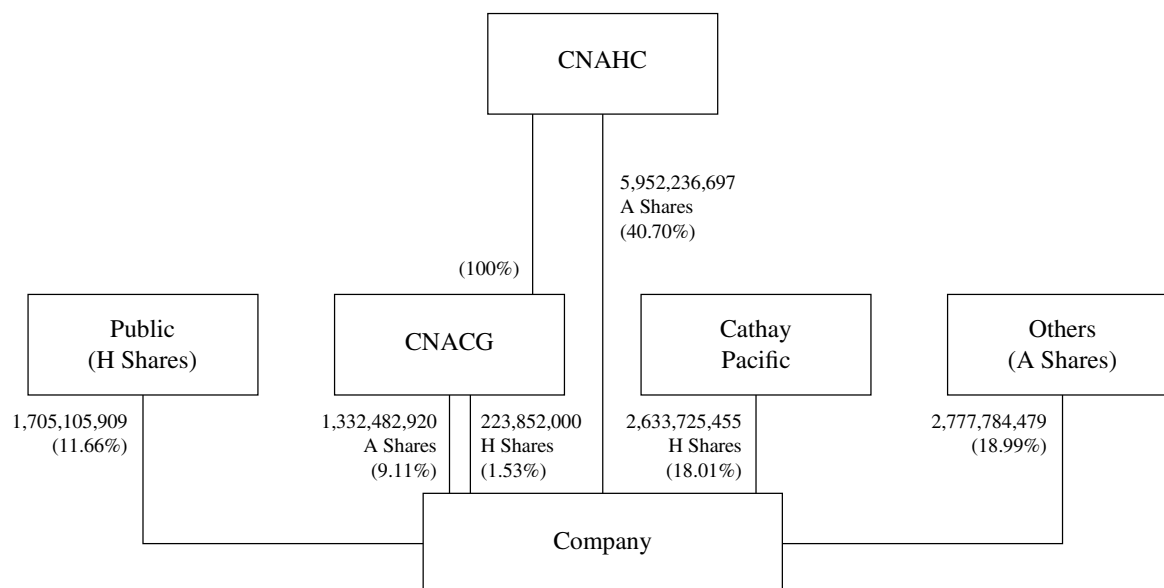
Immediately following the completion of the Non-public A Share Issue, assuming that (i) CNAHC has subscribed for 513,478,818 new A Shares; (ii) the Investors (which, other than CNAHC, are all expected to remain as independent third parties of the Company after subscription of A Shares under the Non-public

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## LETTER FROM THE BOARD

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A Share Issue) have in aggregate subscribed for 1,026,957,638 new A Shares; and (iii) no additional Shares will be issued after the date of this circular until the completion of the Non-public A Share Issue, it is anticipated that the shareholding structure of the Company will be as follows:



Shareholders	Number of Shares held	Percentage of the total issued share capital of the Company
A Shareholders	10,062,504,096	68.80%
H Shareholders	<u>4,562,683,364</u>	<u>31.20%</u>
Total	<u><u>14,625,187,460</u></u>	<u><u>100.00%</u></u>

*Note:* The percentages shown are rounded to the nearest 2 decimal places.

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## LETTER FROM THE BOARD

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Set out below is the dilution impact immediately upon the completion of the Non-public A Share Issue on the existing A Shareholders not participating in the Non-public A Share Issue and H Shareholders, respectively, assuming that (i) CNAHC has subscribed for 513,478,818 new A Shares; (ii) the Investors (other than CNAHC) have in aggregate subscribed for 1,026,957,638 new A Shares; and (iii) no additional Shares will be issued after the date of this circular until the completion of the Non-public A Share Issue:

Shareholders	Before the Completion of the Non-public A Share Issue		Upon the Completion of the Non- public A Share Issue	
	No. of Shares	%	No. of Shares	%
A Shareholders				
CNAHC (including A Shares held by CNACG)	6,771,240,799	51.75	7,284,719,617	49.81
Other A Shareholders not participating in the Non-public A Share Issue	1,750,826,841	13.38	1,750,826,841	11.97
Investors	—	—	1,026,957,638	7.02
Sub-total	<u>8,522,067,640</u>	<u>65.13</u>	<u>10,062,504,096</u>	<u>68.80</u>
H Shareholders				
CNACG	223,852,000	1.71	223,852,000	1.53
Cathay Pacific	2,633,725,455	20.13	2,633,725,455	18.01
Public Shareholders	<u>1,705,105,909</u>	<u>13.03</u>	<u>1,705,105,909</u>	<u>11.66</u>
Sub-total	<u>4,562,683,364</u>	<u>34.87</u>	<u>4,562,683,364</u>	<u>31.20</u>
Total	<u><u>13,084,751,004</u></u>	<u><u>100.00</u></u>	<u><u>14,625,187,460</u></u>	<u><u>100.00</u></u>

*Note:* The percentages shown are rounded to the nearest 2 decimal places.

#### IV. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM at 10:30 a.m. on 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC to consider and, if thought fit, to pass the resolutions in respect of (i) the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue; and (ii) the extension of the Validity Period of Authorisation to the Board. The notice of the EGM setting out the resolutions proposed is set out in Appendix II to this circular.

The Company will convene the H Shareholders' Class Meeting at 10:30 a.m. on 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC to consider and, if thought fit, to pass the resolution in respect of the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue. The notice of the H Shareholders' Class Meeting setting out the resolution proposed is set out in Appendix III to this circular.



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## **LETTER FROM THE BOARD**

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CNAHC, as a subscriber of the Non-public A Share Issue, has a material interest in the Non-public A Share Issue. Therefore, CNAHC and its associates (including its wholly-owned subsidiary, CNACG) are required to abstain from voting on the resolution in respect of the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue at the EGM and the H Shareholders' Class Meeting.

The H Share register of members of the Company will be temporarily closed from Wednesday, 21 December 2016 to Friday, 20 January 2017 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Any holders of H Shares, whose names appear on the Company's register of members at the close of business on Tuesday, 20 December 2016, are entitled to attend and vote at the EGM and the H Shareholders' Class Meeting after completing the registration procedures for attending such meeting.

The relevant notices of attendance and forms of proxy to be used at the EGM and the H Shareholders' Class Meeting respectively have been despatched to the Shareholders together with the notice of the EGM and the notice of H Shareholders' Class Meeting. The relevant notices, notices of attendance and forms of proxy are also published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). If you are eligible and intend to attend the EGM/H Shareholders' Class Meeting, you should have completed and returned the notice(s) of attendance in accordance with the instructions printed thereon on or before Friday, 30 December 2016. Shareholders who intend to appoint a proxy to attend the EGM/H Shareholders' Class Meeting shall complete and return the form(s) of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM/H Shareholders' Class Meeting or any adjourned meeting and voting in person if you so wish.

### **V. RECOMMENDATIONS OF THE BOARD**

The Board (including the independent non-executive Directors) considers that the above proposed resolutions are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the above resolutions at the EGM and the H Shareholders' Class Meeting respectively.

### **VI. ADDITIONAL INFORMATION**

Your attention is drawn to the Letter from the Independent Board Committee as set out on pages 9 to 10 of this circular which contains its recommendations to the Independent Shareholders as to the voting regarding the resolution for extension of the Validity Period of Resolution Relating to the Non-public A Share Issue.

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## LETTER FROM THE BOARD

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Your attention is also drawn to the Letter from VMS Securities Limited as set out on pages 11 to 17 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the extension of the Validity Period of Resolution Relating to the Non-public A Share Issue as well as the principal factors and reasons considered by it in concluding its advice and other information set out in appendices to this circular.

By Order of the Board

**Cai Jianjiang**

*Chairman*

Beijing, the PRC

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

*Independent Board Committee:*

Mr. Pan Xiaojiang

Mr. Simon To Chi Keung

Mr. Stanley Hui Hon-chung

Mr. Li Dajin

5 December 2016

*To the Independent Shareholders of the Company*

Dear Sirs or Madams,

**EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION RELATING  
TO THE NON-PUBLIC A SHARE ISSUE**

We refer to the circular of the Company dated 5 December 2016 (the “**Circular**”) issued to its shareholders of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the fairness and reasonableness of the resolution in relation to the extension of the validity period of the resolution relating to the Non-public A Share Issue and to recommend whether or not the Independent Shareholders should vote in favour of the resolution in relation to the extension of the validity period of the resolution relating to the Non-public A Share Issue to be proposed at the EGM and the H Shareholders’ Class Meeting. VMS Securities Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the Letter from the Board set out on pages 1 to 8 of the Circular and the Letter from VMS Securities Limited set out on pages 11 to 17 of the Circular.

Having taken into account the principal factors and reasons considered by, and the opinion of, VMS Securities Limited, we are of the view the resolution in relation to the extension of the validity period of the resolution relating to the Non-public A Share Issue (i) is in the interests of the Company and the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Shareholders as a whole; and (ii) is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution set out in the notices of the EGM and the H Shareholders' Class Meeting respectively.

Yours faithfully,

**Independent Board Committee**

<b>Mr. Pan Xiaojiang</b>	<b>Mr. Simon To Chi Keung</b>	<b>Mr. Stanley Hui Hon-chung</b>	<b>Mr. Li Dajin</b>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

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## LETTER FROM VMS SECURITIES LIMITED

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*The following is the text of a letter of advice from VMS Securities Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Circular.*



**VMS Securities Limited**

49/F, One Exchange Square  
8 Connaught Place, Central, Hong Kong  
香港中環康樂廣場8號交易廣場1期49樓  
Tel/電話: (852) 2996 2100  
Fax/傳真: (852) 2996 1210

5 December 2016

*To: the Independent Board Committee and  
the Independent Shareholders of Air China Limited*

Dear Sirs,

**EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION  
RELATING TO THE NON-PUBLIC A SHARE ISSUE  
AND  
EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORISATION GRANTED  
BY SHAREHOLDERS' MEETING TO THE BOARD AND THE BOARD'S  
AUTHORISED PERSON(S) TO HANDLE ALL RELEVANT MATTERS  
RELATING TO THE NON-PUBLIC A SHARE ISSUE**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed resolutions (the “**Extension Resolutions**”) to extend the Validity Period of Resolution Relating to the Non-public A Share Issue until 30 April 2017 and extend the Validity Period of Authorisation to the Board for another 12-month period from the date of approval of the relevant resolution at the extraordinary general meeting. Details of these matters are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 5 December 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise defined herein.

CNAHC would be one of investors to subscribe for new A Shares under the Non-public A Share Issue. CNAHC was a controlling Shareholder of the Company as at the Latest Practicable Date. Therefore, CNAHC is a connected person of the Company and the Extension Resolutions are subject to the reporting, announcement, and the independent shareholders’ approval requirements pursuant to the Listing Rules. In this connection, the Company will seek the Independent Shareholders’ approval for the Extension Resolutions at the EGM and the class meetings.

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## LETTER FROM VMS SECURITIES LIMITED

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The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Pan Xiaojiang, Mr. To Chi Keung, Simon, Mr. Hui Hon-chung, Stanley and Mr. Li Dajin, has been established to make a recommendation to the Independent Shareholders on whether (i) the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Extension Resolutions are in the interests of the Company and the Shareholders as a whole. We, VMS Securities Limited (“**VMS Securities**”), have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, VMS Securities had no past engagement with the Company. As at 29 November 2016 (being the latest practicable date prior to the printing of this letter for ascertaining certain information contained herein, the “**Latest Practicable Date**”), we were independent from and not connected with the Group under Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Shareholders regarding the Extension Resolutions.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were provided or expressed to us and will remain so up to the time of EGM and the class meetings. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach the opinion and recommendation set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or CNACG or CNAHC, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering (1) whether the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned; (2) whether the Extension Resolutions are in the interests of the Company and the Shareholders as a whole; and (3) the voting action that should be taken by the Independent Shareholders, we have taken into account the principal factors and reasons set out below.

#### **1. Background to and reasons for the Extension Resolutions**

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

It was stated in the circular (the “**Previous Circular**”) of the Company dated 5 January 2016 that the Company proposed the Non-public A Share Issue to raise gross proceeds not exceeding RMB12,000 million which would be used by the Group for the following purposes:

- (1) as to RMB7,450 million to purchase 15 Boeing B787 aircraft (including supplemental in-cabin facilities such as seats);
- (2) as to RMB800 million for upgrade of e-commerce direct sale project;

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## LETTER FROM VMS SECURITIES LIMITED

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- (3) as to RMB150 million for on-board WIFI (first phase) project; and
- (4) as to the remaining RMB3,600 million to replenish working capital so as to (i) optimise the Group's financial structure; (ii) enhance the Group's repayment capability of short-term debts; and (iii) satisfy the Group's increasing need for working capital.

The Non-public A Share Issue was approved by then independent shareholders of the Company at the Previous Shareholders' Meetings held on 26 January 2016 with a validity period of 12 months from the date of the Previous Shareholders' Meetings. Therefore, this independent shareholders' approval would expire on 26 January 2017.

Due to completion of the distribution of final dividends for the financial year ended 31 December 2015, the Issue Price was adjusted from no less than RMB7.89 per A Share to no less than RMB7.79 per A Share (the "**Adjusted Issue Price**") and the maximum number of A Shares to be issued was adjusted up to 1,540,436,456 A Shares. With the adjustment of the issue price and the number of A Shares to be issued, the gross proceeds from the Non-public A Share Issue remain at RMB12,000 million. Further details are set out in the announcement of the Company dated 22 July 2016.

On 31 October 2016, the Company received a formal approval from CSRC that the Company was approved to place no more than 1,540,436,456 new A Shares. This CSRC approval will expire after six months upon the date of approval. Further details are set out in the announcement of the Company dated 1 November 2016.

As stated in the "Letter from the Board" contained in the Circular, the Company has been conducting research on market conditions and communicating with potential investors of the Non-public A Share Issue upon the receipt of the formal approval from the CSRC. In light of the current market condition and the comprehensive evaluation by the relevant intermediary institutions of the Non-public A Share Issue, the Company expects that it may not be able to complete the Non-public A Share Issue by 26 January 2017. Even if completion of the Non-public A Share Issue can take place by 26 January 2017, the Company may not be able to complete certain administrative matters relating to the Non-public A Share Issue (such as adjustment of the registered capital and amendment of the relevant provisions to the articles of association of the Company) by 26 January 2017. Since the validity period of the formal approval from the CSRC extends beyond 26 January 2017 for a few months, in order to ensure the smooth implementation of the Non-public A Share Issue (including completion of the aforesaid administrative matters), the Board proposes to extend the Validity Period of Resolution Relating to the Non-public A Share Issue until 30 April 2017 and extend the Validity Period of Authorisation to the Board for another 12-month period from the date of approval of the resolution at the EGM. In the opinion of the Directors (excluding independent non-executive Directors), this can provide the Company with sufficient time to complete the Non-public A Share Issue (including completion of the aforesaid administrative matters) for the benefits of the Company and its Shareholders. On this basis, the Directors (excluding independent non-executive Directors) consider that the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. It is further stated in the "Letter from the Board" contained in the Circular that prior to the date of the Shareholders' Meetings, the Board will determine, based on the progress of the Non-public A Share Issue, whether the proposed resolutions at the EGM shall

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## LETTER FROM VMS SECURITIES LIMITED

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be modified accordingly and whether the H Shareholders' Class Meeting shall be cancelled. The Company will in due course make further announcement(s) as necessary. Further details are set out in the Letter from the Board.

We note from the Previous Circular that CNAHC would be one of investors for the Non-public A Share Issue for an amount not exceeding RMB4,000 million. The remaining A Shares would be subscribed for by other investors who would remain as independent third parties of the Company upon completion of the Non-public A Share Issue. Moreover, the Company would determine the investors for the Non-public A Share Issue based on the subscription levels and price quoted by potential investors after obtaining of CSRC approval in respect of the Non-public A Share Issue. As advised by the Directors (excluding independent non-executive Directors), the Company is still in discussion with the potential investors for the Non-public A Share Issue and has not yet entered into any agreements with any investors in connection with the Non-public A Share Issue. Accordingly, it is uncertain whether the Non-public A Share Issue can go for completion by 26 January 2017.

Gross proceeds from the Non-public A Share Issue would be applied by the Group for the development of its existing business as detailed above. We understand from the Directors (excluding independent non-executive Directors) that the Group would have to seek alternative fund raisings including bank and other borrowings for its business development if the Non-public A Share Issue cannot be proceeded with. If this happens, the Group may have to incur additional finance and interest costs. We consider that the fund raising by way of an equity issue for business development of the Group is, from a financial perspective, a prudent approach as compared to bank and other borrowings.

We understand from the Directors (excluding independent non-executive Directors) that the final Issue Price will be determined by the Board and its authorised person(s) in accordance with the authorisation granted by the Shareholders and the subscription levels and price quoted by potential investors based on the price priority principle after consultation with underwriters for the Non-public A Share Issue. CNAHC will not take part in the bidding in the book-building under the Non-public A Share Issue and will make subscription at the same price as the other subscribers. The Directors (excluding independent non-executive Directors) advise us that the Company would engage underwriters who are independent third parties of the Company for the Non-public A Share Issue. We are of the view that this can safeguard interests of the Independent Shareholders to avoid undue benefits to be accrued to CNAHC.

The Directors (excluding independent non-executive Directors) advise us that the Company would proceed with the Non-public A Share Issue only if the Board considers that it is in the interests of the Company and the Shareholders as a whole to do so. Moreover, the Directors (excluding independent non-executive Directors) further advise us that the Adjusted Issue Price is just the floor price for the Non-public A Share Issue and subject to market conditions, the Company would make every endeavour to set the final Issue Price at an amount exceeding RMB7.79 per A Share. Accordingly, we are of the opinion that whilst the approval of the Extension Resolutions gives the Company the flexibility to proceed with the Non-public A Share Issue, the Company is not committed to do so, nor does the approval obviate the need for a bidding process (i.e. book-building) to be carried out as set out in the Previous Circular.

On this basis, we concur with the view of the Directors (excluding independent non-executive Directors) that the Extension Resolutions are in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM VMS SECURITIES LIMITED

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### 2. Evaluation of the Adjusted Issue Price

#### (i) *Comparison of the Adjusted Issue Price to recent A Share prices*

The Adjusted Issue Price of no less than RMB7.79 per A Share represents:

- (a) a discount of approximately 1.89% to the closing price of RMB7.94 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 0.54% over the average of the closing price per A Share of approximately RMB7.748 for the last 5 trading days up to and including the Latest Practicable Date;
- (c) a premium of approximately 1.14% over the average of the closing price per A Share of approximately RMB7.702 for the last 10 trading days up to and including the Latest Practicable Date;
- (d) a premium of approximately 2.39% over the average of the closing price per A Share of approximately RMB7.608 for the last 20 trading days up to and including the Latest Practicable Date; and
- (e) a premium of approximately 51.91% over the unaudited consolidated net assets attributable to the Shareholders of approximately RMB5.128 per Share on 30 September 2016 (which is calculated by dividing the unaudited consolidated net assets attributable to the Shareholders as at 30 September 2016 of approximately RMB67,103.96 million by the number of Shares in issue as at 30 September 2016 of approximately 13,084.751 million).

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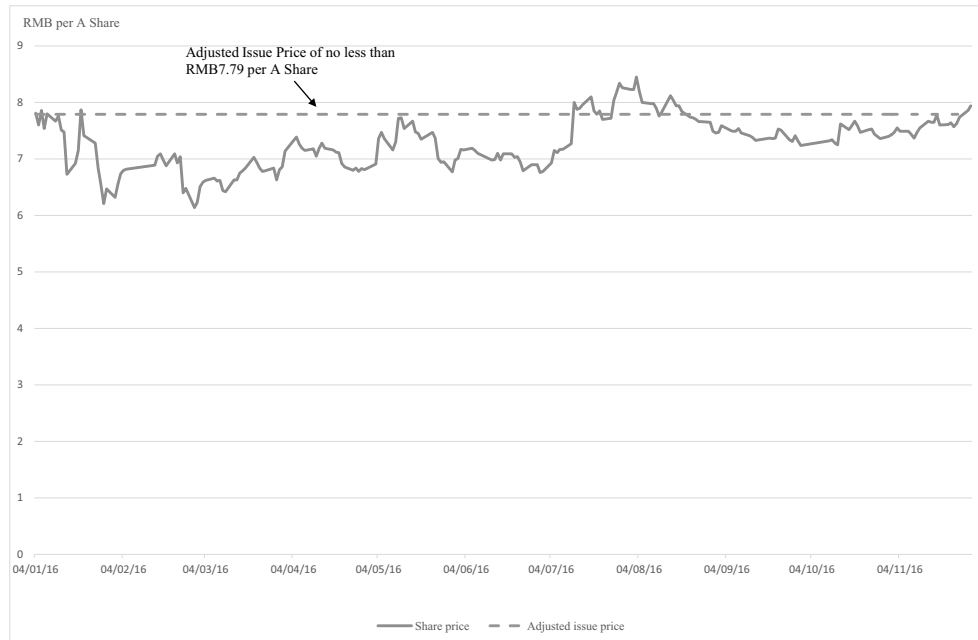
## LETTER FROM VMS SECURITIES LIMITED

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(ii) *Historical A Share price performance*

The chart below illustrates the daily closing prices per A Share for the period from 4 January 2016 (being the first trading day in 2016) up to and including the Latest Practicable Date (the “Review Period”).

**Share price chart of A Shares**



Source: Bloomberg

It is shown in the chart above that prices of the A Shares have been closed at a level below the Adjusted Issue Price for most of time during the Relevant Period.

### OPINION AND RECOMMENDATION

Having considered (i) practicable need for and benefits of the Extension Resolutions as detailed in the sub-section headed “Background to and reasons for the Extension Resolutions” above; (ii) the book-building process to safeguard interests of the Independent Shareholders to avoid undue benefits to be accrued to CNAHC as set out in the sub-section headed “Background to and reasons for the Extension Resolutions” above; (iii) the Adjusted Issue Price representing premium over (a) the net asset value per Share attributable to the Shareholders as at 30 September 2016; and (b) the average closing prices of the Shares for each of the relevant 5, 10 and 20 trading days as set out in the sub-section headed “Evaluation of the Adjusted Issue Price” above; (iv) prices of the A Shares having been closed at a level below the Adjusted Issue Price for most of time during the Relevant Period as set out in the sub-section headed “Evaluation of the Adjusted Issue Price” above; and (v) the Adjusted Issue Price being just the floor price for the Non-public A Share Issue and subject to market conditions, the Company would make every endeavour to set the final Issue Price at an amount exceeding RMB7.79 per A Share as discussed in the sub-section headed “Background to and reasons for the Extension Resolutions” above, we consider that (1) although the Extension Resolutions

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## LETTER FROM VMS SECURITIES LIMITED

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are not in the ordinary and usual course of business of the Company, the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Extension Resolutions are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting to approve the Extension Resolutions.

Yours faithfully,  
for and on behalf of  
**VMS Securities Limited**  
**Richard Leung**  
*Managing Director*  
*Corporate Finance*

*Mr. Richard Leung is a licensed person and a responsible officer of VMS Securities Limited registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has over ten years of experience in corporate finance industry.*

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**APPENDIX I      DETAILS OF THE NON-PUBLIC A SHARE ISSUE (REVISED)**

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Class of shares to be issued and the nominal value:      A Shares with a par value of RMB1.00 each

Subscribers:      The new A Shares under the Non-public A Share Issue is proposed to be issued to not more than 10 Investors (including CNAHC). The Investors will be securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors, other domestic legal person investors and natural persons that meet the requirements of the CSRC.

The Company will determine the Investors based on the subscription levels and price quoted by potential Investors, following the price priority principle.

CNAHC will remain as the controlling shareholder of the Company after the subscription of new A Shares under the Non-public A Share Issue by CNAHC and the Investors.

As at the Latest Practicable Date, the Company has not entered into any agreements with any Investor in connection with the Non-public A Share Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the potential Investors (other than CNAHC) and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. It is expected that each of the Investors (other than CNAHC) and their ultimate beneficial owners, upon subscription of the new A Shares under the Non-public A Share Issue, will remain an independent third party of the Company. The Company will use its best efforts to ensure that the Investors (other than CNAHC) and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## APPENDIX I      DETAILS OF THE NON-PUBLIC A SHARE ISSUE (REVISED)

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Number of A Shares to be issued:      As disclosed in the circular of the Company dated 5 January 2016, the maximum number of A Shares to be issued under the Non-public A Share Issue will not be more than 1,520,912,547 A Shares (including A Shares to be subscribed by CNAHC under the CNAHC A Share Subscription), which is subject to adjustment to the Issue Price as set forth in the paragraph “Basis for determining the Issue Price” below if there is any *ex-rights* or *ex-dividend* arrangement from the Pricing Benchmark Date to the date of issuance. Following the issue price adjustment as disclosed in the announcement of the Company dated 22 July 2016, the number of A Shares to be issued under the Non-public A Share Issue has been adjusted to no more than 1,540,436,456 A Shares (including A Shares to be subscribed by CNAHC under the CNAHC A Share Subscription).

Within the range of the issuance mentioned above, the ultimate number of A Shares to be issued will be determined by the Board and its authorised person(s) in accordance with the authorisation granted by the Shareholders at the EGM and the market conditions after consultation with the lead underwriter of the Non-public A Share Issue.

Method of issue:      Non-public offering. The new A Shares will be issued within 6 months of the date of the formal approval from the CSRC.

Basis for determining the Issue Price:      As disclosed in the circular of the Company dated 5 January 2016, the Issue Price of new A Shares shall be not less than RMB7.89 per A Share. The Issue Price is determined with reference to a benchmark price, which is 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date, which is RMB8.77 per A Share. The Issue Price will be adjusted accordingly if there is any *ex-rights* or *ex-dividend* arrangement from the Pricing Benchmark Date to the date of issuance. Upon completion of the profit distribution proposal of the Company for the year 2015 as disclosed in the announcement of the Company dated 22 July 2016, the Issue Price has been adjusted to not less than RMB7.79 per A Share.

The final Issue Price will be determined by the Board and its authorised person(s) in accordance with the authorisation granted by the Shareholders at the EGM and the subscription levels and price quoted by potential Investors based on the price priority principle after consultation with the lead underwriter for the Non-public A Share Issue. CNAHC will not take part in the bidding in the bookbuilding under the Non-public A Share Issue and will make subscription at the same price as the other subscribers.

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## APPENDIX I      DETAILS OF THE NON-PUBLIC A SHARE ISSUE (REVISED)

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The Issue Price shall be paid in cash.

Assume the Issue Price is fixed at RMB7.79 per A Share, it represents: (i) a discount of approximately 1.89% of the closing price of RMB7.94 per A Share as quoted on the Latest Practicable Date; (ii) a premium of approximately 0.54% of the average closing price of A Shares for the last five trading days up to and including the Latest Practicable Date.

The net price to the Company of each new A Share to be issued will be determined and disclosed upon completion of the Non-public A Share Issue and the determination of relevant expense incurred or to be incurred in relation to the Non-public A Share Issue in accordance with the requirements of the Listing Rules.

Rights attached to the new A Shares:

The new A Shares to be issued pursuant to the Non-public A Share Issue will rank *pari passu* with the existing A Shares and H Shares in all respects.

Conditions for the Non-public A Share Issue to take effect:

The Non-public A Share Issue is subject to:

- (1) the approvals by the Shareholders at the EGM and the Class Meetings, respectively; and
- (2) the approval by the SASAC and the CSRC, etc.

All conditions have been satisfied by 31 October 2016.

Gross Proceeds from the Non-public A Share Issue:

Gross proceeds to be raised from the Non-public A Share Issue will be not more than RMB12,000 million before deduction of the fees and expenses relating to the Non-public A Share Issue.





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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Air China Limited (the “Company”) will be held at 10:30 a.m. on 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC to consider and, if thought fit, to pass the following resolutions. A circular containing the following resolutions and the notice of the EGM (the “Circular”) has been despatched to the shareholders of the Company on 5 December 2016. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the Circular.

**SPECIAL RESOLUTIONS:**

1. To consider and approve the extension of the validity period of the resolution relating to the Non-public A Share Issue until 30 April 2017; and
2. To consider and approve the extension of 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 for a 12-month period from the date of the approval of this special resolution.

By order of the Board  
**Air China Limited**  
**Cai Jianjiang**  
*Chairman*

Beijing, the PRC, 5 December 2016

*As at the date of this notice, 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*



*Notes:*

**1. Closure of register of members and eligibility for attending and voting at the EGM**

Holders of H Shares of the Company are advised that the register of members of the Company will close from Wednesday, 21 December 2016 to Friday, 20 January 2017 (both days inclusive), during which time no transfer of H Shares of the Company will be effected and registered. In order to qualify for attendance and voting at the EGM, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Tuesday, 20 December 2016.

Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 20 December 2016 are entitled to attend and vote at the EGM.

**2. Notice of attendance**

H Shareholders who intend to attend the EGM should complete and lodge the accompanying notice of attendance and return it to the Company's H Share registrar on or before Friday, 30 December 2016. The notice of attendance may be delivered by hand, by post or by fax to the Company's H Share registrar. Completion and return of the notice of attendance do not affect the right of a shareholder to attend and vote at the EGM. However, the failure to return the notice of attendance may result in an adjournment of the EGM, if the number of shares carrying the right to vote represented by the shareholders proposing to attend the EGM by the notice of attendance does not reach more than half of the total number of shares of the Company carrying the right to vote at the EGM.

**3. Proxy**

Every shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his/her behalf at the EGM.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointor or his attorney duly authorised in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, for holders of H Shares not less than 24 hours before the time specified for the holding of the EGM. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar.

**4. Other businesses**

(i) The EGM is expected to last for two hours. Shareholders and their proxies attending the meeting shall be responsible for their own traveling and accommodation expenses.

(ii) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990



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)**

**NOTICE OF H SHAREHOLDERS' CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that the class meeting for holders of H Shares (the “**H Shareholders' Class Meeting**”) of Air China Limited (the “**Company**”) will be held at 10:30 a.m. on 20 January 2017 at The Conference Room One, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, the PRC to consider and, if thought fit, to pass the following resolution. A circular containing the following resolution and the notice of H Shareholders' Class Meeting (the “**Circular**”) has been despatched to the shareholders of the Company on 5 December 2016. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the Circular.

**SPECIAL RESOLUTION:**

1. To consider and approve the extension of the validity period of the resolution relating to the Non-public A Share Issue until 30 April 2017.

By order of the Board  
**Air China Limited**  
**Cai Jianjiang**  
Chairman

Beijing, the PRC, 5 December 2016

*As at the date of this notice, 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*

Notes:

**1. Closure of register of members and eligibility for attending and voting at the H Shareholders' Class Meeting**

Holders of H Shares of the Company are advised that the register of members of the Company will close from Wednesday, 21 December 2016 to Friday, 20 January 2017 (both days inclusive), during which time no transfer of H Shares of the Company will be effected and registered. In order to qualify for attendance and voting at the H Shareholders' Class Meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Tuesday, 20 December 2016.

H Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 20 December 2016 are entitled to attend and vote at the H Shareholders' Class Meeting.

**2. Notice of attendance**

H Shareholders who intend to attend the H Shareholders' Class Meeting should complete and lodge the accompanying notice of attendance and return it to the Company's H Share registrar on or before Friday, 30 December 2016. The notice of attendance may be delivered by hand, by post or by fax to the Company's H Share registrar. Completion and return of the notice of attendance do not affect the right of a shareholder to attend and vote at the H Shareholders' Class Meeting. However, the failure to return the notice of attendance may result in an adjournment of the H Shareholders' Class Meeting, if the number of shares carrying the right to vote represented by the shareholders proposing to attend the H Shareholders' Class Meeting by the notice of attendance does not reach more than half of the total number of H Shares of the Company carrying the right to vote at the H Shareholders' Class Meeting.

**3. Proxy**

Every shareholder who has the right to attend and vote at the H Shareholders' Class Meeting is entitled to appoint one or more proxies, whether or not they are members of the Company, to attend and vote on his/her behalf at the H Shareholders' Class Meeting.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointor or his attorney duly authorised in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, for holders of H Shares not less than 24 hours before the time specified for the holding of the H Shareholders' Class Meeting. If the instrument appointing the proxy is signed by a person authorised by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar.

**4. Other businesses**

(i) The H Shareholders' Class Meeting is expected to last for one hour and thirty minutes. Shareholders and their proxies attending the meeting shall be responsible for their own traveling and accommodation expenses.

(ii) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND SUPERVISORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and Hong Kong Stock Exchange pursuant to the SFO, or were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Name of company Relevant shareholder	Personal interest	Interest of Children under the age of 18 or spouse	Corporate interest	Total	Shareholding percentage as at the Latest Practicable Date
Cathay Pacific Airways Limited Ian Sai Cheung Shiu	1,000	–	–	1,000	0.00%
Air China Limited Zhou Feng	10,000 (A Shares)	–	–	10,000 (A Shares)	0.00%
Air China Limited Shen Zhen	33,200 (A Shares)	–	–	33,200 (A Shares)	0.00%

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2015 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or supervisors of the Company is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

CNAHC is a substantial Shareholder of the Company and as at Latest Practicable Date, it, together with its associates, held 6,995,092,799 shares (comprising A Shares and H Shares) in the Company. Mr. Cai Jianjiang is a non-executive Director of the Company and is concurrently the general manager of CNAHC.

Mr. Cao Jianxiong is a non-executive Director of the Company and is concurrently the deputy general manager of CNAHC. Mr. Feng Gang is a non-executive Director of the Company and is concurrently the deputy general manager of CNAHC.

Cathay Pacific is a substantial Shareholder of the Company and as at Latest Practicable Date, it held 2,633,725,455 H shares in the Company. Mr. Ian Sai Cheung Shiu is a non-executive Director of the Company and is concurrently a non-executive director of Cathay Pacific. Mr. Cai Jianjiang, who is the chairman and a non-executive Director of the Company and Mr. Song Zhiyong, who is the president and an executive Director of the Company, are concurrently non-executive directors of Cathay Pacific. Mr. John Robert Slosar, who is a non-executive Director of the Company, is concurrently an executive director and the chairman of Cathay Pacific.

Cathay Pacific wholly owns Hong Kong Dragonair Airlines Limited (“**Dragonair**”). Cathay Pacific and Dragonair compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations, which are also served by the Company.

Save as above, none of the Directors or supervisors of the Company and their respective associates (as defined in the Hong Kong Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder of the Company.

### **3. SERVICE CONTRACTS**

None of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

### **4. NO MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in the Group’s financial or trading position since 31 December 2015, being the date to which the latest published audited financial statements of the Group have been made up.

**5. EXPERT**

The following are the qualifications of the expert who has given its opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
VMS Securities Limited	a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
(a)	As at the Latest Practicable Date, VMS Securities Limited did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015 (the date to which the latest published audited financial statements of the Group were made up);
(b)	As at the Latest Practicable Date, VMS Securities Limited was not beneficially interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
(c)	VMS Securities Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and the reference to its name included herein in the form and context in which it appears.

**6. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Rao Xinyu and Tam Shuit Mui. Ms. Tam is an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA).
- (b) The registered address of the Company is at Blue Sky Mansion, 28 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing, the PRC. The head office of the Company is at No. 30, Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing, the PRC.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Hong Kong during normal business hours on any business day from the date of this circular until 20 January 2017:

- (a) the Share Subscription Agreement;
- (b) the share subscription agreement entered into between CNAHC and the Company on 27 July 2015;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 9 to 10 of this circular;
- (d) the letter from VMS Securities Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 17 of this circular; and
- (e) the consent letter issued by the expert referred to in this circular.