THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of 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.

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)

CONTINUING CONNECTED TRANSACTIONS

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

八方金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 4 to 15 of this circular.

A letter from the Independent Board Committee, containing its advice to the Independent Shareholders of the Company, is set out on pages 16 to 17 of this circular.

A letter from Octal Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 18 to 36 of this circular.

A notice convening the EGM will be dispatched by the Company in due course. The Company will announce details of the EGM, including the date and venue as and when available in compliance with the articles of association of the Company and the Hong Kong Listing Rules.

14 September 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"ACC Framework Agreement"	the framework agreement, dated 27 October 2011, entered into between the Company and Air China Cargo in respect of the ACC Transactions
"ACC Group"	Air China Cargo and its subsidiaries
"ACC Transactions"	the continuing connected transactions contemplated under the ACC Framework Agreement and the New ACC Framework Agreement, as applicable, between any member of the Group on the one hand, and any member of the ACC Group on the other hand
"Air China Cargo"	Air China Cargo Co., Ltd., a company incorporated under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company
"Board"	the board of directors of the Company
"Cathay Pacific"	Cathay Pacific Airways Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange, the principal activity of which is the operation of scheduled airline services
"Company"	Air China Limited, a company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to seek Independent Shareholders' approval for, among other things, the ACC Transactions and the proposed annual caps thereunder
"GAC"	the General Administration of Customs of the PRC (中華人民共和國海關總署)
"GAC Regulated Property"	certain property of the Group located in the areas subject to the oversight and administration of the GAC in various cities of the PRC
"Group"	the Company and its subsidiaries, excluding the ACC Group (unless otherwise provided in this circular)

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	a board committee comprising Mr. Pan Xiaojiang, Mr. Simon To Chi Keung, Mr. Stanley Hui Hon-chung and Mr. Li Dajin, all being the independent non-executive directors of the Company
"Independent Shareholders"	the Shareholders of the Company excluding Cathay Pacific and its associates
"Latest Practicable Date"	7 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Leases of GAC Regulated Property"	the property lease contracts, each with an initial term of five or six years, between the Company (as the lessor) and Air China Cargo (as the lessee) in connection with the lease of certain GAC Regulated Property, as more particularly described in Section II in the Letter from the Board of this circular
"New ACC Framework Agreement"	the framework agreement, dated 30 August 2016, entered into between the Company and Air China Cargo in respect of the ACC Transactions
"Octal Capital"	Octal Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the ACC Transactions, the proposed annual caps under the New ACC Framework Agreement and the term of the Leases of GAC Regulated Property under the New ACC Framework Agreement
"Percentage Ratios"	the percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules, i.e., "assets ratio", "profits ratio", "revenue ratio", "consideration ratio" and "equity capital ratio"
"PRC"	the People's Republic of China, excluding, for the purpose of this circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
"Shanghai Listing Rules"	the Rules Governing the Trading of Stocks on the Shanghai Stock Exchange
"Shareholder(s)"	the shareholder(s) of the Company

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)

Directors:

Non-executive Directors:
Cai Jianjiang *(Chairman)*
Cao Jianxiong
Feng Gang
John Robert Slosar
Sai Cheung Shiu, Ian

Executive Director:
Song Zhiyong *(President)*

Independent non-executive Directors:
Pan Xiaojiang
To Chi Keung, Simon
Hui Hon-chung, Stanley
Li Dajin

Registered Address:
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

14 September 2016

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 August 2016 in relation to, among other things, the ACC Transactions. The current term of the ACC Framework Agreement will expire on 31 December 2016. As the Company expects that the ACC Transactions will continue to be conducted after 31 December 2016, on 30 August 2016 (after trading hours), the Company and Air China Cargo entered into the New ACC Framework Agreement to renew and amend the ACC Framework Agreement with a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

The purpose of this circular is to provide you with further information on the abovementioned matters so that you can make an informed decision on voting in respect of the relevant resolutions at the EGM. A notice convening the EGM will be dispatched by the Company in due course. The Company will announce details of the EGM, including the date and venue as and when available in compliance with the articles of association of the Company and the Hong Kong Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS

1. The ACC Transactions

Parties and Connections of the Parties

The New ACC Framework Agreement was entered into between the Company and Air China Cargo.

The Company's principal business activity is air passenger, air cargo and airline-related services. The principal activity of Air China Cargo is the operation of cargo airline services.

Air China Cargo is a 51% held subsidiary of the Company. Cathay Pacific, a substantial Shareholder of the Company, holds more than 10% of the equity interest in Air China Cargo. Therefore, Air China Cargo is a connected person of the Company as defined under the Hong Kong Listing Rules.

Description of the ACC Transactions

Pursuant to the New ACC Framework Agreement, the Group will provide the following services to the ACC Group:

- provision of bellyhold space of the passenger aircraft operated by the Company;
- ground support services, such as airport apron services and aircraft cabin cleansing services; and
- other services, including aircraft maintenance engineering services, engine and other aircraft related materials lease services, property lease services (including the lease of certain GAC Regulated Property) and labour management services.

Pursuant to the New ACC Framework Agreement, the ACC Group will provide the following services to the Group:

- marketing and sales services of bellyhold space provided by the Company;
- ground support services, such as cargo and mail ground loading and unloading and security inspection services;

- other services, including engine and other aircraft related material lease services and property lease services.

With respect to engine and other aircraft related material lease services and property lease services, to the extent that the Group or the ACC Group possesses suitable engines, aircraft related materials or premises that could meet the operating needs of the Group or the ACC Group from time to time, the Group or the ACC Group may enter into lease agreements with the other party pursuant to the New ACC Framework Agreement.

Pricing Policies for the ACC Transactions

The consideration of any specific ACC Transactions shall be agreed on arm's length negotiations between the Group and the ACC Group and on normal commercial terms, which shall be determined in accordance with the pricing policies set forth below on a case-by-case basis.

The pricing policies for the ACC Transactions in relation to services provided by the Group to the ACC Group are as follows:

- The prices for bellyhold space provided to the ACC Group will be determined by the Company based on the following formula: total annual sales amount = the average sales price of bellyhold space of the Company in the past three years * (1 + adjustment rate) * the total volume of bellyhold space provided by the Company. The adjustment rate generally ranges from –7% to +7%, which is determined by the Company with reference to the average annual revenue growth rate for air cargo services of other major aircraft operators in the PRC and the operating costs of the Company in connection with air transportation.

- The prices for the ground support services provided by the Group will be negotiated and agreed by both parties primarily on a "cost-plus" basis, which will be determined based on the costs and expenses of the Company, including costs of human resources and costs of equipment, plus a margin generally ranging from 5% to 10%. In addition, the Group will also take into account various other factors, including the guidance from the Civil Aviation Administration of the PRC and the International Air Transport Association on the service prices and other terms for ground support services, and the market prices for comparable services provided to independent third parties or available from other service providers.

- The prices for other services provided by the Group will be negotiated and agreed by both parties primarily on a "cost-plus" basis, which will be determined based on the costs and expenses of the Company, including costs of human resources and costs of relevant leased items or premises (as applicable), plus a margin generally ranging from 5% to 10%. The Group will also take into account certain other factors, including the prices for the same or similar type of services provided to and available from independent third parties, and the specific needs of the ACC Group.

For each individual ACC Transaction in terms of services provided by the Group to the ACC Group, to ensure that its pricing is on normal commercial terms, designated personnel of the Group will be responsible for monitoring and collating the industry data and market prices in connection with air cargo services and other services, analysing the costs and expenses of the Group and reporting to the management of the Company regularly. The management will review such information and make appropriate adjustments to the pricing of the relevant ACC Transaction when necessary. In general, for obtaining and comparing quotations and terms for comparable ground support services and other services available from or provided to independent third parties, enquiries on quotation and terms will be made to at least two independent third parties by e-mail, facsimile or telephone.

The pricing policies for the ACC Transactions in relation to services provided by the ACC Group to the Group are as follows:

- With respect to ACC Group's provision of marketing and sales services of bellyhold space to end customers, the Company will pay commission fees to Air China Cargo primarily based on the costs and expenses in connection with the sales and marketing of bellyhold space to end customers by the ACC Group and the sales performance of the ACC Group on meeting the relevant sales targets, after taking into account the overall market conditions. For the past three years ending 31 December 2014, 2015 and 2016, the total commission fees (including any performance-based sales incentive bonuses but excluding value-added tax) paid or payable to the ACC Group each year account for approximately 8.0% to 10.2% of the total amounts payable by the ACC Group for the Company's bellyhold space for the same year.

- The prices for the ground support services provided by the ACC Group will be negotiated and determined by both parties on an arm's length basis, after taking into account various factors, including the guidance from the Civil Aviation Administration of the PRC and the International Air Transport Association on the service prices and other terms for ground support services, the market prices for comparable services available from other service providers and the quality of services.

- The prices for other services provided by the ACC Group will be negotiated and determined by both parties on an arm's length basis with reference to comparable market prices for the same or similar type of services by independent third parties, after taking into account other relevant factors, including the quality of services and the specific needs of the Group.

For each individual ACC Transaction in terms of ground support services and other services provided by the ACC Group to the Group, to ensure that its pricing is on normal commercial terms, designated personnel of the Group will be responsible for obtaining and verifying quotations and terms for the same or similar type of services available from independent third parties. In general, enquiries on quotation and terms will be made to at least two independent third parties by e-mail, facsimile or telephone.

Please also refer to the section headed “Internal Control Procedures” below for more information on the internal control relating to pricing of the ACC Transactions.

Generally, payments for the ACC Transactions will be settled on a monthly basis and paid by the Group or the ACC Group to the other party in cash.

The Term of the New ACC Framework Agreement

The term of the New ACC Framework Agreement is three years, commencing on 1 January 2017 and ending on 31 December 2019, which is renewable for a successive term of three years unless being terminated by either party to the New ACC Framework Agreement by serving the other party notice of termination of not less than three months expiring on any 31 December.

During the term of the new ACC Framework Agreement, the Company (as the lessor) and Air China Cargo (as the lessee) are expected to enter into certain Leases of GAC Regulated Property, each with an initial term of five or six years ending by 31 December 2022 the latest. The fact that initial term of such Leases of GAC Regulated Property is longer than three years is primarily due to GAC’s mandatory administrative requirement that the minimum term for any lease of GAC Regulated Property shall not be less than five years. In this connection, pursuant to Rule 14A.52 of the of the Hong Kong Listing Rules, the Company has engaged Octal Capital as the independent financial adviser, to explain why a period longer than three years is required and confirming whether it is normal business practice for an agreement of this type to be of such duration. Please refer to the letter from Octal Capital as set out on pages 18 to 36 of this circular.

Reasons for and Benefits of the ACC Transactions

The Directors believe that it is in the best interest of the Group to continue the ACC Transactions with the ACC Group having taken into account the following factors:

- Air China Cargo, being a company having engaged in air cargo business for a long time, has a profound understanding of, and extensive experience in, the air cargo business and the air cargo industry, and therefore possesses certain advantages in promoting the Company’s air cargo business with access to the Company’s bellyhold space;

- As the Company and Air China Cargo both have significant presence in Beijing, the PRC, the aircraft related services such as ground support and aircraft maintenance engineering services could be easily accessible and therefore generate revenue and benefit for the Company with low additional cost; and

- The long established successful cooperative relationship between the Company and Air China Cargo is able to provide streamlined and efficient cooperation and transaction between the Group and the ACC Group.

Historical Amounts and Proposed Annual Caps

In connection with the ACC Transactions, the table below sets out (i) the annual caps for the aggregate amount paid or payable by the ACC Group or the Group for each of the three years ending 31 December 2014, 2015 and 2016, respectively; (ii) the actual aggregate amounts paid by the ACC Group or the Group for each of the two years ending 31 December 2014 and 2015, and the estimated aggregate amount payable for the year ending 31 December 2016, respectively; and (iii) the proposed annual caps of amounts payable by the ACC Group or the Group for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

Transactions	**Historical Caps**			**Historical Figures**			**Proposed Annual Caps**		
	for the year ending 31 December								
	2014	**2015**	**2016**	**2014**	**2015**	**2016***	**2017**	**2018**	**2019**
	(in millions of RMB)								
Amount paid/payable by the ACC Group to the Group	6,120	7,110	8,250	4,892	4,585	4,771	5,854	7,160	8,777
Amount paid/payable by the Group to the ACC Group	1,060	1,250	1,480	792	956	1,362	1,625	1,944	2,326

* Estimated annual amount payable by the ACC Group or by the Group to the other for the year ending 31 December 2016.

Breakdown of Historical Amounts and Proposed Annual Caps

In connection with the ACC Transactions, the table below sets out (i) the breakdown of the actual amounts paid by the ACC Group or the Group for each of the two years ending 31 December 2014 and 2015, and the estimated aggregate amount payable for the year ending 31 December 2016, respectively; and (ii) the breakdown of the proposed annual caps of amounts payable by the ACC Group or the Group for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

Transactions	Historical Figures			Proposed Annual Caps		
	for the year ending 31 December					
	2014	2015	2016*	2017	2018	2019
	(in millions of RMB)					
Amount payable by the ACC Group to the Group	**4,892**	**4,585**	**4,771**	**5,854**	**7,160**	**8,777**
In terms of bellyhold space	4,482	4,045	4,176	5,182	6,429	7,977
In terms of ground support services	94	113	120	143	169	200
In terms of other services	316	427	475	529	562	600
Amount payable by the Group to the ACC Group	**792**	**956**	**1,362**	**1,625**	**1,944**	**2,326**
In terms of marketing and sales services of bellyhold	362	363	424	519	643	798
In terms of ground support services	430	465	798	932	1,088	1,269
In terms of other services	1	128	140	174	213	259

Note: Due to rounding, the historical figure for the amount payable by the Group to the ACC Group for the year ending 31 December 2014 does not correspond with the sum of the separate figures in connection with various types of services for the same period.

* Estimated annual amount payable by the ACC Group or by the Group to the other for the year ending 31 December 2016.

The Proposed Annual Caps for the Leases of GAC Regulated Property

The table below sets out (i) the historical aggregate amounts paid or payable by the ACC Group to the Group in connection with the lease of certain GAC Regulated Property for each of the three years ending 31 December 2014, 2015 and 2016, respectively; and (ii) the proposed annual caps for the amount payable by the ACC Group to the Group in connection with the Leases of GAC Regulated Property for each of the six years ending 31 December 2017, 2018, 2019, 2020, 2021 and 2022, respectively.

For the avoidance of doubt, the historical figures for the amounts paid or payable by the ACC Group to the Group in connection with other services for each of the three years ending 31 December 2014, 2015 and 2016 and the proposed annual caps for the amount payable by the ACC Group to the Group in connection with the other services for each of the three years ending 31 December 2017, 2018 and 2019 stated in the section headed "Breakdown of Historical Amounts and Proposed Annual Caps" above have taken into account and reflected the historical amounts and the proposed annual caps in connection with the Leases of GAC Regulated Property stated below for the relevant period accordingly.

Historical Figures			Proposed Annual Caps					
for the year ending 31 December								
2014	2015	2016*	2017	2018	2019	2020	2021	2022
(in millions of RMB)								
143	143	143	180	180	180	200	200	200

* Estimated annual amount payable by the ACC Group to the Group for the year ending 31 December 2016.

Basis for the Proposed Annual Caps

Amounts Payable by the ACC Group to the Group

In arriving at the estimated aggregate amounts payable by the ACC Group to the Group in connection with the provision of bellyhold space for the years ending 31 December 2017, 2018 and 2019, the Company has considered, among other things, the following factors:

- Expansion of fleet capacity – The bellyhold space provided to the ACC Group will increase generally along with the expansion of the fleet capacity of passenger aircraft of the Company. The fleet capacity of the Company is currently expected to expand at an annual rate of approximately 12.8% from 2017 to 2019, which is determined by the Company primarily based on historical expansion rates as disclosed in the Company's annual reports and the Company's understanding and forecast of the market need.

- Increase in unit price – Fuel costs account for a substantial portion of the Company's operating costs. As such, any significant fluctuations in the international oil prices could have a material impact on our operating costs, which in return could substantially affect the sales prices for our bellyhold space. The Company have considered the significant fluctuations in the international oil prices in the past few years and assumed that the unit price for bellyhold space will rise at an annual rate of approximately 10% from 2017 to 2019 to account for any substantial increase in international oil prices and the increase in our costs and expenses in connection with the expansion of our fleet capacity.

In arriving at the estimated aggregate amounts payable by the ACC Group to the Group in connection with ground support services provided by the Group for the years ending 31 December 2017, 2018 and 2019, the Company has considered, among other things, the following factors:

- Increasing need for relevant services – Due to the increase in the bellyhold space provided to the ACC Group by the Company, the need for ground support services by the ACC Group will generally increase accordingly. Given that the fleet capacity of the Company is currently expected to expand at an annual rate of approximately 12.8% from 2017 to 2019, the Company has assumed that the ACC Group's need for relevant services will increase at the same rate.

- Increase in unit price – The Company have assumed that the unit price for our relevant services will generally rise at an annual rate of 5% from 2017 to 2019 to account for the increase in our costs and expenses primarily due to inflation and the overall improvement in our service quality.

In arriving at the estimated aggregate amounts payable by the ACC Group to the Group in connection with other services provided by the Group for the years ending 31 December 2017, 2018 and 2019, the Company has considered, among other things, the historical transaction amounts, the increase in unit price of the Group's services and a reasonable cushion to provide flexibility to cater for the ACC Group's operating need from time to time. The Company has assumed that the unit price for the relevant services provided by the Group will generally rise at an annual rate of 5% from 2017 to 2019.

Amounts Payable by the Group to the ACC Group

For the past three years ending 31 December 2014, 2015 and 2016, the total commission fees (including any performance-based sales incentive bonuses but excluding value-added tax) paid or payable to the ACC Group each year account for approximately 8.0% to 10.2% of the total amounts payable by the ACC Group for the Company's bellyhold space. As such, in arriving at the estimated aggregate amounts payable by the Group to the ACC Group in connection with the marketing and sales services of bellyhold space for the years ending 31 December 2017, 2018 and 2019, the Company has assumed that total commission fees (including any performance-based sales incentive bonuses but excluding value-added tax) paid or payable to the ACC Group each year will account for approximately 10% of the total amounts payable by the ACC Group for the Company's bellyhold space for the relevant year, which amounts are in turn subject to the Company's fleet capacity and the unit price for the Company's bellyhold space as stated above.

In arriving at the estimated aggregate amounts payable by the Group to the ACC Group in connection with the ground support services for the years ending 31 December 2017, 2018 and 2019, the Company has considered, among other things, the historical transaction amounts and the increasing need for relevant ground support services in light of the expected expansion of the Company's fleet capacity at an annual rate of approximately 12.8%, and has assumed that the unit price for the relevant services provided by the ACC Group will generally rise at an estimated annual rate of 3.5% from 2017 to 2019.

In arriving at the estimated aggregate amounts payable by the Group to the ACC Group in connection with other services provided by the ACC Group for the years ending 31 December 2017, 2018 and 2019, the Company has considered, among other things, the increased need for relevant services in light of the expected expansion of the Company's fleet capacity at an annual rate of approximately 12.8%, the historical transaction amounts, the increase in the unit price for relevant services provided by the ACC Group and a reasonable cushion to provide flexibility to cater for the Group's operating need from time to time. The Company has assumed that the unit price for the relevant services provided by the ACC Group will generally rise at an estimated annual rate of 3.5% from 2017 to 2019.

Amounts Payable in Connection with the Leases of GAC Regulated Property

In arriving at the estimated aggregate amounts payable by the ACC Group to the Group under the Leases of GAC Regulated Property, the Company has primarily considered the historical figures, the ACC Group's need for such leases and the rent for comparable leases available from independent third parties for similar premises in close proximity to the property after taking into account specific needs of the ACC Group.

Internal Control Procedures

In addition to those as disclosed in the section headed "Pricing Policies for the ACC Transactions" above, the Group has also adopted the following internal control procedures to ensure that the ACC Transactions will be conducted on normal commercial terms and in accordance with the New ACC Framework Agreement and the pricing policies of the Group:

- The independent auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

- Before entering into individual ACC Transactions, the Finance Department, the Legal Department, the Asset Management Department (which has a dedicated sub-division responsible for management of connected transactions) and if applicable, certain other relevant departments of the Company will review the proposed terms for the individual ACC Transactions and discuss with the relevant business department of the Group to ensure that such transactions are conducted on normal commercial terms and in compliance with the pricing policy of the Group before these relevant departments approve the finalized transaction agreements according to their authority within the Group.

- The Asset Management Department of the Company will be responsible for monitoring and reviewing of the balance amount of the annual cap for the ACC Transactions on an ongoing basis and if the annual cap for the ACC Transactions is expected to be exceeded for a particular year, it will report to the management and take appropriate measures in advance in accordance with the relevant requirements of the Hong Kong Listing Rules.

- The Audit and Risk Management Committee of the Board and the relevant management personnel of the Company will meet at least twice a year to discuss and review the overall adequacy and effectiveness of the internal control policies and procedures relating to continuing connected transactions.

2. Listing Rules Implications

Air China Cargo is a connected person of the Company as defined under the Hong Kong Listing Rules, and accordingly the ACC Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable Percentage Ratios in respect of the proposed annual caps applicable to the ACC Transactions is, on an annual basis, higher than 5.0%, the ACC Transactions and the proposed annual caps thereunder are subject to the announcement, reporting, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the initial term of the Leases of GAC Regulated Property is longer than three years which is primarily due to GAC's mandatory administrative requirement that the minimum term for any lease of GAC Regulated Property shall not be less than five years, a letter from Octal Capital, the independent financial adviser, explaining why a period longer than three years is required and confirming whether it is normal business practice for an agreement of this type to be of such duration pursuant to Rule 14A.52 of the Hong Kong Listing Rules, is set out on pages 18 to 36 of this circular.

The Independent Board Committee has been formed to advise the Independent Shareholders on the ACC Transactions and the proposed annual caps thereunder. Octal Capital has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

The ACC Transactions and the proposed annual caps thereunder will be considered and, if thought fit, approved at the EGM. Voting will be taken by poll and Cathay Pacific, being a substantial shareholder of the Company and Air China Cargo, together with its associates, will abstain from voting.

The Company will comply with the continuing obligations under Rule 14A of the Hong Kong Listing Rules and will re-comply with the relevant Hong Kong Listing Rules if the annual caps are exceeded, when the New ACC Framework Agreement is renewed or when there is a material change to its terms.

Mr. Cai Jingjiang, Mr. Song Zhiyong, Mr. John Robert Slosar and Mr. Ian Sai Cheung Shiu are considered to have a material interest in the ACC Transactions and therefore have abstained from voting on the relevant board resolutions of the Company in respect of the ACC Transactions. Save as disclosed above, none of the other Directors have a material interest in the ACC Transactions and hence no other Director is required to abstain from voting on the relevant board resolutions.

3. PRC Law Implications

Pursuant to the Shanghai Listing Rules, Air China Cargo is a subsidiary of the Company in its consolidated financial statements and any transaction between the ACC Group and the Group does not constitute a related party transaction and is therefore exempted from disclosure and compliance with the relevant procedures.

III. EGM

The Company will convene the EGM to consider, and if thought fit, to approve, among other things, the ACC Transactions (and the proposed annual caps thereunder).

A notice convening the EGM will be dispatched by the Company in due course. The Company will announce details of the EGM, including the date and venue as and when available in compliance with the articles of association of the Company and the Hong Kong Listing Rules.

Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any connected person and any Shareholder and their associates with a material interest in the ACC Transactions are required to abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, Cathay Pacific is a substantial shareholder of the Company and Air China Cargo. Accordingly, Cathay Pacific and its associates are required to abstain from voting on the resolution in respect of the ACC Transactions.

IV. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the ACC Transactions have been conducted on normal commercial terms or on terms no less favourable than those available to independent third parties and were entered into on a continuing and regular basis and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps under the ACC Transactions are fair and reasonable.

The Board recommends that the Independent Shareholders to vote to approve the ACC Transactions and the proposed annual caps thereunder at the EGM.

V. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the ACC Transactions and the proposed annual caps thereunder.

Your attention is also drawn to the letter from Octal Capital as set out on pages 18 to 36 of this circular, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the ACC Transactions as well as the principal factors and reasons considered by it in concluding its advice.

Your attention is also drawn to the additional information set out in Appendices I to this circular.

By Order of the Board
Cai Jianjiang
Chairman

Beijing, the PRC

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

14 September 2016

To the Independent Shareholders of the Company

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

We refer to the Circular dated 14 September 2016 ("**Circular**") issued by the Company 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.

On 30 August 2016, the Board approved the entering into of the New ACC Framework Agreement in respect of the ACC Transactions as set out in the Circular for a term of three years commencing on 1 January 2017 and ending on 31 December 2019, and approved the proposed annual caps thereunder. The entry into the New ACC Framework Agreement and the proposed annual caps thereunder are subject to the announcement, reporting, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The terms and the reasons for the ACC Transactions are summarised in the Letter from the Board set out on pages 4 to 15 of this circular.

The Independent Board Committee was formed to make a recommendation to the Independent Shareholders as to whether the entering into of the New ACC Framework Agreement, the ACC Transactions and the proposed annual caps thereunder are fair and reasonable and whether such transactions are in the interest of the Company and the Shareholders as a whole. Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the entering into of the New ACC Framework Agreement, the ACC Transactions and the proposed annual caps thereunder, their terms and the basis upon which the terms have been determined. We have also considered the key factors taken into account by Octal Capital in arriving at its opinion regarding the ACC Transactions as set out in the letter from Octal Capital on pages 18 to 36 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the advice of Octal Capital, considers that the ACC Transactions have been conducted on normal commercial terms or on terms no less favourable than those available to independent third parties and were entered into on a continuing and regular basis and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps under the ACC Transactions are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the relevant ordinary resolution as set out in the notice of the EGM.

Yours faithfully,
Independent Board Committee

Mr. Pan Xiaojiang	**Mr. Simon To Chi Keung**	**Mr. Stanley Hui Hon-chung**	**Mr. Li Dajin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

八方金融有限公司
OCTAL Capital Limited

Octal Capital Limited
802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

14 September 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the ACC Transactions and the proposed annual caps under the New ACC Framework Agreement; and (ii) the term of the leases of GAC Regulated Property under the New ACC Framework Agreement. Details of which are set out in the Letter from the Board contained in the Circular of the Company to the Shareholders dated 14 September 2016 (the "**Circular**"), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

On 30 August 2016 (after trading hours), the Company and Air China Cargo entered into the New ACC Framework Agreement to renew and amend the ACC Framework Agreement for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

Air China Cargo is a connected person of the Company as defined under the Hong Kong Listing Rules, and accordingly the ACC Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable Percentage Ratios in respect of the proposed annual caps applicable to the ACC Transactions is, on an annual basis, higher than 5.0%, the ACC Transactions and the proposed annual caps are subject to independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors of the Company, namely Mr. Pan Xiaojiang, Mr. Simon To Chi Keung, Mr. Stanley Hui Hon-chung and Mr. Li Dajin, has been established to consider and advise the Independent Shareholders that the ACC Transactions have been conducted on normal commercial terms or on terms no less favorable than those available to independent third parties and were entered into in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and Shareholders as a whole and the proposed annual caps under the ACC Transactions are fair and reasonable. The advice of the Independent Board Committee as regards the ACC Transactions and the proposed annual caps thereunder is contained in the Letter from the Board included in this Circular.

We are not connected with the directors, chief executive and substantial shareholders of the Company and Air China Cargo or any of their respective subsidiaries or their respective associates or parties acting in concert with any of them and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no engagement between the Company and Octal Capital. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company and Air China Cargo or any of its subsidiaries or their respective associates or parties acting in concert with any of them.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company and Air China Cargo and their respective associates, nor have we carried out any independent verification of the information supplied to us.

A. THE ACC TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the ACC Transactions, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group's principal business activity is air passenger, air cargo and airline-related services, including aircraft engineering services and airport ground handling services, mainly in Mainland China, Hong Kong and Macau. The Group has its headquarters in Beijing, PRC with two important hubs in Chengdu and Shanghai.

The Group is the only national flag carrier of China and a member of Star Alliance, the world's largest airline alliance. It is also the only Chinese civil aviation enterprise listed in "The World's 500 Most Influential Brands". As a member of Star Alliance, the Group's network covered 1,330 destinations in 193 countries as at 31 December 2015.

According to the annual report for the year ended 31 December 2015 ("**2015 Annual Report**"), the Group recorded revenue of RMB110.1 billion, representing a year-on-year increase by approximately 3.9%. The operating expenses decreased by approximately 4.3% from approximately RMB98.7 billion for the year ended 31 December 2014 to approximately RMB94.5 billion for the year ended 31 December 2015. Fuel cost was one of the major operating expenses which was approximately RMB24.0 billion for the year ended 31 December 2015, representing a year-on-year decrease by 30.4% due to the reduction in the international crude oil prices. The profit attributable to equity shareholders of the Company increased by 83.3% from approximately RMB3.9 billion for the year ended 31 December 2014 to approximately RMB7.1 billion for the year ended 31 December 2015.

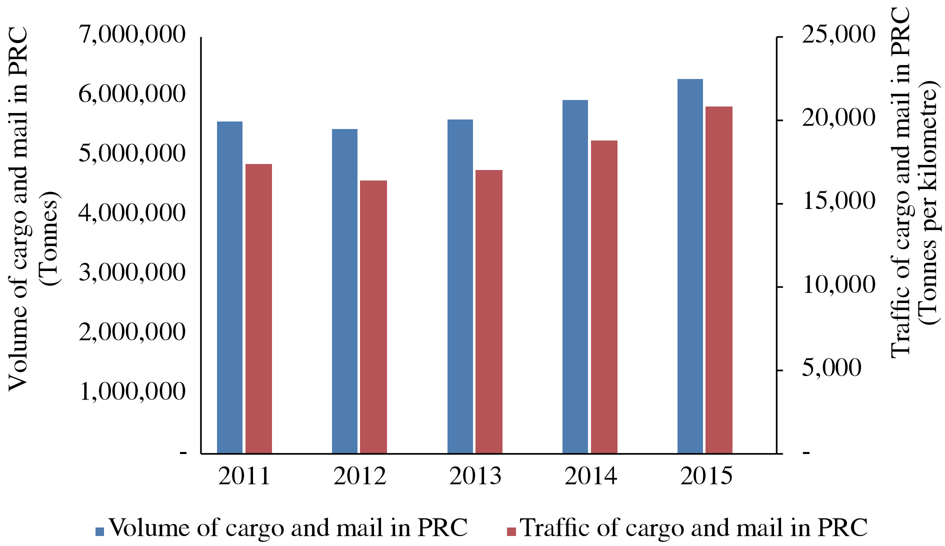
During the year ended 31 December 2015, the Group carried approximately 89.8 million of passengers, representing an annual growth rate of 8.2% from the prior year. The cargo and mail volume reached approximately 1.7 million tonnes, representing an annual growth of 7.2% from last year. The total fleet size had 590 aircrafts with an average age of 6.2 years. As discussed in the 2015 Annual Report, the Group has planned to introduce 50, 48 and 41 new passenger aircrafts in 2016, 2017 and 2018 respectively.

According to the result announcement for the six months ended 30 June 2016, the Group recorded revenue of approximately RMB51.0 billion, representing an increase of approximately 3.5% compared to the same period of last year. The operating expenses were increased by approximately 1.6% to RMB50.0 billion. Fuel cost was approximately RMB9.7 billion, representing a decrease of approximately 19.3% compared to the same period of last year. The profit attributable to the equity shareholders of the Company has been decreased by approximately 17.5% to RMB3.5 billion compared to the six months ended 30 June 2015.

Air China Cargo is a 51% held subsidiary of the Company. Cathay Pacific holds more than 10% of the equity interest in Air China Cargo and is a substantial Shareholder of the Company. Air China Cargo provides air cargo services in the PRC. Its headquarters is in Beijing with main operating base in Shanghai. As at 31 December 2015, Air China Cargo operated 15 aircrafts with an average age of 8.54 years. Through the network of the Group, Air China Cargo has connections to approximately 370 airfreight routes.

2. Industry overview and prospects

The following graph presents the traffic and volume of cargo and mail in PRC during 2011 to 2015.



Source: Civil Aviation Administration of China

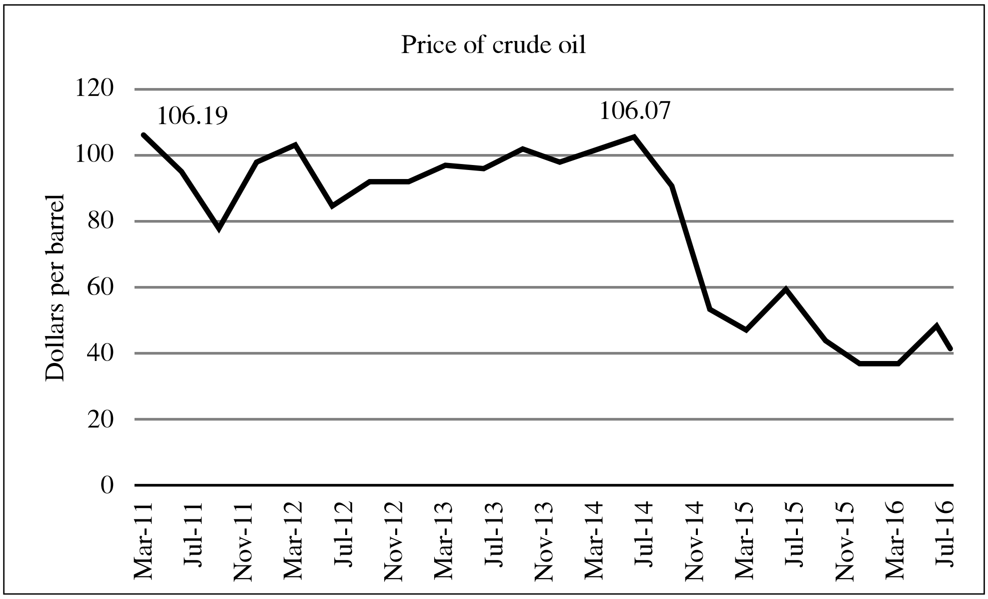
Note: Tonnes kilometers represent the tonnes of goods multiplying the kilometers of distance flown.

According to the annual statistic reports published by Civil Aviation Administration of China, the cargo and mail traffic was decreased by 5.8% from 2011 to 2012 due to the global economy downturn. Subsequently, the cargo and mail traffic was continuously increasing from 2012 to 2015 and recorded a compound annual growth rate (the "**CAGR**") of 8.3%. The volume of cargo and mail was also growing substantially from approximately 5.5 million tonnes in 2012 to approximately 6.3 million tonnes in 2015, representing a CAGR of 4.9%.

We also checked to the latest available statistic report published by Civil Aviation Administration of China, the cargo and mail traffic of the first four months of 2016 reached approximately 8,610 million tonnes kilometres, representing an increase of 5.4% compared to the same period of last year. The volume of cargo and mail was approximately 2.6 million tonnes, representing an increase of 3.3% compared to the same period of 2015. The growth of air cargo traffic was driven by the growth of PRC domestic economy and the recovery of global economy.

According to Boeing Current Market Outlook (2016-2035) ("**CMO Report**"), the world passenger traffic is predicted to grow by 4.8% per annum and world air cargo traffic by 4.2% per annum over the next 20 years respectively. The CMO Report also forecasts that the airline passenger traffic in the Asia Pacific region and China is expected to record an annual growth rate of 6.1% per annum and 6.2% per annum respectively from 2016 to 2035 due to China's strong economic growth.

The below table sets out the movement of crude oil prices from 2011 to July 2016. The crude oil prices from 2011 to July 2016 recorded a negative CAGR of approximately 14.9%. The international crude oil prices have experienced significant fluctuations in the past five years.



3. The principal terms of ACC Transactions

The current terms of the ACC Framework Agreement will expire on 31 December 2016. As the Company expects that the ACC Transactions will continue after 31 December 2016, the Company and Air China Cargo has entered into the New ACC Framework Agreement to renew and amend the ACC Framework Agreement on 30 August 2016.

Pursuant to the New ACC Framework Agreement, the Group will provide the following services to the ACC Group:

- provision of bellyhold space of the passenger aircrafts operated by the Company (the "**Bellyhold Services**");
- ground support services, such as airport apron services and aircraft cabin cleaning services; and
- other services, including aircraft maintenance engineering services, engine and other aircraft related materials lease services; property lease services and labour management services.

Pursuant to the New ACC Framework Agreement, the ACC Group will provide the following services to the Group:

- marketing and sales services of bellyhold space provided by the Company;

- ground support services, including cargo and mail ground loading and uploading and security inspection services;
- other services, including engine and other aircraft related material lease services and property lease services.

The table below sets out the historical amount of ACC Transactions during the year ended 31 December 2015 and the six months ended 30 June 2016.

Amount paid/payable by Air China Cargo to the Group

	Year ended 31 December 2015		**Six months ended 30 June 2016**	
	RMB (in million)	*%*	*RMB (in million)*	*%*
In terms of				
Bellyhold Services	4,045	88.2	2,046	88.9
Ground support services	113	2.5	51	2.2
Other services	427	9.3	204	8.9
Total	4,585	100.0	2,301	100.0

Amount paid/payable by the Group to Air China Cargo

	Year ended 31 December 2015		**Six months ended 30 June 2016**	
	RMB (in million)	*%*	*RMB (in million)*	*%*
In terms of				
Marketing and sales services of bellyhold space (namely commission fees)	363	38.0	212	34.3
Ground support services	465	48.6	332	54.0
Other services	128	13.4	72	11.7
Total	956	100.0	616	100.0

We have reviewed the ACC Group's 2016 annual budget and understand from the management that the estimated amount of Bellyhold Services paid/payable by Air China Cargo to the Group for the year ending 31 December 2016, which is roughly an annualized amount of the actual amount for the six months ended 30 June 2016, is based on the annual sales target agreed between the Group and

Air China Cargo. The estimated amount of marketing and sales services of bellyhold space paid/ payable by the Group to the Air China Cargo for the year ending 31 December 2016 is also roughly an annualized amount of the actual amount incurred during the first six months of 2016.

We also understand from the management that the estimated amount of the ground support services and other services provided by Air China Cargo or the Group to the other for the year ending 31 December 2016 have considered the following factors: (i) the actual performances of the first half year of 2016; (ii) the services demand in the second half year of 2016 will be at least similar to the first half year of 2016; and (iii) the seasonal factor in the second half of 2016.

In addition, we have reviewed the amount paid/payable by the Group or by Air China Cargo to the other for the first half year of 2015 and second half year of 2015. We note that the amount paid by Air China Cargo to the Group in the second half year of 2015 was higher than that in the first half year of 2015 by approximately 5% and the amount paid by the Group to Air China Cargo in the second half year of 2015 was higher than the first half year of 2015 by approximately 61%.

In light of the above reasons, we consider that the estimated transaction amount for the year ending 31 December 2016 is fair in general.

Reasons for and benefits of the ACC Transactions

As set out in the Letter from the Board, the Directors believe that it is in the best interest of the Company to continue the ACC Transactions with the ACC Group having taken into account of the following factors:

- Air China Cargo, being a company having engaged in air cargo business for almost 13 years, has a profound understanding of, and extensive experience in, the air cargo business and the air cargo industry, and therefore possesses advantages in promoting the Company's air cargo business with access to the Company's bellyhold space; and

- As the Company and Air China Cargo both have significant presence in Beijing, the PRC, the aircraft related services such as ground support and aircraft maintenance engineering services could be easily accessible and provided for the Company at lower additional cost;

Air China Cargo was established in 2003 and its principal activity is the operation of cargo airline services and is a dominant player in the air cargo services market in the Yangtze River Delta region of the PRC. Pooling the resources of the Company and Air China Cargo together will be able to achieve improved economies of scale. The cooperative relation between the Company and Air China Cargo has been commenced since 2003. The long established successful cooperation is able to provide streamlined and efficient cooperation between the Company and Air China Cargo.

Moreover, according to the 2015 Annual Report, the available freight tonne kilometres (the "**AFTKs**") (measuring the cargo capacity of the Company) of Air China Cargo reached 11,175 million, representing a year-on-year increase of 18.4%. Its revenue freight tonne kilometres (the "**RFTKs**") reached 6,012 million, representing a year-on-year increase of 16.1%. The volume of cargo and mail was approximately 1.32 million tonnes, representing a year-on-year increase of 7.2%. Air China Cargo is actively expanding its international cargo network and promoting new businesses and products in the areas of mail, express delivery and special cargo services. Air China Cargo have accelerated its development of the Shanghai transit hub in which the volume of cargo transited through Shanghai increased by 76% over the previous year.

Having considered (i) Air China Cargo has profound understanding of, and extensive experience in, the air cargo business and the air cargo industry; (ii) Air China Cargo has handled the air cargo capability of the Company in the PRC for almost 13 years and have established a successful cooperation relationship with Air China; and (iii) Air China Cargo plays an important role in the air cargo and mail business segment of the Group, we concur with the Directors' view that it is in the interests of the Company to continue the ACC transactions and enter into the New ACC Framework Agreement.

4. Proposed Annual Caps of the ACC Transactions under the New ACC Framework Agreement

Amount payable by the ACC Group to the Group

The table below sets out the proposed annual caps of amounts payable by ACC Group to the Group for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

	Year ending 31 December					
RMB (million)	**2017**	**% to total**	**2018**	**% to total**	**2019**	**% to total**
In terms of						
Bellyhold Services	5,182	88.5	6,429	89.8	7,977	90.9
Ground support services	143	2.4	169	2.4	200	2.3
Other services	529	9.1	562	7.8	600	6.8
Total	5,854	100.0	7,160	100.0	8,777	100.0

In the course of assessing the reasonableness of the proposed annual caps, we have obtained information from the Company on the basis of determination and assumptions of the proposed annual caps under the New ACC Framework Agreement and understand that the proposed annual caps are mainly based on the expected amount of Bellyhold Services and ground support services payable by the ACC Group for the coming three years.

We have reviewed the financial information provided by the Company and note that the amount paid/payable by Air China Cargo to the Group in relation to Bellyhold Services and ground support services accounted for 90.7% and 91.1% of the total amount paid/payable by Air China Cargo to the Group during the year ended 31 December 2015 and the six months ended 30 June 2016 respectively. Since the Bellyhold Services and ground support services are the major transactions conducted between the Group and the ACC Group, we agree with the management of the Company that the determination of proposed annual caps should be mainly based on the expected amount of Bellyhold Services and ground support services payable by the ACC Group for the coming three years. The expected amount of Bellyhold Services and ground support service is primarily based on the following assumptions, (i) the fleet capacity of the Company is expected to expand at an annual rate of approximately 12.8% from 2017 to 2019; (ii) the unit air transportation price of Bellyhold Services is expected to increase at an annual rate of approximately 10% from 2017 to 2019; (iii) the unit prices of ground support services and other services are expected to increase at an annual rate of approximately 5% from 2017 to 2019; and (iv) the market conditions.

(i) Expansion of fleet capacity

The Company operated a fleet of 334 and 360 aircrafts as at 31 December 2014 and 2015, with an average age of 6.3 years in 2015. During the year ended 31 December 2014, the Company introduced 40 aircrafts and phased out 22 aircrafts. During the year ended 31 December 2015, the Company introduced 35 aircrafts and phased out nine aircrafts. As advised by the management of the Company, the Company has an aircraft introduction and phase out plan for the years 2017 to 2019 and the number of new aircrafts will be at least increased in a similar scale as 2015.

According to the internal statistics provided by the Company, the AFTKs was increased by an average annual rate of 12.3% from 2012 to 2015.

Based on the historical growth of new aircrafts and cargo capacity and the fleet expansion plan, we concur with the Directors' view that the available bellyhold cargo space and the need for ground support services and other relevant services by the Group will increase along with the expansion of fleet capacity from 2017 to 2019 at an annual rate of approximately 12.8%

(ii) Change of unit price of Bellyhold Services

As advised by the management of the Company, the unit price for Bellyhold Services is expected to increase at an annual rate of approximately 10% from 2017 to 2019 based on an assumption that international oil prices may gradually increase from 2017 to 2019. As disclosed in the 2013, 2014 and 2015 annual reports of the Company, the fuel cost is the Group's major operating cost. The total fuel cost of the Group was RMB33.7 million, RMB34.5 million and RMB24.0 million, which accounted for 35.9%, 35.0% and 25.4% of the total operating costs, during the years ended 31 December 2013, 2014 and 2015 respectively. We understand from the management that the decrease in the fuel cost was mainly due to the reduction in the international crude oil price from USD98.6 per barrel in 2013 to USD47.3 in 2015 even the traffic capacity increased. The oil price is affected by various factors, such as market demand and supply, US dollar exchange rate and political environment and these factors are out of the Company's control. The management of the Company also explained that the selling price of bellyhold spaces will be adjusted upward when the oil price increases in order to reduce the cost pressure of the Company. We note that the international crude price bounced back from USD31.7 per barrel in January 2016 to USD41.5 per barrel in July 2016, representing an increment of 30.9% in the first seven months of 2016. Taking into account of the significant fluctuation of international crude oil price in the past few years, the increment of international crude oil price in the first seven months of 2016 and the pressure of fuel cost to the Group, we concur with the Directors' view that the growth rate of unit price for Bellyhold Services will be approximately 10% per year from 2017 to 2019.

(iii) Change of unit prices for ground support services and other services

As advised by the management of the Company, the unit prices for ground support services and other services are expected to increase at an annual rate of approximately 5% from 2017 to 2019, taking into account of the price inflation leading to higher operating cost and the overall improvement in service quality.

We understand from the management of the Company that the service quality, which refers to those services with higher unit air transportation prices, will be enhanced through the adjustment of international cargo network coverage and sales and marketing strategies to promote the delivery services with higher unit air transportation prices, for example, bulk volume of express delivery services, hazardous goods and delicate electronic products, etc.

We note that the inflation rates of 2014 and 2015 in the PRC are approximately 2.0% and 1.4% respectively.

Provided that the Company is improving its service quality and facing higher operating costs due to price inflation, we concur with the Directors' view the unit prices of ground support services and other services are expected to grow at an annual rate of approximately 5% from 2017 to 2019.

(iv) Improvement in market conditions

According to the National Bureau of Statistics of China, the gross domestic products ("**GDP**") of the PRC has been growing from approximately RMB59,042 billion in 2013 to approximately RMB67,671 billion in 2015 (preliminary statistics announced on 20 January 2016). The GDP growth rate of 2015 was approximately 6.9% compared to last year. According to World Economic Outlook Update issued by International Monetary Fund in January 2016, the growth in China is predicted to be around 6.3% in 2016 and 6.0% in 2017. The estimated growth of GDP in 2016 and 2017 implies that the aviation market in China will benefit from the domestic growth.

Moreover, we note that the Group has been continuously opening up new destinations in recent years. During the years ended 31 December 2014 and 2015, the Group introduced 16 and 65 new routes (including reopening of old routes) respectively. The Group is working towards adding more destinations in the future.

In view of the historical economic data and forecasted market trend, it is reasonable to increase the proposed annual caps of the ACC transactions between the ACC Group and the Group. We concur with the Directors' view that the demand of air cargo service is expected to increase in line with the growth in the air cargo traffic market and therefore a reasonable buffer has been included in the annual cap of other services to cater for the ACC Group's operating needs.

In arriving the proposed annual caps for the year ending 31 December 2017 payable by the ACC Group to the Group, the Company has considered various factors for each service segment based on the estimated amount paid/payable by Air China Cargo to the Group for the year ending 31 December 2016. The proposed annual cap of the Bellyhold Services is based on the annual fleet capacity growth of 12.8% and the unit price growth rate of 10.0% per annum. The proposed annual cap of the ground support services is based on the annual fleet capacity growth of 12.8% and the unit price growth rate of 5.0% per annum. The proposed annual cap of other services had made reference to the growth of transaction amount in relation to other services from the year ended 31 December 2014 to the year ended 31 December 2015 by approximately 11.2% which has already included the unit price growth rate of 5.0% per annum.

In light of the above, we are of the view that the Group has taken into the appropriate factors including, (i) the expansion of fleet capacity; (ii) the change of unit price of Bellyhold Services; (iii) the change of unit prices for ground support services and other services; and (iv) the change in market conditions, when determining the annual caps for the amounts payable by the ACC Group to the Group and we agree that the proposed annual caps for each of the years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

Amount payable by Group to the ACC Group

RMB (million)	Year ending 31 December 2017	% to total	2018	% to total	2019	% to total
In terms of						
Marketing and sales services of bellyhold space (namely commission fees)	519	31.9	643	33.0%	798	34.3%
Ground support services	932	57.4	1,088	56.0%	1,269	54.6%
Other services	174	10.7	213	11.0%	259	11.1%
Total	1,625	100.0	1,944	100.0	2,326	100.0

We have reviewed the financial information provided by the Company that the amount paid/payable by the Group to Air China Cargo in relation to the commission fees and ground support services accounted for approximately 86.6% and 88.3% of the total amount paid/payable by the Group to Air China Cargo during the year ended 31 December 2015 and the six months ended 30 June 2016. The commission fees are calculated based on the amount of Bellyhold Services payable by the ACC Group. We understand from the management of the Company that the Bellyhold Services and ground support services are closely related and therefore the needs of ground support services will be increased in line with the growth of the Bellyhold Services. We agree with the management of the Company that the determination of proposed annual caps is also made reference to the fleet capacity growth rate of the Company at approximately 12.8% as discussed above.

The commission fees (including any performance-based sales incentive bonuses but excluding value-added tax) paid/payable by the Group to Air China Cargo accounted for approximately 8.1%, 9.0% and 10.4% of the total amount of Bellyhold Services paid by the Air China Cargo to the Group during the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. On top of the average commission rate of approximately 9.1%, the Company also considers the impact of potential out-performance bonus which is part of the commission fee and calculated based on the amount of Bellyhold Services and the pre-determined sales target, times a bonus rate negotiated by the Company and Air China Cargo on a yearly basis. Based on the historical commission fee ratios and the potential out-performance bonus, the Company assumes that the commission fee is expected to be approximately 10% of the amount of Bellyhold Services payable by the ACC Group.

We also note that the ground support services fees paid by the Group to Air China Cargo had increased by approximately 8.1% from 2014 to 2015 and the inflation rates of 2014 and 2015 in the PRC are approximately 2.0% and 1.4% respectively. Taking into account of the historical growth of amounts paid/payable by the Group and the historical inflation rates, we concur with the Directors' view that the unit prices of the ground support services and other services to be provided by the ACC Group from 2017 to 2019 will be increased by approximately 3.5% per annum.

As advised by the management of the Company, the fleet expansion plan also increases the Group's demand for the ground support services and other services and thus the needs of the ground support services and the other services will increase in line with the fleet expansion capacity. The ground support services and other services are supporting services to the passenger aircrafts of the Company and thus we agree that the needs of ground support services and other services provided by the ACC Group will grow at the same rate as the fleet capacity.

Having considered (i) the historical commission ratio in relation to the marketing and sales services of bellyhold space; (ii) the higher demands of ground support services and other services due to the growth of fleet capacity at 12.8% per year; and (iii) the expected increase in the unit prices of ground support services and other services, we concur with the Directors' view that the proposed annual caps for each of the three years ending 2017, 2018 and 2019 are fair and reasonable.

5. Pricing Policy of the ACC Transactions

The consideration of any specific ACC Transactions shall be agreed between the Group and the ACC Group on arm's length negotiation in accordance with the pricing policies disclosed in the Letter from the Board of this circular on a case-by-case basis.

The pricing policies for the ACC Transactions in relation to services provided by the Group to the ACC Group as below:

- The Company will continue to provide bellyhold space of its passenger aircrafts to the ACC Group for its onward sales to end customers. The pricing terms will be negotiated and determined by the Company and the ACC Group based on the formula: total annual sales amount = the average sales prices of bellyhold space of the Company in the past three years * (1+adjustment rate) * the total volume of bellyhold space provided by the Company. The adjustment rate generally ranges from -7% to +7%, which is determined by the Company with reference to the average revenue growth rate for air cargo services of other major aircraft operators in the PRC and the operating costs of the Company in connection with air transportation. To assess the reasonableness of the adjustment rate, we have reviewed the internal calculation of the adjustment rates for the years from 2013 to 2015 and checked to the cargo and mail revenue of the Group, China Eastern Airlines Corporation Limited and China Southern Airlines Company Limited as disclosed in their annual reports. We note that the Company has made reference to the cargo and mail revenue growth rate of China Eastern Airlines Corporation Limited and China Southern Airlines Company Limited in calculating the adjustment rate. During the year ended 31 December 2015, the cargo and mail revenue of China Eastern Airlines Corporation Limited decreased by approximately 11.4% and that of China Southern Airlines Company Limited decreased by approximately 4.5%. Taking the average growth rate of these two comparable airlines and the Company's own cargo and revenue growth in the year ended 31 December 2015, the adjustment rate is approximately -7.0%. To ensure the fairness and the reasonableness of the terms of Bellyhold Services agreement, the agreement is being classified as Type 1 contract in the Company's internal control system and this contract was reviewed and approved by the Finance Department, the Asset Management Department and the Legal Department.

- Regarding the prices for ground support services provided by the Group to the ACC Group, the prices will be negotiated and agreed by both parties primarily based on a "cost-plus" model and the margin is generally within the range from 5% to 10%. We have reviewed the cost calculation of ground support services and discussed with the management of the Company and we note that the margin of ground support services were within the range of 5% to 10%, depending on the types of aircrafts. The price determination of ground support services provided by the Group to the ACC Group considers various factors, including the guidance from the Civil Aviation Administration of the PRC and the price and terms of ground support services issued by International Air Transport Association. We have reviewed the relevant regulations, a standard ground handling agreement from an independent third party and the existing service agreement of ground support services between the Company and Air China Cargo and discussed the pricing determination process with the management of the Company. We understand that the price of ground support services had made reference to the pricing guidance from the Civil Aviation Administration of China ("民航發[2007]159號") and the pricing guidelines and standard agreement published by the International Air Transport Association. We also understand from the management of the Company that they consider other factors, including but not limited to, the prevailing market prices, the staff cost and the required quality of services. To assess the fairness and reasonableness of the current pricing agreement, we have reviewed two ground support service agreements with independent third parties and discussed with the management of the Company and we found that the terms of the existing ground support services agreement between the Company and Air China Cargo are comparable to those terms offered to an independent third party. We also note that the ground support service agreement between the Company and Air China Cargo was classified as Type 2 contract under the Company's internal control system and the agreement was jointly reviewed and approved by at least three different departments of the Company, including the Finance Department.

- To determine the prices for other services provided by the Group to the ACC Group, the Company will be based on a "cost-plus" model and the margin is generally within the range of 5% to 10%. We reviewed the cost calculation of other services for the years ended 31 December 2014 and 2015 and note that the margin of these other services were within the range of 5% to 10%. Regarding, the price determination of other services, which was provided by the Group to the ACC Group, takes into account of a number of factors, including the labour costs, the specific needs of the other party and prices of the same/similar services offered to independent third parties, if available. We understand from the management of the Company that the rent payable by the ACC Group for the property lease services (one of the other services provided by the Group to the ACC Group) will be determined based on, including but not limited to, the leasing services available with independent third parties for the same or similar type of properties in a nearby location and consider other relevant factors, including property quality and specific needs of the lessees. We have reviewed a property lease agreement entered between an independent third party and Air China Cargo and note that the rent payable/paid by Air China Cargo to the Company during 2014 to 2016 is comparable to a similar leasing transaction with an independent third party. Also, as advised by the management of the Company that the said rent determination will also take into account of its operating costs and required investment return. To ensure the fairness and the reasonableness of the terms of property lease agreement, the agreement is being classified as Type 1 contract in the Company's internal control system and this contract was reviewed and approved by the Finance Department, the Asset Management Department and the Legal Department.

The pricing policies for the ACC Transactions in relation to services provided by the ACC Group to the Group as below:

- Regarding the marketing and sales services of bellyhold space to the end customers conducted by the ACC Group, the Company will pay commission fees to Air China Cargo primarily based on (i) the costs and expenses in connection with the sales of bellyhold space to end customers; (ii) the sales performance of the ACC Group on meeting the relevant sales targets; and (iii) the overall market condition of the cargo and mail business. We checked to the commission fees paid/payable by the Group to Air China Cargo for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 and noted that the commission fees accounted for approximately 8.1%, 9.0% and 10.4% of the total amount of Bellyhold Services paid/payable by the Air China Cargo to the Group respectively. We understand from the management of the Company that the fluctuation of the average commission rate was due to the performance-based sales incentive bonus which was dependent on whether the sales of bellyhold space could meet the annual sales targets.

- In arriving the prices of ground support services provided by the ACC Group to the Group, similar to the pricing determination process of the ground support services provided by the Group to the ACC Group, the Company makes reference to (i) the pricing guidance from the Civil Aviation Administration of China ("民航發[2007]159號") and the pricing guidelines and standard agreement published by the International Air Transport Association; (ii) market prices of comparable services from other service providers (if available) and (iii) quality of services required.

- In arriving the price of other services provided by the ACC Group to the Group, the Company also takes into consideration of market prices of comparable services from other service providers (if available), quality of services required and specific needs of the Group.

We reviewed some contracts relating to the marketing and sales of bellyhold space, ground support services and other services provided by the ACC Group to the Group and note that these contracts were also reviewed and approved by different departments of the Company.

In light of the above, we consider the pricing policies of ACC Transactions provided by the Group or by the ACC Group to the other during the years ended 31 December 2014 and 2015 are on normal commercial terms given that they had gone through a series of internal review procedures and subject to annual review by the independent executive directors and the auditor of the Company as detailed in the section headed"Internal Control".

The New ACC Framework Agreement, except for the Leases of GAC Regulated Property, will have a term of three years commencing on 1 January 2017 and ending on 31 December 2019 and the New ACC Framework Agreement is renewable for successive terms of three years unless being terminated by either party by serving the other party notice of termination of not less than three months expiring on any 31 December.

During the three-year period of New ACC Framework Agreement, the Company (as the lessor) and Air China Cargo (as the lessee) are expected to enter into certain Leases of GAC Regulated Properties in which the ACC Group will primarily lease warehouses and office space in Hangzhou International Airport and Beijing Capital International Airport from the Company for an initial term of five or six years ending by 31 December 2022 the latest. These warehouses and office space are located in the areas subject to the oversight and administration of the GAC. The reason to have the initial term of five or six years is due to the local government authority's mandatory administrative requirements as to the minimum lease term of properties located in the areas that are subject to the oversight and supervision of the GAC.

We have reviewed the Measure of the PRC for the Administration of Places under Customs Supervision General ("中華人民共和國海關監管場所管理辦法") issued by the Administration of Customs of the PRC with effective from 1 March 2008 and note that the lease term of property, which is used for loading, unloading, storage, delivery and shipping of import and export goods in the areas that are subject to the oversight and supervision of the GAC is required to be at least five years. The current properties leased by Air China Cargo from the Company are located inside the cargo terminals of Hangzhou International Airport and Beijing Capital International Airport and these areas are subject to the governance of the GAC. Their lease terms will be renewed during the periods from 2017 to 2019. In this regard, the lease term of five or six years can comply with statutory requirements.

The table below sets out the proposed annual caps of amounts payable by the ACC Group to the Group, in relation to the leases of certain GAC Regulated Property from the years ending 31 December 2017 to 2022.

For the year ending 31 December

2017	**2018**	**2019**	**2020**	**2021**	**2022**
		(in millions of RMB)			
180	180	180	200	200	200

The proposed annual caps of the amount payable by the ACC Group to the Group have included the above proposed annual caps in relation to the leases of certain GAC Regulated Property, representing approximately 3.1%, 2.5% and 2.1% of the total proposed annual caps of for each of the three years ending 31 December 2017, 2018 and 2019 respectively.

As advised by the management of the Company, the demand of leased areas and properties by the ACC Group is expected to increase as the cargo and mail business of the ACC Group will be growing in line with the Bellyhold Services as discussed above. Having considered (i) the potential growth of Bellyhold Services and (ii) the actual amounts in relation to the lease of GAC Regulated Property was approximately RMB143 million for the year ending 31 December 2016, we concur with the management that the proposed annual caps in relation to the leases of certain GAC Regulated Property is fair and reasonable.

6. Internal control

As advised by the management of the Company, the Group has implemented various internal control procedures to monitor the operation of continuing connected transactions. We have reviewed (i) Approval Policy of Connected Transactions of Air China Limited, which set out the directors' authority in approving the connected transactions and approval procedures of connected transactions by the Board of Directors (the "**Approval Policy of CTS**"); (ii) the Administrative Measures of Connected Transactions of Air China Limited (the "**Administrative Measures of CTs**") which set out the duties and responsibilities of each department which involves in the connected transactions of the Group and set out the procedures that each service agreement is made in accordance with the framework agreement; (iii) sample records of past internal approvals for the ACC Transactions; (iv) We reviewed the recent internal reports in relation to the actual transaction amount of the ACC Transactions prepared by the Asset Management Department which is currently responsible for monitoring and reviewing of the actual amount of the annual caps for the ACC Transactions; and (v) the recent meeting documents of the Audit and Risk Management Committee of the Board in relation to the continuing connected transactions. The management of the Company also confirmed that the previous ACC transactions were generally in compliance with the Approval Policy of CTs and the Administrative Measures of CTs.

In light of the above, we are of the view that the Company has internal control procedures in place to monitor the operation of continuing connected transactions.

We have also reviewed the annual reports of the Company and note that the Company have implemented the following procedures.

(i) The Company's independent non-executive directors review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better terms; and

(3) according to the agreement governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

(ii) The Company also engages its auditor to report on the continuing connected transactions every year and confirms in the annual report. The auditor provides a letter to the Board confirming whether the continuing connected transactions:

(1) have been approved by the Board;

(2) were, in all material respects, in accordance with the pricing policies of the Group;

(3) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have not exceeded the annual cap.

The Company's auditor, KPMG, has performed certain procedures and issue an independent auditor's assurance report on continuing connected transactions entered into by the Group for the years ended 31 December 2014 and 31 December 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. We have reviewed the confirmation letters issued by KPMG and no abnormality was noted.

Having considered (i) the internal policies and internal control procedures to monitor the continuing connected transactions; (ii) the annual review by the independent non-executive directors; and (iii) the annual review by the auditor of the Company, we are of the view that the Company has appropriate measures to govern the future execution of such transactions and to safeguard the interest of the Company and its shareholders as whole.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the proposed annual caps under the New ACC Framework Agreement and the term of the Leases of GAC Regulated Property under the New ACC Framework Agreement are in the ordinary and usual course of business of the Company, are on normal commercial terms which are fair and reasonable and in the interests of the

Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to approve the terms and the proposed annual caps under the New ACC Framework Agreement and the term of the Leases of GAC Regulated Property under the New ACC Framework Agreement contemplated thereunder at the upcoming EGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Wong Wai Leung**
Managing Director	*Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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 Practicable Date
Cathay Pacific Airways Limited Ian Sai Cheung Shiu	1,000 (ordinary shares)	–	–	1,000 (ordinary shares)	0.00%
Air China Limited Zhou Feng	10,000 (A shares)	–	–	1,000 (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.

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:

Name	**Qualification**
Octal Capital	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

(a) As at the Latest Practicable Date, Octal Capital 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, Octal Capital 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) Octal Capital 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 31 December 2016:

(a) the New ACC Framework Agreement;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 to 17 of this circular;

(c) the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 36 of this circular; and

(d) the consent letter issued by the expert referred to in this circular.