THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a 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 of Air China Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the 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)

DISCLOSEABLE TRANSACTION
MAJOR TRANSACTION
AND
PROPOSED APPOINTMENT OF DIRECTORS AND SUPERVISORS

13 October 2010

CONTENTS

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

"AIE"	Air China Import and Export Co., a company incorporated in the People's Republic of China and a wholly-owned subsidiary of the Company
"Airbus Company"	Airbus S. A. S., a company incorporated in Toulouse, France
"Air China Cargo"	Air China Cargo Co., Ltd. (中國國際貨運航空有限公司), a company with limited liability incorporated under the laws of the People's Republic of China and with 100% of its registered capital owned by the Company as at the date of this circular
"Board"	the board of directors of the Company
"Boeing Company"	Boeing Company, a company incorporated under the Laws of Delaware of the United States
"Cathay Pacific"	Cathay Pacific Airways Limited
"CAAC"	General Administration of Civil Aviation of China
"CNAC"	China National Aviation Company Limited
"CNACG"	China National Aviation Corporation (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CNAHC as at the date of this circular
"CNAHC"	China National Aviation Holding Company, a company incorporated in the People's Republic of China
"Company"	Air China Limited, a company incorporated in the People's Republic of China whose H shares have a primary listing on The Stock Exchange of Hong Kong Limited and secondary listing on the Official List of the UK Listing Authority 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 on 28 October 2010
"Group"	the Company and its subsidiaries and joint ventures
"Latest Practicable Date"	11 October 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	People's Republic of China excluding, for the purpose of this circular only, Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company
"Shenzhen Airlines"	Shenzhen Airlines Limited, a company incorporated and validly existing under the laws of the People's Republic of China with limited liability and with 51% of its registered share capital owned by the Company as at the date of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisory Committee"	the supervisory committee 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)
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Non-executive Directors:
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Wang Yinxiang
Wang Shixiang
Cao Jianxiong
Christopher Dale Pratt

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Independent non-executive Directors:
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13 October 2010

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE TRANSACTION
(2) MAJOR TRANSACTION
(3) PROPOSED APPOINTMENT OF DIRECTORS AND SUPERVISORS

1. INTRODUCTION

On 25 June 2010 the Company announced that the Company and AIE entered into a purchase agreement with Boeing Company, pursuant to which the Company has agreed to purchase 20 Boeing 737-800 aircraft from Boeing Company. On 30 July 2010, the Company announced that Shenzhen Airlines, a subsidiary of the Company, and AIE entered into a purchase agreement with Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 10 Airbus 320-series aircraft from Airbus Company.

Each of the above transactions constitutes a discloseable transaction of the Company under the Listing Rules.

On 31 August 2010 the Company announced that the Company and AIE entered into a supplemental agreement with Boeing Company, pursuant to which the Company has agreed to purchase 15 Boeing 787-9 aircraft from Boeing Company to replace the 15 Boeing 787-8 aircraft as agreed to be purchased by the Company from Boeing Company under a previous purchase agreement. On 10 September 2010 the Company announced that the Company and AIE entered into a purchase agreement with Boeing Company, pursuant to which the Company has agreed to purchase 4 Boeing 777-300ER aircraft from Boeing Company.

Each of the above transactions constitutes a major transaction of the Company under the Listing Rules.

On 29 September 2010 the Company announced that the Board resolved to propose the emolument of the directors of the third session of the Board and the appointment of the directors of the third session of the Board and the emolument of the supervisors of the third session of the Supervisory Committee and the appointment of the supervisors representing the Shareholders of the third session of the Supervisory Committee.

The purpose of this circular is to set out further details of the above transactions and the proposed appointment of directors and supervisors and their emolument proposal.

2. DISCLOSEABLE TRANSACTION

(A) Purchase of 20 Boeing 737-800 Aircraft

Date of the transaction:

25 June 2010

Parties to the transaction:

(i) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;

(ii) AIE, as the import agent for the Company; and

(iii) Boeing Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Boeing Company and each of the ultimate beneficial owner of Boeing Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

20 Boeing 737-800 aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the 20 Boeing 737-800 aircraft in aggregate is approximately US$1,398 million (equivalent to approximately HK$10,864.9 million) (price quoted from open market as at July 2008). The aircraft price is subject to price escalation by applying a formula. Boeing Company has granted to the Company significant price concessions with regard to the 20 Boeing 737-800 aircraft. These will take the form of credit memoranda which may be used by the Company towards the final price payment of the 20 Boeing 737-800 aircraft or may be used for the purpose of purchasing goods and services from Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the 20 Boeing 737-800 aircraft is lower than the aircraft basic price mentioned above.

This transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to the Company in this transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Boeing Company as set out in the circular of the Company dated 29 July 2008. The Company believes that there is no material impact of the price concessions obtained in this transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for this transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the 20 Boeing 737-800 aircraft.

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for this transaction is above 5% but less than 25%, this transaction constitutes a discloseable transaction and is therefore not subject to approval by the Company's shareholders under the Listing Rules.

Payment and delivery terms:

The aggregate consideration for the acquisition of 20 Boeing 737-800 aircraft is payable by cash in instalments. The Company is expecting to take delivery of 20 Boeing 737-800 aircraft in stages from 2013 to 2015.

Source of funding:

This transaction will be funded through cash generated from the Company's business operations, commercial bank loans and other financing instruments of the Company.

Reasons for and benefits of the transaction:

This transaction will expand the fleet capacity of the Company. If not taking into account the adjustments that may be made to the fleet based on marketing condition and the aging of the fleet, this transaction will strengthen the fleet capacity of the Company with an increase of approximately 5% based on available tonne kilometers of the Company as at 31 December 2009. In particular, this transaction will reinforce the Company's market share in the domestic market, and will also increase frequency of flights for a number of domestic and neighbouring international routes. The Company expects the 20 Boeing 737-800 aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

The Directors believe that the terms of this transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further information:

Pursuant to the relevant regulations of the Shanghai Stock Exchange on which the Company's A shares are listed, this transaction is required to be approved by the Company's shareholders at a general meeting. Therefore, an extraordinary general meeting of the Company will be convened to approve this transaction.

(B) Shenzhen Airlines' Purchase of 10 Airbus 320-series Aircraft

Date of the transaction:

30 July 2010

Parties to the transaction:

(i) Shenzhen Airlines, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;

(ii) AIE, as the import agent for the Company; and

(iii) Airbus Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Airbus Company and each of the ultimate beneficial owner of Airbus Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

10 Airbus 320-series aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the 10 Airbus 320-series aircraft in aggregate is approximately US$814 million (equivalent to approximately HK$6,324.78 million) (price quoted from open market as at 2010). The aircraft price is subject to price escalation by applying a formula. Airbus Company has granted to Shenzhen Airlines significant price concessions with regard to the 10 Airbus 320-series aircraft. These will take the form of credit memoranda which may be used by Shenzhen Airlines towards the final price payment of the 10 Airbus 320-series aircraft or may be used for the purpose of purchasing goods and services from Airbus Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the 10 Airbus 320-series aircraft is lower than the aircraft basic price mentioned above.

This transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to Shenzhen Airlines in this transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Airbus Company as set out in the announcement of the Company dated 10 February 2010. The Company believes that there is no material impact of the price concessions obtained in this transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for this transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the 10 Airbus 320-series aircraft.

As this transaction and the purchase of 20 Airbus 320-series aircraft by the Company dated 10 February 2010 (the "Previous Airbus Transaction") were entered into within a 12 month period and were both with Airbus Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts should be aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. The aggregated transaction amount is approximately US$2,442 million (HK$18,974 million).

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for this transaction with aggregated transaction amount with the Previous Airbus Transaction is above 5% but less than 25%, this transaction constitutes a discloseable transaction and is therefore not subject to approval by the Company's shareholders under the Listing Rules.

Payment and delivery terms:

The aggregate consideration for the acquisition of 10 Airbus 320-series aircraft is payable by cash in instalments. Shenzhen Airlines is expecting to take delivery of the 10 Airbus 320-series aircraft in stages from 2012 to 2013.

Source of funding:

This transaction will be funded through cash generated from Shenzhen Airlines' business operations, commercial bank loans and other financing instruments of Shenzhen Airlines.

Reasons for and benefits of the transaction:

This transaction will expand the fleet capacity of the Group. If not taking into account the adjustments that may be made to the fleet based on marketing condition and the aging of the fleet, this transaction will strengthen the fleet capacity of the Group with an increase of 2% based on available tonne kilometers of the Group as at 31 December 2009. In particular, this transaction will mainly expand the fleet capacity of Shenzhen Airlines in south China. The Group expects the 10 Airbus 320-series aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

The Directors believe that the terms of this transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further information:

Pursuant to the relevant regulations of the Shanghai Stock Exchange on which the Company's A shares are listed, this transaction is required to be approved by the Company's shareholders at a general meeting. Therefore, an extraordinary general meeting of the Company will be convened to approve this transaction.

3. MAJOR TRANSACTION

(A) Purchase of 15 Boeing 787-9 Aircraft

Date of the transaction:

31 August 2010

Parties to the transaction:

(i) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;

(ii) AIE, as the import agent for the Company; and

(iii) Boeing Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Boeing Company and each of the ultimate beneficial owners of Boeing Company are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

15 Boeing 787-9 aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the 15 Boeing 787-9 aircraft in aggregate is approximately US$3,190 million (equivalent to approximately HK$24,808 million) (price quoted from open market as at July 2008). The aircraft price is subject to price escalation by applying a formula. Boeing Company has granted to the Company significant price concessions with regard to the 15 Boeing 787-9 aircraft. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the 15 Boeing 787-9 aircraft or may be used for the purpose of purchasing goods and services from Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the 15 Boeing 787-9 aircraft is lower than the aircraft basic price mentioned above.

This transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to the Company in this transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Boeing Company as set out in the announcement of the Company dated 25 June 2010. The Company believes that there is no material impact of the price concessions obtained in this transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for this transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) and Rule 14.66(4) of the Listing Rules in respect of disclosure of the actual consideration of the 15 Boeing 787-9 aircraft and the Stock Exchange has granted the application.

As the purchase of 20 Boeing 737-800 aircraft and this transaction were entered into within a 12 month period and were both with Boeing Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts should be aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. The aggregated transaction amount is approximately US$4,588 million (HK$35,679 million).

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for this transaction with aggregated transaction amount with the purchase of 20 Boeing 737-800 aircraft is above 25% but less than 100%, this transaction constitutes a major transaction and is therefore subject to approval by the Company's shareholders under the Listing Rules.

Payment and delivery terms:

The aggregate consideration for the acquisition of 15 Boeing 787-9 aircraft is payable by cash in instalments. The Company is expecting to take delivery of the 15 Boeing 787-9 aircraft in stages from the end of 2015 to the mid 2018.

Source of funding:

This transaction will be funded through cash generated from the Company's business operations, commercial bank loans and other financing instruments of the Company.

Reasons for and benefits of the transaction:

Due to Boeing Company's delay in the delivery of the 15 Boeing 787-8 aircraft under a previous purchase agreement, Boeing 787-9 aircraft's better suitability for the Company's markets in terms of the number of seats, performance and economy compared to Boeing 787-8 aircraft plus its contribution to the optimisation of the Company's fleet structure, the Company agreed to purchase 15 Boeing 787-9 aircraft to replace the 15 Boeing 787-8 aircraft. This transaction will expand the capacity of the Company's fleet. If not taking into account the adjustments that may be made to the fleet based on marketing condition and the aging of the fleet, the Transaction will increase the fleet capacity of the Group by approximately 11% based on available tonne kilometers of the Group as at 31 December 2009. The Company expects the 15 Boeing 787-9 aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

The Directors believe that the terms of this transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further information:

CNAHC currently directly and indirectly owns approximately 51.83% of the total issued share capital of the Company. Each of CNAHC and its associates (as defined in the Listing Rules) does not have any interest in this transaction other than as a shareholder of the Company (where applicable). No shareholder of the Company is required to abstain from voting if the Company was to convene a general meeting for the approval to this transaction. Pursuant to Rule 14.44 of the Listing Rules, a written approval of CNAHC may be accepted in lieu of holding a general meeting to approve this transaction.

However, pursuant to the relevant regulations of the Shanghai Stock Exchange on which the Company's A shares are listed, this transaction is required to be approved by the Company's shareholders at a general meeting. Therefore, an extraordinary general meeting of the Company will be convened to approve this transaction.

(B) Purchase of 4 Boeing 777-300ER Aircraft

Date of the transaction:

10 September 2010

Parties to the transaction:

(i) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;

(ii) AIE, as the import agent for the Company; and

(iii) Boeing Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief after all reasonable enquiry, Boeing Company and each of the ultimate beneficial owners of Boeing Company are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

Aircraft to be acquired:

4 Boeing 777-300ER aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the 4 Boeing 777-300ER aircraft in aggregate is approximately US$1,150 million (equivalent to approximately HK$8,936 million) (price quoted from open market as at July 2008). The aircraft price is subject to price escalation by applying a formula. Boeing Company has granted to the Company significant price concessions with regard to the 4 Boeing 777-300ER aircraft. These concessions will take the form of credit memoranda which may be used by the Company towards the final price payment of the 4 Boeing 777-300ER aircraft or may be used for the purpose of purchasing goods and services from Boeing Company. Such credit memoranda were determined after arm's length negotiations between the parties and as a result, the actual consideration for the 4 Boeing 777-300ER aircraft is lower than the aircraft basic price mentioned above.

This transaction was negotiated and entered into in accordance with customary business practice. The Directors confirm that the extent of the price concessions granted to the Company in this transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Boeing Company as set out in the announcement of the Company dated 31 August 2010. The Company believes that there is no material impact of the price concessions obtained in this transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of the actual price, for aircraft acquisitions. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for this transaction and will therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) and Rule 14.66(4) of the Listing Rules in respect of disclosure of the actual consideration of the 4 Boeing 777-300ER aircraft and the Stock Exchange has granted the application.

As the purchase of 20 Boeing 737-800 aircraft, purchase of 15 Boeing 787-9 aircraft and this transaction were entered into within a 12 month period with Boeing Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts should be aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. The aggregated transaction amount is approximately US$5,738 million (HK$44,584 million).

As each of the relevant percentage ratios under Rule 14.07 of the Listing Rules for this transaction with aggregated transaction amount with the purchase of 20 Boeing 737-800 aircraft and purchase of 15 Boeing 787-9 aircraft is above 25% but less than 100%, this transaction constitutes a major transaction and is therefore subject to approval by the Company's shareholders under the Listing Rules.

Payment and delivery terms:

The aggregate consideration for the acquisition of 4 Boeing 777-300ER aircraft is payable by cash in instalments. The Company is expecting to take delivery of 4 Boeing 777-300ER aircraft in stages from mid 2013 to mid 2014.

Source of funding:

This transaction will be funded through cash generated from the Company's business operations, commercial bank loans and other financing instruments of the Company.

Reasons for and benefits of the transaction:

This transaction will expand the capacity of the Company's fleet. If not taking into account the adjustments that may be made to the fleet based on marketing condition and the aging of the fleet, this transaction will increase the fleet capacity of the Group by approximately 4% based on available tonne kilometers of the Group as at 31 December 2009. In particular, this transaction would optimise the fleet structure of the Company and is in line with the market requirements for the Company. The Company expects the 4 Boeing 777-300ER aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

The Directors believe that the terms of this transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further information:

CNAHC currently directly and indirectly owns approximately 51.82% of the total issued share capital of the Company. Each of CNAHC and its associates (as defined in the Listing Rules) does not have any interest in this transaction other than as a shareholder of the Company (where applicable). No shareholder of the Company is required to abstain from voting if the Company was to convene a general meeting to approve this transaction. Pursuant to Rule 14.44 of the Listing Rules, a written approval of CNAHC may be accepted in lieu of holding a general meeting to approve this transaction.

However, pursuant to the relevant regulations of the Shanghai Stock Exchange on which the Company's A shares are listed, this transaction is required to be approved by the Company's shareholders at a general meeting. Therefore, an extraordinary general meeting of the Company will be convened to approve this transaction.

4. PROPOSED APPOINTMENT OF DIRECTORS AND SUPERVISORS

(A) Appointment of Directors and Supervisors

Pursuant to the Articles of Association of the Company, the term of the second session of the Board and the Supervisory Committee is three years and will expire when the third session of the Board and the Supervisory Committee is elected.

At the Board meeting held on 29 September 2010, the Board resolved to propose that Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt, Mr. Ian Sai Cheung Shiu, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Jia Kang, Mr. Fu Yang, Mr. Han Fangming and Mr. Li Shuang be elected as Directors of the third session of the Board; Mr. Li Qingling, Mr. Zhang Xueren and Mr. He Chaofan be appointed as supervisors representing shareholders of the Company on the third session of the Supervisory Committee. Another two supervisors as the representatives of the employees of the Company will be elected in accordance with the Company's Articles of Association. Among the Directors, Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt and Mr. Ian Sai Cheung Shiu will be appointed as non-executive directors; Mr. Cai Jianjiang and Mr. Fan Cheng will be appointed as executive directors; and Mr. Jia Kang, Mr. Fu Yang, Mr. Han Fangming and Mr. Li Shuang will be appointed as independent non-executive directors. An ordinary resolution to consider and approve the appointment of the above Directors and supervisors will be proposed at the Company's EGM.

Directors

Mr. Kong Dong, aged 62, graduated from Jiangxi Technology University majoring in mechanical engineering and holds the title of Senior Economist. Mr. Kong was Deputy General Manager of China Ocean Helicopter Company, General Manager and Secretary of the Communist Party Committee of Shenzhen Airport Group, Deputy Secretary of the Communist Party Committee of the Beijing Capital International Airport, Director-General in charge of the expansion project of the Beijing Capital International Airport, General Manager of CNAC and Chairman and Secretary of the Communist Party Committee of CNAC, and Vice Chairman and President of CNACG. In October 2002, he joined CNAHC as Deputy General Manager, and served as Secretary of the Communist Party Group and Deputy General Manager of CNAHC in August 2004. Mr. Kong was appointed as the acting Chairman in January 2008 and has served as General Manager and Deputy Secretary of the Communist Party Group of CNAHC, and Chairman of the Company since April 2008.

Ms. Wang Yinxiang, aged 55, graduated from Party School of the Central Committee of the Communist Party of China majoring in economics and management. Ms. Wang is a senior engineer of political work and a senior flight attendant. Ms. Wang served several positions in Air China International Corporation, including Vice Captain of the in-flight service team of the Chief Flight Team, Deputy Manager of the in-flight service division, Deputy Manager of the passenger cabin service division and Deputy Secretary of the Communist Party Committee, etc. In October 2002, Ms. Wang served several positions in CNAHC, including Deputy General Manager, Head of the Disciplinary and Supervisory Committee of the Communist Party Group and Secretary of the Communist Party Committee of CNAHC. Since March 2008, Ms. Wang has been serving as Secretary of the Communist Party Group, Deputy General Manager and Secretary of the Communist Party Committee of CNAHC, and was appointed as President of the Labour Union of CNAHC from July 2003 to July 2009. Ms. Wang has been serving as Vice Chairman of the Company since October 2008.

Mr. Cao Jianxiong, aged 51, holds a master degree in economics from Eastern China Normal University. Mr. Cao holds the title of Senior Economist. He was appointed as the Deputy General Manager and Chief Financial Officer of China Eastern Airlines Corporation Limited in December 1996. In September 1999, he was appointed as the Vice President of Eastern Airlines Group Corporation. Commencing from September 2002 till December 2008, he served as Vice President and a member of Communist Party Group of Eastern Airlines Group Corporation and was also the Secretary of Communist Party

Committee of China Eastern Airlines Northwest Company from December 2002 to September 2004. From October 2006 to December 2008, he served as the President and the Deputy Party Secretary of the Communist Party Committee of China Eastern Airlines Corporation. Since December 2008, Mr. Cao has been serving as the Deputy General Manager and a member of Communist Party Group of CNAHC.

Mr. Sun Yude, aged 56, graduated from China Civil Aviation Institute majoring in economic management. He started his career in China's civil aviation industry in 1972 and served various positions as Deputy Head of CAAC Taiyuan Terminal and Head of Ningbo Terminal, as well as General Manager of CNAC Zhejiang Airlines. In October 2002, Mr. Sun was appointed Vice President of Air China International Corporation, and concurrently took up the position of General Manager of its Zhejiang branch, and was appointed as Vice President of the Company in September 2004. Mr. Sun was appointed as Chairman in November 2004, and President and Deputy Secretary of the Communist Party Committee in December 2005, of Shandong Aviation Group Company Limited, and has also been serving as Director and President of CNACG since March 2007. Mr. Sun served as the Secretary of the Communist Party Committee of CNACG from April 2007 to December 2009. Since May 2009, he has been serving as Deputy General Manager and a member of the Communist Party Group of CNAHC.

Mr. Christopher Dale Pratt, aged 54, has an honours degree in modern history from Oxford University. He joined John Swire & Sons Limited in 1978 and has worked with the Swire group in its offices in Hong Kong, Australia and Papua New Guinea. He is also Chairman of John Swire & Sons (H.K.) Limited, Swire Pacific Limited, Cathay Pacific Airways Limited ("Cathay Pacific"), Hong Kong Aircraft Engineering Company Limited and Swire Properties Limited, and the Director of The Hongkong and Shanghai Banking Corporation Limited. Since June 2006, he has been serving as the Non-executive Director of the Company.

Mr. Ian Sai Cheung Shiu, aged 55, holds a bachelor degree in business administration from University of Hawaii and a master degree in business administration from The University of Western Ontario. He has been a Director of Cathay Pacific since October 2008. He is also a Director of Hong Kong Dragon Airlines Limited, John Swire & Sons (HK) Ltd. and Swire Pacific Limited. He joined Cathay Pacific in 1978 and has worked for Cathay Pacific in Hong Kong, the Netherlands, Singapore and the United Kingdom.

Mr. Cai Jianjiang, aged 47, graduated from China Civil Aviation Institute majoring in aviation control and English. Mr. Cai was appointed as General Manager of Shenzhen Airlines Company Limited in 1999. He joined Air China International Corporation in 2001 as Manager of its Shanghai Branch, and subsequently as Assistant to the President and Manager of the Marketing Department. In October 2002, he was appointed as Vice President of Air China International Corporation, and subsequently was appointed as Secretary of the Communist Party Committee and Vice President of the Company in September 2004. He has been serving as the President and Deputy Secretary of the

Communist Party Committee of the Company and a member of the Communist Party Group of CNAHC since February 2007. Since May 2010, he has been serving as the Chairman of Shenzhen Airlines Limited.

Mr. Fan Cheng, aged 55, graduated from Nanjing Institute of Chemistry and Chemical Engineering with a major in organic fertilizer and has an MBA degree from Guanghua School of Management, Peking University. Mr. Fan is a senior accountant, senior engineer and Certified Public Accountant. Mr. Fan was appointed as Deputy General Manager of China New Technology Venture Capital Company in 1996. He started his career in China's civil aviation industry in 2001, and served as General Manager of the corporate management department and capital management department of CNAHC in October 2002 and Chief Financial Officer of the Company in September 2004. Since October 2006, he has been serving as the Vice President and Chief Financial Officer of the Company. Since December 2009, he has been serving as Secretary of the Communist Party Committee of Shenzhen Airlines Limited. From March 2010 to May 2010, he served as the President and the Chairman of Shenzhen Airlines Limited.

Mr. Jia Kang, aged 56, holds a Doctor's degree in Economics, and is a renowned economist and a member of National Committee of Chinese People's Political Consultative Conference (CPPCC). He is a researcher, a tutor to doctorate students and the head of Financial Science Research Institute of Ministry of Finance, and also the vice chairman and general-secretary of China Financial Association. Mr. Jia is also a specially engaged professor of Renmin University of China, State Administration Institute, Xiamen University, Southwest University of Finance and Economics, Guangdong University of Business Studies and other Universities. Mr. Jia is also the winner of Sun Yefang Economics Prize.

Mr. Fu Yang, aged 61, previously served as the Deputy Director of the Economic Law Office of the National People's Congress Law Committee, Vice President of the third, fourth and fifth sessions of the All China Lawyers Association, specially-engaged professor of China University of Political Science and Law, associate tutor to masters students of School of Law of Tsinghua University and specially-engaged professor of School of Law of Nankai University. He is a partner and director of Kang Da Law Firm in Beijing. He is also an arbitrator of China International Economic and Trade Arbitration Commission.

Mr. Han Fangming, aged 44, is a Hong Kong permanent resident. He was a member of the 10th and 11th of National Committee of CPPCC and is currently a vice chairman of the Foreign Affairs Committee of CPPCC and the convener of the Public Diplomacy Team. Graduated from Peking University with a PhD degree, he served as a researcher at the Center for Studies of World Modernization Process of Peking University and a visiting professor at Tibet University. In 1999, he joined TCL Group and was appointed as an Independent Non-executive Director of TCL Multimedia Technology Holdings Limited. He has been serving as an Executive Director of TCL Corporation since June 2006 to date.

Mr. Li Shuang, aged 66, a professor of accounting and tutor for doctoral candidates, is an External Supervisor of Industrial Bank Co., Ltd. and a Non-executive Director of China Shoto PLC. Mr. Li graduated from the Foreign Language Department of Beijing Normal University in 1968. In 1982, he obtained a master degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance, and lectured at Central Institute of Finance & Banking (currently known as Central University of Finance and Economics) in October of the same year during which he served various positions including the head of the accounting department, director of the academic affair office, dean and vice president. From 1994 to 1997, he had been invited to the United States twice as a visiting scholar. In October 1996, he was entitled to the special allowance granted by the State Council. From 1999 to 2004, he worked as a deputy secretary-in-general and adviser of the Chinese Institute of Certified Public Accountants. From May 2001 to June 2010, he served as an Independent Director of Da Cheng Fund Management Co., Ltd., China Minmetals Non-ferrous Metals Co. Ltd., Zhong Bao Ke Kong Investment Co., Ltd., Beijing Centergate Technologies (Holding) Co., Ltd., Shenyin & Wanguo Securities Investment Co., Ltd., Chengde Xinxin Vanadium and Titanium Co., Ltd. and Beijing Wangfujing Department Store (Group) Co., Ltd., respectively.

Supervisors

Mr. Li Qinglin, aged 55, graduated from Beijing Television University majoring in Chinese and Zhongnanhai Spare Time University majoring in administrative management, and is a senior engineer of political work. Mr. Li served various positions, including a section chief, deputy director, director, vice director-general and director-general, as well as the chairman of the Labour Union, of the Government Office Administration of the State Council. From 1998 to 2000, he served as a deputy director of the Hebei Leading Group Office of Poverty Alleviation and Development. Since 2000, he has served different positions, including a deputy director of the Work Department under the Supervisory Committee of Central Enterprises Working Commission, deputy director of the Office of Central Enterprises Working Commission, deputy director and inspector of the General Office of the State-owned Assets Supervision and Administration Committee of the State Council and director of the Office of the Stability Preservation Leading Team of the State-owned Assets Supervision and Administration Committee. In September 2008, he was appointed as the head of the Disciplinary and Supervisory Committee and a member of the Communist Party Group of CNAHC.

Mr. Zhang Xueren, aged 57, graduated from Sichuan International Studies University majoring in English, and enrolled in the MBA program of Peking University. Mr. Zhang holds the title of Senior Economist. He started his career in civil aviation in 1975 and served as a section chief and then a director of the operation department of Beijing Administrative Bureau of CAAC, the Head of the cargo department of Air China International Corporation, the General Manager of Tianjin branch of the Company and Vice President of Air China International Corporation. In 2004, he served as the Director and Vice President of CNACG. Since December 2009, he has been serving as the Director, Party Secretary and Vice President of CNACG.

Mr. He Chaofan, aged 48, graduated from the Civil Aviation University of China majoring in planning and finance, and is a senior accountant. Mr. He served as an accountant at the Finance Department of Beijing Administrative Bureau of CAAC, and served various positions in Air China International Corporation, including the accountant, section chief, deputy head and head of the finance department and director and general manager of the revenue accounting department of Air China International Corporation. From March 2003 to October 2008, he served as the General Manager and Deputy Secretary of the Communist Party Committee of China National Aviation Finance Co., Ltd. He has been serving as the General Manager of the finance department of CNAHC since October 2008.

Mr. Christopher Dale Pratt is a Non-executive Director of the Company and is concurrently the Chairman and Executive Director of Cathay Pacific, which is a substantial shareholder of the Company. Mr. Kong Dong is the Chairman and a Non-executive Director of the Company and is concurrently the Deputy Chairman and a Non-executive Director of Cathay Pacific. In addition, Mr. Cai Jianjiang and Mr. Fan Cheng, the executive Directors of the Company, also concurrently serve as the Non-executive Directors of Cathay Pacific.

Save as disclosed above, none of the Directors and supervisors has held any directorship in any other listed companies in the past three years, and none of the Directors and supervisors has any relationship with any other director, senior management, substantial shareholder or controlling shareholder of the Company.

None of the Directors and supervisors has any equity interest in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). There is no information to be disclosed on items from (h) to (v) in Rule 13.51(2) of the Listing Rules. No other matter needs to be brought to the attention of the shareholders in respect of the Company and its Directors and supervisors.

(B) Emolument

The Board has resolved to propose that shareholders approve to authorize the Board to decide the emolument of the independent non-executive directors as RMB60,000 per person per year which is in line with the standard market rate; and the other Directors and supervisors of the Company will not receive any compensation for serving as a Director or a supervisor and shall enter into the service contracts on this basis. The term of office of each Director and supervisor is three years, which shall commence upon the shareholders' approval of the Company to the appointment and shall end upon the fourth session of the Board and the Supervisory Committee being elected three years later.

5. FINANCIAL AND TRADING PROSPECTS

As disclosed in the 2009 annual report of the Company dated 29 April 2010, for the financial year ended 31 December 2009, air traffic revenue and other operating revenue reached RMB48,092 million and RMB3,301 million, respectively, representing a decrease of 4.84% and an increase of 39.22% over 2008. The decrease is primarily due to the overall decreased demand from international air passenger and cargo markets caused by the global economic crisis and the increase is primarily attributed to a revenue refund of RMB830 million from CAAC Infrastructure Development Fund in 2009. The Directors believe that rising aviation fuel prices and increasing competition in the airline business will present new challenges for the Group in 2010. However, the Directors view the financial and trading prospects during the current financial year of the Company ending 31 December 2010 with confidence and believe that the Group is well placed to continue to develop its business in line with its strategy. In addition, the Directors are of the view that the discloseable transaction and the major transaction are not expected to have any material impact on earnings, assets and liabilities of the Company.

6. WORKING CAPITAL

Taking into account the financial resources available to the Group, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirement for the next 12 months following the date of this circular.

7. RECOMMENDATION

The Directors believe that the each of the discloseable transactions and each of the major transactions were entered into on normal commercial terms and the terms of each of the discloseable transactions and each of the major transactions are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. In addition, the Directors also believe that the proposed emolument of the third session of the Board and the Supervisory Committee and the proposed appointment of the directors of the third session of the Board and the supervisors representing the Shareholders of the third session of the Supervisory Committee are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant ordinary resolutions and special resolutions to be proposed at the EGM.

8. EXTRAORDINARY GENERAL MEETING

A supplemental notice convening the EGM to be held at the Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC on 28 October at 10:00 a.m. is set out from pages 31 to 32 of this circular.

A revised form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying revised form of proxy to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible not less than 24 hours before the time for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish and completion and return of the notice of attendance do not affect the right of a Shareholder to attend the EGM.

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions and a special resolution as scheduled in the revised proxy form. Cathay Pacific, being a substantial shareholder of the Company, will abstain from voting in the ordinary resolution on the continuing connected transaction between the Company and Cathay Pacific as it has a material interest. Cathay Pacific is not required to abstain from voting in other ordinary resolutions and the special resolution. At the date of this circular, Cathay Pacific has control over its own shares of the Company. As no other Shareholders have material interests in the ordinary resolutions and special resolution, no other Shareholders are required to abstain from voting at the EGM in respect of the ordinary resolutions and the special resolution.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Air China Limited
Chairman
Kong Dong

Beijing

I. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2009 has been set out from page 57 in the Annual Report 2009 of the Company which was published on 29 April 2010. The Annual Report 2009 has also been posted on the Stock Exchange's website at http://www.hkexnews.hk. Please also see below quick link to the Annual Report 2009:

http://www.hkexnews.hk/listedco/listconews/sehk/20100429/LTN201004291647.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2008 has been set out from page 57 in the Annual Report 2008 of the Company which was published on 23 April 2009. The Annual Report 2008 has also been posted on the Stock Exchange's website at http://www.hkexnews.hk. Please also see below quick link to the Annual Report 2008:

http://www.hkexnews.hk/listedco/listconews/sehk/20090423/LTN20090423737.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2007 has been set out from page 52 in the Annual Report 2007 of the Company which was published on 10 April 2008. The Annual Report 2007 has also been posted on the Stock Exchange's website at http://www.hkexnews.hk. Please also see below quick link to the Annual Report 2007:

http://www.hkexnews.hk/listedco/listconews/sehk/20080410/LTN20080410453.pdf

II. INDEBTEDNESS

Borrowings

The table below sets forth the Group's total outstanding indebtedness as at 31 August 2010:

	Notes	**Total** *RMB (in million)*
Bills payable		2
Bank loans, and other loans	*(1)*	57,222
Corporate bonds	*(1)*	9,000
Finance lease obligations	*(2)*	19,404
Total		85,628

Notes:

(1) The Group's bank loans, other loans and corporate bonds with an aggregate carrying amount of approximately RMB27,570 million were secured by mortgages over certain of the Group's assets and/or guarantees. The pledged assets included aircraft, buildings and land use rights with an aggregate carrying amount of approximately RMB27,093 million, advance payments for aircraft of RMB2,089 million, listed shares in an associate of RMB6,704 million and bank deposits of approximately RMB795 million as at 31 August 2010. Certain guarantees were provided by banks with back-to-back counter-guarantees provided by certain major banks in China with an aggregate amount of approximately RMB1,308 million and the non-controlling shareholders of a subsidiary of approximately RMB313 million as at 31 August 2010.

(2) The Group's finance lease obligations with an aggregate carrying amount of approximately RMB19,404 million were secured by mortgages over certain of the Group's aircraft and/or guarantees. The pledged aircraft had an aggregate net book value of approximately RMB30,287 million as at 31 August 2010. The guarantees were provided by a commercial bank with back-to-back counter-guarantees provided by a major bank in China of approximately RMB307 million as at 31 August 2010.

In addition to the above, as at 31 August 2010 certain of the Group's bank deposits with an aggregate carrying amount of approximately RMB397 million were pledged against the Group's aircraft operating leases and financial derivatives.

Contingent liabilities

As at 31 August 2010, the Group had the following significant contingent liabilities:

(i) Pursuant to the restructuring of China National Aviation Holding Company ("CNAHC", the Company's parent and ultimate holding company) for the listing of the Company's H shares on the Hong Kong Stock Exchange ("HKSE") and the London Stock Exchange ("LSE") in 2004, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to businesses undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally or jointly and severally, for debts and obligations incurred by CNAHC and CNACG prior to the restructuring. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

(ii) On 15 April 2002, Flight CA129 crashed on approach to the Gimhae International Airport, South Korea. There were 129 fatalities including 121 passengers and 8 crew members aboard the crashed airplane. Investigations were conducted by both the Chinese and Korean civil aviation authorities and have yet to be concluded at the date of this circular. Certain injured passengers and family members of the deceased passengers as well as crew members have commenced proceedings in the Korean courts seeking damages against Air China International Corporation (the predecessor of the Company). The Group cannot predict the timing of the courts' judgements or the possible outcome of the lawsuits or any possible appeal actions. Up to 31 August 2010, the Company, Air China International Corporation and the Company's insurer had paid an aggregate amount of approximately RMB425 million in respect of passenger liability and other auxiliary costs. Included in the RMB425 million was an amount of approximately RMB415 million borne by the Company's insurer. As part of the above-mentioned restructuring, CNAHC has agreed to indemnify the Group against any liabilities relating to the crash of Flight CA129, excluding the compensation already paid up to 30 September 2004 (being the date of incorporation of the Company). The Directors of the Company believe that the accident will not have any material adverse impact on the Group's financial position.

(iii) On 26 February 2007, the Federal Judiciary of the United States filed a civil summon against the Company and Air China Cargo Co., Ltd. (a subsidiary of the Company) claiming that they, together with a number of other airlines, have violated certain anti-trust regulations in respect of their air cargo operations. The status of the proceedings is still in the preliminary stage and therefore the Directors of the Company are of the view that it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. Also, the Directors of the Company are of the view that there would be valid defense against this claim and consider that no provision for this claim is needed accordingly.

(iv) On 17 November 2009, Airport City Development Co., Ltd. ("Airport City Development") commenced proceedings involving approximately RMB224 million against the Company, Air China Cargo, Air China International Corporation and a third party, for the unlawful use of land owned by Airport City Development. The status of the proceedings is still in the preliminary stage and the Directors of the Company are of the view that it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. Also, the Directors of the Company are of the view that there would be valid defense against this claim and consider that no provision for this claim is needed accordingly.

(v) The Group issued guarantees to banks in respect of the bank loans granted to the following party:

	As at 31 August 2010 *RMB (in million)*
Associate	26

(vi) Shenzhen Airlines Co., Ltd. ("Shenzhen Airlines"), a subsidiary of the Group has provided guarantees to banks for certain employees in respect of their mortgage loans and for certain pilot trainees in respect of their tuition loans. As at 31 August 2010, Shenzhen Airlines has outstanding guarantees for employees' mortgage loans amounting to approximately RMB312 million and for pilot trainees' tuition loans amounting to approximately RMB333 million.

Except as disclosed above and apart from intra-group liabilities, as at 31 August 2010, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages and charges, contingent liabilities or guarantee.

Save as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness of the Group since 31 August 2010.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. 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

As at the Latest Practicable Date, none of the Directors and supervisors of the Company has interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which have been taken or deemed to be taken under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2009 (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, 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 date of this circular and which is significant in relation to the business of the Group.

Mr. Christopher Dale Pratt is a Non-executive Director of the Company and is concurrently the Chairman and Executive Director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company and wholly owns Hong Kong Dragon Airlines Limited ("**Dragonair**"). Mr. Kong Dong, the chairman and a Non-executive Director of the Company, and Mr. Cai Jianjiang and Mr. Fan Cheng, both Executive Directors of the Company, are concurrently Non-executive Directors of Cathay Pacific. 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 Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the knowledge of the Directors, supervisors and chief executive of the Company, the interests and short positions of the following persons (other than a Director, supervisor or chief executive of the Company) who have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group were as follows:

Name	Type of Interests	Type and number of shares held in the Company	Percentage of the total issued shares of the Company	Percentage of the total issued A shares of the Company	Percentage of the total issued H shares of the Company	Short position
CNAHC	Beneficial owner	4,949,066,567 A shares	40.40%	63.08%	–	–
CNAHC (1)	Attributable interests	1,332,482,920 A shares	10.88%	16.98%	–	–
CNAHC (1)	Attributable interests	66,852,000 H shares	0.54%	–	1.52%	–
CNACG	Beneficial owner	1,332,482,920 A shares	10.88%	16.98%	–	–
CNACG	Beneficial owner	66,852,000 H shares	0.54%	–	1.52%	–
Cathay Pacific	Beneficial owner	2,350,187,455 H shares	19.18%	–	53.34%	–
Swire Pacific Limited (2)	Attributable interests	2,350,187,455 H shares	19.18%	–	53.34%	–
John Swire & Sons Limited (2)	Attributable interests	2,350,187,455 H shares	19.18%	–	53.34%	–
John Swire & Sons (H.K.) Limited (2)	Attributable interests	2,350,187,455 H shares	19.18%	–	53.34%	–

Note: Based on the information available to the Directors, supervisors and chief executive of the Company (including such information as was available on the website of the Stock Exchange) and so far as the Directors, supervisors and chief executive are aware, as at 11 October 2010:

1. By virtue of CNAHC's 100% interest in CNACG, CNAHC is deemed to be interested in the 1,332,482,920 A shares and 66,852,000 H shares of the Company directly held by CNACG.

2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 40.07% equity interest and 57.25% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 41.97% interest in Cathay Pacific as at 30 June 2010, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited are deemed to be interested in the 2,350,187,455 H shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, chief executive and Supervisors of the Company, no other person (other than a Director, Supervisor or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the SFO, or otherwise was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. MATERIAL CONTRACTS

The Group has entered into the following material contracts within the two years immediately preceding the date of this circular:

(a) the sale and purchase agreement dated 2 April 2009 between the Company and Capital Airports Holding Company ("Capital Airports") pursuant to which the Company has agreed to purchase from Capital Airports its 24% equity interest in the registered capital of Air China Cargo, details of which are set out in the Company's circular dated 14 April 2009;

(b) the agreement dated 17 August 2009 between the Company and CITIC Pacific Limited ("CITIC Pacific") pursuant to which the Company has agreed to purchase, and CITIC Pacific has agreed to sell, 491,864,724 Cathay Pacific shares owned by CITIC Pacific. This transaction, details of which are set out in the Company's announcement dated 17 August 2009, was completed on 27 November 2009;

(c) the aircraft purchase agreement dated 10 February 2010 between the Company, AIE and Airbus Company pursuant to which the Company has agreed to purchase 20 Airbus 320-series aircraft from Airbus Company, details of which are set out in the Company's announcement dated 10 February 2010;

(d) the framework agreement and the relevant agreements dated 25 February 2010 between the Company, Cathay Pacific and other parties pursuant to which they agreed to establish a jointly owned cargo airline by way of subscription of 25% equity interest in Air China Cargo by Cathay Pacific China Cargo Holdings, details of which are set out in the Company's announcement dated 25 February 2010;

(e) the A share subscription agreement dated 11 March 2010 between the Company and CNAHC pursuant to which CNAHC will commit at least RMB1,500 million to subscribe in cash for more than 157,000,000 new A shares and the H share subscription agreement between the Company and CNACG pursuant to which CNACG will subscribe in cash for not more than 157,000,000 new H shares, details of which are set out in the Company's circular dated 14 March 2010;

(f) the capital increase agreement dated 21 March 2010 between the Company, Shenzhen International Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics") and Shenzhen Huirun Investment Co. Ltd. ("Huirun") pursuant to which the Company and Total Logistics have agreed to make capital contribution to Shenzhen Airlines and Huirun's liquidator has waived, on behalf of Huirun, its right to subscribe for the additional registered capital and agreed that the Company and Total Logistics shall subscribe for the entire additional registered capital of Shenzhen Airlines. This transaction, details of which are set out in the Company's announcement dated 21 March 2010;

(g) the aircraft purchase agreement dated 25 June 2010 between the Company, AIE and Boeing Company pursuant to which the Company has agreed to purchase 20 Boeing 737-800 aircraft from Boeing Company, details of which are set out in this circular;

(h) the aircraft purchase agreement dated 30 July 2010 between Shenzhen Airlines (a subsidiary of the Company), AIE and Airbus Company pursuant to which Shenzhen Airlines has agreed to purchase 10 Airbus 320-series aircraft from Airbus Company, details of which are set out in this circular;

(i) the aircraft supplemental agreement dated 31 August 2010 between the Company, AIE and Boeing Company pursuant to which the Company has agreed to purchase 15 Boeing 787-9 aircraft from Boeing Company to replace the 15 Boeing 787-8 aircraft as agreed to be purchased by the Company from Boeing Company in 2005, details of which are set out in this circular; and

(j) the aircraft purchase agreement dated 10 September 2010 between the Company, AIE and Boeing Company pursuant to which the Company has agreed to purchase 4 Boeing 777-300ER aircraft from Boeing Company, details of which are set out in this circular.

Except as disclosed above, no other material contract has been entered into by the Group within the two years immediately preceding the date of this circular.

5. LITIGATION

As at the Latest Practical Date, the litigation or claims of material importance pending or threatened against a member of the Group are as disclosed in the section titled "Contingent Liabilities" found under "II. Indebtedness" in Appendix I.

As at the Latest Practical Date, save as disclosed above, the audited Company was not involved in any significant litigation or arbitration. To the knowledge of the Company, there was no litigation or claim of material importance pending, to be initiated or initiated against the Company except as disclosed above, there was no litigation or claims of material importance pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

Mr. Cao Jianxiong was appointed by the Company on 10 June 2009 as a non-executive Director and Mr. Fu Yang was appointed by the Company on 10 June 2009 as an independent non-executive Director. Ms. Wang Yinxiang was appointed by the Company on 9 October 2008 as a non-executive Director. Each of the other Directors was appointed by the Company on 30 October 2007 for a term of three years. 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).

7. 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 2009, being the date to which the latest published audited accounts of the Group have been made up.

8. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 84 of the Articles of Association of the Company, at any general meeting of shareholders of the Company a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

– by the chairman of the meeting;

– by at least two shareholders entitled to vote present in person or by proxy; or

– by one or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting.

The demand for a poll may be withdrawn by the person who makes such demand. Further details of the procedure for demanding a poll were set out in Appendix VIII "Summary of Articles of Association" to the Company's prospectus dated 3 December 2004.

9. MISCELLANEOUS

(a) The joint company secretaries of the Company are Huang Bin and Tam Shuit Mui, Amy. Ms. Mui is an associate member of the Hong Kong Institute of Certified Public Accounts and a member of The American Institute of Certified Public Accountants.

(b) The registered address of the Company is at 9/F., Blue Sky Mansion, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing, China. The head office of the Company is at No. 30, Tianzhu Road, Tian Zhu Airport Economic Development Zone, Shunyi District, Beijing, China.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours 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 up to and including 27 October 2010:

(a) the articles of association of the Company;

(b) the audited financial information of the Group, the text of which is set out in Appendix I to this circular;

(c) the material contracts referred in the section headed "Material Contracts" of this circular; and

(d) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since the date of the latest published audited accounts.

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)

Reference is made to the notice of the extraordinary general meeting dated 10 September 2010 (the "EGM Notice") which sets out the ordinary resolution to be considered by shareholders at the extraordinary general meeting (the "EGM") to be held at the Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC at 10:00 a.m. on 28 October 2010.

Reference is also made to the joint announcement dated 10 September 2010 issued by the Company and Cathay Pacific in respect of their continuing connected transactions (the "Announcement") and the circular of the Company dated 10 September 2010 in respect of the same subject matter and the EGM Notice (the "Circular"), which calls for the approval to the Transactions by the independent shareholders of the Company by way of poll at the EGM. Cathay Pacific, being a substantial shareholder of the Company, will abstain from voting on the Transactions at the EGM. Unless otherwise indicated, capitalised terms used in this notice shall have the same meaning as those defined in the Announcement and the Circular.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM, which will be held as originally scheduled, will consider and, if thought fit, pass the following by way of ordinary resolutions and special resolutions in addition to the resolution set out in the EGM Notice.

ORDINARY RESOLUTIONS

1. To consider and approve the proposal on the emolument of the directors of the third session of the board of the Company and the appointment of the directors of the third session of the board of the Company where Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt and Mr. Ian Sai Cheung Shiu are appointed as non-executive directors, Mr. Cai Jianjiang and Mr. Fan Cheng are appointed as executive directors, and Mr. Jia Kang, Mr. Fu Yang, Mr. Han Fangming and Mr. Li Shuang will be appointed as independent non-executive directors and the proposal on the emolument of the directors of the third session of the board of the Company.

2. To consider and approve the proposal on the emolument of the supervisors of the third session of the supervisory committee of the Company and the appointment of Mr. Li Qingling, Mr. Zhang Xueren and Mr. He Chaofan as supervisors representing the shareholders of the third session of the supervisory committee of the Company.

SPECIAL RESOLUTION

3. To consider and approve the Company's purchase of 20 Boeing 737-800 aircraft from Boeing Company; to consider and approve Shenzhen Airlines Limited (a subsidiary of the Company)'s purchase of 10 Airbus 320-series aircraft from Airbus Company; to consider and approve the Company's purchase of 15 Boeing 787-9 aircraft from Boeing Company; and to consider and approve the Company's purchase of 4 Boeing 777-300ER aircraft from Boeing Company.

By order of the Board
Air China Limited
Chairman
Kong Dong

Beijing, the PRC, 13 October 2010

As at the date of this notice, the directors of the Company are Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Wang Shixiang, Mr. Cao Jianxiong, Mr. Christopher Dale Pratt, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Hu Hung Lick, Henry, Mr. Zhang Ke*, Mr. Jia Kang* and Mr. Fu Yang*.*

* *Independent non-executive Director of the Company*

Notes:

(1) A revised proxy form is enclosed with this notice. The form of proxy dispatched together with the EGM Notice (the "Original Proxy Form") is superseded by this revised proxy form.

(2) Please refer to the EGM Notice for details in respect of another resolution to be passed at the EGM, eligibility for attending the EGM, proxy, registration procedures, closure of register of members and other relevant matters.

(3) Please refer to the notice of attendance of the EGM of the Company dated 10 September 2010 in respect of the timing and address for attending the EGM and other relevant matters.