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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.

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中國國際航空股份有限公司
AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00753)

(I) General Mandate to Issue Shares
(II) Stock Appreciation Rights Programme
(III) Proposed Payment of Final Dividends
(IV) Proposed Appointment of Independent Non-Executive Director
(V) Proposed Remuneration of the Independent Non-Executive Directors
and
Notice of Annual General Meeting

A letter from the Board is set out on pages 3 to 8 of this circular.

A notice convening the annual general meeting of the Company to be held at 9:30 a.m. on Thursday, 26 May 2011 at The Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC, is set out on pages III-1 to III-4 of this circular. Whether or not you are able to attend the AGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for convening the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment should you so wish.

11 April 2011

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DEFINITIONS

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

“A Shares”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in RMB on the Shanghai Stock Exchange
“AGM”	the 2010 annual general meeting of the Company to be held at 9:30 a.m. on Thursday, 26 May 2011 at The Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC for the shareholders of the Company to consider and approve the resolutions set out in the notice of the annual general meeting
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Company”	Air China Limited, a company incorporated in the People’s Republic of China, whose H Shares are listed on the 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
“CSRC”	China Securities Regulatory Commission of the PRC
“Director(s)”	the director(s) of the Company
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Measures”	revised measures on management of the stock appreciation rights in respect of the Company as set out in Appendix I to this circular
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau and Taiwan

DEFINITIONS

“SASAC” State-owned Assets Supervision and Administration Commission of the State Council, PRC

“Shareholder(s)” registered holder(s) of the shares of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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:

Kong Dong (*Chairman*)
Wang Yinxiang (*Vice Chairman*)
Cao Jianxiong
Sun Yude
Christopher Dale Pratt
Ian Sai Cheung Shiu

Executive Directors:

Cai Jianjiang
Fan Cheng

Independent Non-Executive Directors:

Jia Kang
Fu Yang
Li Shuang
Han Fangming

Registered Address:

9th Floor, Blue Sky Mansion
28 Tianzhu Road, Zone A
Tianzhu Airport Industrial Zone
Shunyi District
Beijing, PRC

**Principal Place of
Business in Hong Kong:**

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

11 April 2011

To the Shareholders

Dear Sir or Madam,

(I) General Mandate to Issue Shares
(II) Stock Appreciation Rights Programme
(III) Proposed Payment of Final Dividends
(IV) Proposed Appointment of Independent Non-Executive Director
(V) Proposed Remuneration of the Independent Non-Executive Directors
and
Notice of Annual General Meeting

1. INTRODUCTION

It is proposed that at the annual general meeting of the Company to be held on Thursday, 26 May 2011, the notice of which is set out on pages III-1 to III-4 of this circular, resolutions

LETTER FROM THE BOARD

will be proposed to, among others, (i) give general mandates to the Directors to issue shares and increase registered capital; (ii) approve the resumption of the first issue of the stock appreciation rights programme of the Company which was suspended in 2009 in accordance with the Management Measures, authorise the Board and the nomination and remuneration committee of the Board to implement, at its discretion, the relevant matters in connection with the resumption of the first issue of the stock appreciation rights programme of the Company, and authorise the Board to set periods as the special exercise windows for the realisation of the gains of 70% of the first issue of the stock appreciation rights which have become effective within 60 trading days after the resumption of the first issue of the stock appreciation rights is approved by a general meeting; (iii) approve the proposed payment of final dividends for the year ended 31 December 2010; (iv) appoint a new independent non-executive Director; and (v) approve the proposed emolument plan for the independent non-executive Directors. The notice of AGM is set out on pages III-1 to III-4 of this circular.

2. GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and to give discretion to the Directors in the event that it becomes desirable to issue any shares, a special resolution will be proposed at the AGM to give an unconditional general mandate to the Directors during the Relevant Period, to separately or concurrently, allot, issue, and deal with additional A Shares and H Shares of the Company and to make or grant offers, agreements or options in respect thereof, with an aggregate nominal value of not exceeding 20% of the aggregate nominal amount of each of the existing A Shares and H Shares of the Company in issue as at the date of the relevant resolution to be proposed and passed at the AGM (the “**General Mandate**”). The General Mandate will lapse at the conclusion of the Relevant Period (as defined in Resolution 8 set out in Notice of Annual General Meeting). The Company shall obtain the approval of the CSRC and other relevant authorities for any issue of new shares under the General Mandate. Pursuant to the relevant laws and regulations of the PRC, any further issuance of A Shares would still require the approval of the shareholders of the Company at a general meeting even if the General Mandate is approved at the AGM.

A separate special resolution will be proposed at the AGM to give a conditional general mandate to the Directors to increase the registered capital of the Company to reflect the issuance of shares authorised under the General Mandate, and to make such appropriate and necessary amendments to the Articles of Association as they think fit to reflect such increase in the registered capital of the Company and to take any other action and complete any formality required to effect such increase of the registered capital of the Company.

3. STOCK APPRECIATION RIGHTS PROGRAMME

Pursuant to relevant provisions prescribed by SASAC and the Ministry of Finance of the PRC in relation to equity incentive system, the suspension of the first issue of the stock appreciation rights programme of the Company was approved at the 29th meeting of the second session of the Board on 25 August 2009. Prior to the suspension of the stock appreciation rights programme, the Company granted the first issue of stock appreciation rights on 15 June 2007. None of the stock appreciation rights of the Company has been exercised as of the date of this circular.

LETTER FROM THE BOARD

Pursuant to the applicable laws and regulations, the Board has approved the revised Management Measures, as set out in Appendix I to this circular. A special resolution will be proposed at the AGM to approve the resumption of the first issue of the stock appreciation rights programme of the Company which was suspended in 2009 in accordance with the Management Measures, authorise the Board and the nomination and remuneration committee of the Board to implement, at its discretion, the relevant matters in connection with the resumption of the first issue of the stock appreciation rights programme of the Company, and authorise the Board to set periods as the special exercise windows for the realisation of the gains of 70% of the first issue of the stock appreciation rights which have become effective within 60 trading days after the resumption of the first issue of the stock appreciation rights is approved by a general meeting.

4. PROPOSED PAYMENT OF FINAL DIVIDENDS

Reference is made to the results announcement of the Company dated 29 March 2011, and the announcement of the Company dated 7 April 2010 in respect of the recommended payment of a final dividend of RMB0.1182 per share (inclusive of applicable tax) for the year ended 31 December 2010.

Based on the 2010 profit distribution plan of the Company, the Company will appropriate, after making up the loss, 10% of the balance of the net profit of the Company of the year 2010 as set out in the financial statements prepared under the PRC Accounting Standards into the discretionary surplus reserve and distribute a cash dividend of RMB1,523,830,000, or RMB0.1182 per share (inclusive of applicable tax) based on the total number of 12,891,954,673 shares of the Company, for the year 2010.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, both implemented in 2008, with effect from 1 January 2008, the Company shall be obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders with a tax rate of 10% when the Company distributes any dividends to non-resident enterprise shareholders whose names appear on the register of members of H Shares of the Company. As such, any H Shares of the Company which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements such as tax agreements (arrangements) upon receipt of any dividends. Shareholders are recommended to consult their taxation advisors regarding the owning and disposing of H Shares of the Company in the PRC and in Hong Kong and other tax effects.

LETTER FROM THE BOARD

5. PROPOSED APPOINTMENT OF NEW INDEPENDENT NON-EXECUTIVE DIRECTOR

In accordance with recent PRC regulatory measures providing that officers above the deputy department level of the Ministry of Finance, save for working requirements, should not hold office in any economic entities, Mr. Jia Kang has resigned as an independent non-executive Director of the Company with effect from the date of approval by the shareholders of the appointment of a new independent non-executive Director. At the Board meeting held on 29 March 2011, the Board resolved to propose that Mr. Yang Yuzhong (“**Mr. Yang**”) be appointed as an independent non-executive Director. An ordinary resolution to consider and approve the appointment of Mr. Yang will be proposed at the AGM.

Mr. Yang Yuzhong, aged 67, graduated from Beijing Aeronautical Institute (北京航空學院) majoring in aircraft design and manufacturing. From July 1997 to July 2006, Mr. Yang served as the deputy general manager of China Aviation Industry Corporation I (中國航空工業第一集團公司), during which period he was also the head of Chinese Aeronautical Establishment (中國航空研究院) and the chairman of AVIC1 Commercial Aircraft Co., Ltd. (中航商用飛機有限公司). In addition, Mr. Yang has been a consultant of Aviation Industry Corporation of China (中國航空工業集團公司) since August 2006. He served as an independent non-executive director of China National Materials Company Limited (中國中材股份有限公司) from June 2007 to December 2009. Mr. Yang has been an independent non-executive director of China South Locomotive & Rolling Stock Corporation Limited (中國南車股份有限公司) since December 2007 and an external director of China National Materials Group Corporation Ltd. (中國中材集團有限公司) since December 2009.

The director’s fee of Mr. Yang, if any, will be RMB100,000 per year (before tax) subject to an ordinary resolution being passed at the AGM approving the proposed emoluments of the independent non-executive Directors. The term of Mr. Yang’s office shall commence on the date of approval of his appointment at the AGM and shall end on the expiry of the term of the current session of the Board.

Save as disclosed above, Mr. Yang has not held any other directorships in public companies the securities of which are listed in any securities market in Hong Kong or overseas or taken up a position in any affiliated companies of the Company over the past three years. Mr. Yang does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholder of the Company. As at the date of this circular, Mr. Yang does not have 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, and there are no other matters that need to be brought to the attention of the shareholders of the Company in respect of the proposed appointment of Mr. Yang.

LETTER FROM THE BOARD

6. PROPOSED REMUNERATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The remuneration plan for the Directors and supervisors of the Company was approved at the first extraordinary general meeting of the Company in 2007, which authorised the Board to decide the remuneration of the independent non-executive Directors not exceeding RMB80,000 per annum for each independent non-executive Director. The Board has determined that the current fees (before tax) of the independent non-executive Directors are RMB60,000 per annum for each independent non-executive Director within the scope approved by the Shareholders.

The remuneration of our independent non-executive Directors has been below average of the remuneration level of independent non-executive directors in the same industry. Given the fact that our independent non-executive Directors have been carrying out their duties diligently and responsibly, have made constructive contribution to the compliant operation of the Company, and have been safeguarding the interest of the Company and its shareholders as a whole, and, in particular, the legitimate rights and interest of our minority shareholders, an ordinary resolution will be proposed at the AGM to consider and approve the increase of the fees (before tax) of the independent non-executive Directors to RMB100,000 per annum for each independent non-executive Director.

7. RECOMMENDATION

The Directors consider that the proposed resolutions above are fair and reasonable so far as the Shareholders are concerned and accordingly recommend the Shareholders to consider the proposed resolutions above and to vote in favour of such resolutions which will be proposed at the AGM.

8. DUTY REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

At the AGM, the Shareholders will be presented with the duty report of the independent non-executive Directors of the Company for the year 2010, the full text of which is set in Appendix II to this circular.

9. AGM

The Company will convene the AGM at The Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC at 9:30 a.m. on Thursday, 26 May 2011. A notice of AGM, a form of proxy and an attendance notice have been dispatched to the Shareholders in accordance with the Listing Rules on Monday, 11 April 2011. The notice of AGM is reproduced on pages III-1 to III-4 of this circular.

Whether or not you intend to attend the AGM, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon. If you intend to attend the AGM, you are required to complete and return the notice of attendance to the Company's H share registrar, Computershare Hong Kong Investor Services Limited on or before Thursday, 5 May 2011.

LETTER FROM THE BOARD

Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the meetings or at any adjournment should you so wish and completion and return of the notice of attendance do not affect the right of a shareholder to attend the respective meeting.

10. GENERAL INFORMATION

Reference is made to the announcement of the Company dated 7 April 2011, the Company will close its register of members and suspend the registration of transfer of shares from Tuesday, 26 April 2011 to Thursday, 26 May 2011 (both day inclusive) in order to determine the shareholders list of the Company who will be entitled to attend and vote at the AGM and to receive the recommended final dividend (if approved) for the year ended 31 December 2010.

Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 21 April 2011 may attend the AGM after completing the registration procedures. In order to qualify for attendance and to receive the final dividend (if approved), instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Thursday, 21 April 2011.

Shareholders who intend to attend the AGM have to deliver the notice of attendance to the Company's H share registrar, Computershare Hong Kong Investor Services Limited in person or by post or fax on or before Thursday, 5 May 2011.

By order of the Board
Kong Dong
Chairman

Beijing, the PRC

**MEASURES ON MANAGEMENT OF THE STOCK APPRECIATION
RIGHTS IN RESPECT OF AIR CHINA LIMITED****(Revision)****CHAPTER 1 GENERAL**

Article 1 In order to establish and perfect the management of the intellectual intensive expertise of a large listed company and the medium to long term incentive system, to establish an effective incentive and restraint mechanism through the Stock Appreciation Rights Programme (“SARs Programme”), to align the interests of the shareholders, the Company and the management, to maintain competitive edge of the Company in terms of recruiting and retaining the best executives, and to preserve the Company’s ability to achieve sustainable development so as to create value for the shareholders, these Measures on Management of the Stock Appreciation Rights in respect of Air China Limited (hereinafter referred to as these “Management Measures”) are hereby formulated by AIR CHINA LIMITED (hereinafter the “Company”).

Article 2 For the purposes hereof, the term “Stock Appreciation Rights”, or “SARs”, refers to a form of rights to be granted by the Company to the participants of this Programme. It is not necessary for the Holders of SARs to actually purchase and sell shares in the stock market. They can obtain the price differences between the market price and the Exercise Price of the H shares during a stipulated time limit to be paid in cash by the Company.

Article 3 The principle of integration of rewards and restraints, the principles of fairness, impartiality and transparency and the principle of legal compliance shall be upheld in these Management Measures.

CHAPTER 2 THE MANAGEMENT ORGANIZATION

Article 4 The Company’s shareholders’ general meeting shall be the highest decision-making authority of the SARs Programme, for which it shall perform the responsibilities set out below:

- (1) To examine and approve the SARs Programme submitted by the Company’s Board of Directors;
- (2) To examine and approve the amendment, suspension and termination of the SARs Programme of the Company;
- (3) To handle other issues to be decided on at a shareholders’ general meeting.

Article 5 The Company's Board of Directors is the management organization of the SARs Programme, for which it shall perform the following duties:

- (1) To examine the SARs Programme drafted and amended by the Nomination and Remuneration Committee and to submit the same to a shareholders' general meeting for approval;
- (2) To consider and approve the related rules and regulations applicable to the SARs Programme, and the annual grant plan for the SARs, drafted and amended by the Nomination and Remuneration Committee;
- (3) To handle other issues to be decided on by the Board of Directors.

Article 6 The Nomination and Remuneration Committee is a special committee of the Board of Directors established upon approval by the shareholders' general meeting, for which it shall perform the following duties:

- (1) To draft and amend the Company's SARs Programme;
- (2) To draft and amend the relevant rules and regulations of the Company applicable to the SARs Programme,
- (3) To enact the Annual Implementation Plan for the SARs Programme of the Company and to be responsible for the day-to-day management of the SARs Programme;
- (4) To handle other matters delegated by the Board of Directors and other matters that should be determined by the Nomination and Remuneration Committee;
- (5) The Nomination and Remuneration Committee may engage an intermediary to provide professional opinions for its decision-making.

Article 7 The Company shall establish a special working group to assist the Nomination and Remuneration Committee to handle the affairs related to the SARs. The working group shall comprise of professionals in the areas of human resources management and finance etc. Members of the working group shall be appointed and removed by the Nomination and Remuneration Committee upon decision.

Article 8 Specific working rules of the Nomination and Remuneration Committee shall be enforced pursuant to the Detailed Rules on the Nomination and Remuneration Committee.

Article 9 The Company's Supervisory Committee shall be the supervisory organization of the SARs Programme, which is responsible for the supervision of the enactment, amendment and implementation of the Company's SARs Programme. The Supervisory Committee shall perform the following duties:

- (1) To supervise the operation of the Company's SARs Programme, including but not limited to supervising the fairness of the performance assessment of the Nomination and Remuneration Committee, the Company and the staff and whether or not the programme is implemented in compliance with the relevant regulations;
- (2) To regularly report to the shareholders' general meeting problems discovered during the supervision of the SARs Programme.

CHAPTER 3 INCENTIVE RECIPIENTS

Article 10 In principle, the incentive recipients under the SARs Programme shall be limited to the Company's directors, senior management personnel and key technical personnel and core management members that have a direct impact on the results of operations and sustainable development of the Company. Major Grantees are the Chairman, the Vice Chairman, the directors (excluding independent non-executive directors), the President, the Vice President, the Chief Engineers, the Assistants to the President, the Board Secretary, the responsible persons of all divisions, major departments and overseas business unit of the Company, officers at the operation level of the holding company, and other key personnel that the Board considers having a direct impact on the results of operations and sustainable development of the Company.

Article 11 The following persons shall not participate in the Company's SARs Programme:

- (1) Persons who have neither worked working for, nor are not employees of, the listed company (including employees of the holding company);
- (2) Supervisors and independent non-executive directors of the listed company, and external directors who are not employees of the holding company of the listed company);
- (3) Substantial shareholders, the de facto controlling persons and their close relatives who hold more than 5% of the Shares in the Company on the Date of Grant (except those approved at the shareholders' general meeting);
- (4) Other persons not eligible to become the incentive recipients as prescribed by securities regulatory authorities.

Article 12 Should any of the following events occur, the Nomination and Remuneration Committee shall determine whether not or to cancel the qualifications of a Grantee under the SARs Programme:

- (1) the Grantee is in violation of the laws resulting that he or she is convicted of any criminal offence;
- (2) the Grantee is in violation of the articles of association and other rules and regulations of the Company, commits serious negligence of duties or misconduct causing huge losses to the Company;
- (3) The Company has sufficient evidence to prove that an incentive recipient causes loss on the Company due to violation of laws and discipline such as the acceptance and solicitation of a bribe, corruption, theft, divulgence of the operational and technological secrets of the Company, implementation of connected transactions, all of which infringe the benefits and reputation of the Company and bring material adverse effect to the image of the Company during his/her period of employment;
- (4) Other conditions stipulated by the applicable Chinese and overseas laws and regulations.

Article 13 No rights may be granted under the SARs Programme without the approval of the shareholders' general meeting. Connected shareholders shall be abstained from voting the resolution. Other qualifications of the Grantees shall be confirmed by the Nomination and Remuneration Committee.

Article 14 The Company shall make full disclosure internally of the names, titles, number of rights granted and other information of the incentive recipients.

CHAPTER 4 GRANTING OF THE STOCK APPRECIATION RIGHTS

Article 15 The Nomination and Remuneration Committee shall enact an Implementation Plan for Allocation of the Stock Appreciation Rights. The Company shall obtain approval from the shareholders' general meeting by resolution prior to implementing the SARs Programme.

Article 16 This SARs Programme shall be implemented after the initial public offering of the Company's foreign share listed outside China (hereinafter referred to as "H shares"). In the future, should the condition of the business, the applicable Chinese and overseas laws and regulations and the condition of the Company so permit, the Company may consider to incorporate or replace other long-term incentive plans.

Article 17 The accumulated rights of SARs granted shall not exceed 10% of the total number of the underlying shares in issue. The initial number of rights granted shall not exceed 1% of the number of the underlying shares in issue.

Article 18 Unless approved by the shareholders' general meeting by special resolution, none of the Grantees shall be granted with more than 5% of the accumulated units of the Stock Appreciation Rights. Within any 12-month period during the effective term of this SARs Programme, the Company shall cease to grant further rights to anyone whose rights (including both the exercised and non-exercised) of entitlement is in excess of 1% of the Company's total issued capital.

Article 19 The expected gain for each incentive recipients shall be determined on the following basis:

- (1) The expected gain for individual senior management personnel upon grant of SARs shall not exceed 40% of his/her total remuneration level (including gains from long-term incentive schemes) as at the Date of Grant;
- (2) The expected gain for any other Grantee such as any director, key technical personnel and core management members shall be determined with reference to that for the senior management personnel, but in no event the expected gain shall exceed 40% of his/her total remuneration level (including gains from long-term incentive schemes).

Article 20 The Date of Grant shall be determined by the Nomination and Remuneration Committee. In general, such date shall fall within 10 working days after the issuance of the announcement of the annual general meeting of the Company.

Article 21 In principle, the SARs of the Company shall be granted on a biennial basis with reference to the Company's fiscal year. The qualification of a Grantee shall be assessed by the Nomination and Remuneration Committee pursuant to the regulations relating to the SARs Programme. The amount granted shall be determined by the Nomination and Remuneration Committee pursuant to the evaluation of the relevant position together with the annual assessment results. When new senior management personnel join the Company, the Nomination and Remuneration Committee may grant additional SARs with reference to the prevailing conditions.

Article 22 When the Company is granting SARs, its business performance shall not fall below the average performance for the last three years and the average performance of other companies in the industry (or the 50 percent benchmark of the subject company).

Article 23 The Exercise Price (grant price) of the SARs shall be determined according to the fair market price principle and shall not be lower than the highest of:

- (1) the closing price of the Company's H shares on the Date of Grant;
- (2) the average closing price of the Company's H shares for the 5 trading days prior to the Date of Grant;

(3) the unit par value of the Company's H shares.

Article 24 The Grant of SARs is confirmed in writing by virtue of the "Agreement for the Stock Appreciation Rights Programme" entered into by and between the Company and the Grantee together with the "Stock Appreciation Rights Certificate".

Article 25 The "Agreement for the Stock Appreciation Rights" is a legal document which regulates the relationship in connection with the rights and obligations of the holders SARs and the Company. Matters stipulated in the said Agreement shall include but not limited to:

- (1) The number of shares that can be subscribed by a holder of the Stock Appreciation Rights;
- (2) Provisions in connection with the Exercise Price and the exercise period pertaining to the SARs Programme;
- (3) Provisions in connection with the acceleration, suspension and cancellation of the Stock Appreciation Rights;
- (4) The agreed provision relating to dispute resolution;
- (5) Other issues that need to be stated clearly.

Article 26 The "Stock Appreciation Rights Certificate" is the certificate which the holder of SARs may use to apply for the Exercise. The said Certificate shall contain the name, the ID card number, the residential address, the mode of communication, the reference numbers of the Agreement and the Certificate, the Exercise Price, exercise period, the exercise records, the adjustment records, bonus payment records, information about the successors, all forms of signatures and seals and the related matters of importance etc.

Article 27 The Nomination and Remuneration Committee shall have the Stock Appreciation Rights Register in place as a documentary evidence of the execution of the management plan by the Company. The Register shall align with the Stock Appreciation Rights Certificate. The said document shall contain the name, the ID card number, the residential address, the mode of communication, the reference numbers of the Agreement and the Certificate, the Exercise Price, the exercise period, the exercise records, the adjustment records, the bonus payment records, information about the successors, all forms of signatures and seals and the related matters of importance etc.

Article 28 The Company is required to report to the Company's board of directors and Supervisory Committee whenever the stock appreciation rights are granted.

CHAPTER 5 THE EXERCISE OF STOCK APPRECIATION RIGHTS

Article 29 The effective period for exercising each tranche of SARs under the SARs Programme shall be 5 years. SARs may be realized for the first time 2 years after granting thereof (i.e. the Grantee may exercise the SARs) and shall be exercised in full within 5 years. Specific arrangement in respect of the effectiveness of the Exercise is as follows: 30% of the Rights may be exercised in the 3rd year after granting the SARs in full. A maximum of 70% of the accumulated rights may be exercised in the 4th year. 100% of the accumulated rights can be exercised in the 5th year.

Article 30 The Exercise of the SARs shall be uniformly taken place during the Window Period. The Company shall set two Window Periods every year. The Window Periods for the Exercise shall be set within the 5 trading days commencing from the 20th trading day after the date of announcement of the Company's annual report, and within the 5 trading days commencing from the 20th trading day after the date of announcement of the Company's interim report. The Company shall accept the exercise applications during such two Window Periods.

Article 31 The Exercise of the SARs shall be taken place during the Window Periods of each year. Such exercise shall not be taken place at the time of releasing sensitive information, annual reports, interim reports, quarterly reports or when convening a shareholders' general meeting. Should there be any event that is likely to affect the share price, the Nomination and Remuneration Committee may determine to delay the Exercise Date to within 5 working days commencing from the 5th trading day after making a public announcement of such event.

Article 32 When the SARs are exercised, the Company's performance target shall be higher than the performance target set at the time of granting the SARs and shall not fall below the average performance of the industry (or the 75 percent benchmark of the subject company). If the Company's performance is below the average performance of the industry (or the 75 percent benchmark of the subject company), the SARs for the then period shall not be exercised and shall lapse.

Article 33 The Nomination and Remuneration Committee shall be responsible for the settlement of the SARs when the same is exercised. The said Committee shall also pay the difference between the Exercise Price and the Grant price. The formula shall be as follows:

Cash receivable by a Grantee = (Settlement Price – Exercise Price) × units exercised

In order to enhance the effect of the incentive and restraint mechanism, the cash reward may be paid by installments for a continuous period of 12 months commencing from the Exercise Date.

Article 34 To the extent that the actual gain of an individual resulting from exercising the SARs exceeds the level of the estimated gain, reasonable control shall be made so that the aggregate gain shall be capped at 40% of the total remuneration at the time of the grant (including gains from the long-term incentive schemes). If the gain resulting from exercising the SARs exceeds the above ratio, the outstanding SARs shall not be exercised, or the gain shall be vested in the Company.

Article 35 For SARs granted to the directors and senior management, 20% of the cash earnings from exercising of these rights shall not be withdrawn until the expiration of the term of appointment (or the term of office) of, and upon passing the appraisal by, such directors and senior management.

Article 36 Should Holders of SARs exercise their rights, they shall submit their applications to the Nomination and Remuneration Committee on the strength of the “Stock Appreciation Rights Certificate”, the “Application Form for Exercising the Stock Appreciation Rights”, their respective ID cards, and in case of submitting application via an agent, the power of attorney and the ID card of the agent, or other legal formalities. After approvals have been obtained, the Nomination and Remuneration Committee shall handle such application in a centralized manner upon verification.

Article 37 To the extent that the Company increases the share capital by conversion from the surplus reserve, distributes share dividends, undergoes share subdivision or share reduction, conducts share placement and private placement of new shares to the existing shareholders and distributes cash dividends, the Nomination and Remuneration Committee shall, after making the corresponding adjustment in proportion to the numbers of SARs held by the holders of SARs, notify such holders in writing within 20 working days after making the adjustment.

CHAPTER 6 WITHDRAWING FUNDS FROM AND THE MANAGEMENT OF THE REWARD FUND

Article 38 The shareholders’ general meeting shall be the highest decision-making authority for the withdrawal of monies from the reward fund. The withdrawal of funds and the management of the reward fund shall be determined at a shareholders’ general meeting.

Article 39 The Nomination and Remuneration Committee shall be responsible for the withdrawal, management and application of funds in the reward fund during the effective term of the SARs Programme based on the relevant resolutions adopted at a shareholders’ general meeting.

Article 40 Withdrawals from the reward fund shall be accounted for and recognized on the balance sheet date on the basis of the granted SARs and according to requirements set forth in the Accounting Standards for Enterprises – Share-based Payment. The amount drawn shall be disbursed as a management expenses before taxation.

Article 41 A special account shall be opened by the finance department for the reward fund withheld by the Company and such reward fund shall be booked and managed under the “Staff Remuneration Payable” item.

Article 42 Should there have balance amount in the reward fund when the SARs Programme ceases to be implemented, the Nomination and Remuneration Committee shall make appropriate decisions in this respect (the fund may be used to set-off the management expenses of the current year).

CHAPTER 7 SPECIAL CASES HANDLING

Article 43 When the employment relation between a holder of SARs and the Company terminates for job transition, retirement, death, incapacity and other reasons, his/her SARs (to the extent of the vested but unexercised portion) can be exercised within six months from the date of termination; failure to do so by such period shall be deemed to be a waiver automatically and the exercise of the SARs shall be terminated. The portion that remains ineffective shall no longer be exercised.

Article 44 When a holder of SARs resigns, or his/her employment contract expires and the Company intends not to renew the contract or the holder is dismissed for personal reasons, the exercise of his/her SARs (to the extent of the unexercised portion) shall be terminated.

Article 45 Should a holder of SARs passes away or becomes incapacity during the employment period, the vested but unexercised portion of SARs in his/her possession shall be exercised by his appointed successor, legal successor or guardian.

Article 46 Should a holder of SARs commit any of the following acts, his/her SARs shall be terminated in part or in whole:

- (1) Transferring, selling, exchanging, mortgaging the SARs, using the same to provide guarantee, booking the same on the accounts as well as using the same to repay the outstanding debts, all of which are conducted without authorization;
- (2) Making use of SARs for deception and extortion purposes;
- (3) Committing any acts that is in violation of the law and is adjudicated to be liable for criminal liability;
- (4) Committing any acts that is in breach of the articles of association of the Company or that impairs the interests of the Company resulting in causing loss to the Company;
- (5) Other conditions stipulated by the applicable Chinese and overseas laws and regulations;

- (6) Failing to pass the appraisal.

Article 47 The Agreement for the Stock Appreciation Rights shall provide that, if any of the following conditions occur, the SARs vested during the year shall cease to be exercised, and at the same time no new SARs shall be granted within a year:

- (1) The annual performance assessment result of the Company fails to reach the performance assessment standard set forth in the SARs Programme;
- (2) The certified public accountant issues a negative opinion or is unable to express an opinion;
- (3) SASAC or audit authorities issues dissenting views on the Company's business performance or on its annual financial reports;
- (4) A major violation occurs which results in the penalties imposed by securities regulators and other relevant authorities.

Article 48 Should the Company intend to terminate the existing SARs Programme and implement a new plan, the Company shall complete a new application and reporting procedure in accordance with the relevant provisions of SASAC, and shall no longer grant any SARs based on any terminated programmes.

Article 49 Should any of the following situation occurs, the SARs Programme shall be terminated:

- (1) The Company suspends trading its shares, goes into bankruptcy or dissolves due to an operating loss;
- (2) A competent government authority has ordered the Company to stop the SARs Programme on the ground that the Company committed any material act that is in breach of the laws and regulations;
- (3) The new shareholders' general meeting decides on terminating the SARs Programme upon resolution when the Company conducts any merger and acquisition activities;
- (4) The shareholder's general meeting decides on terminating the SARs Programme upon resolution.

Article 50 When the Company increases the share capital by conversion from the surplus reserve, distributes share dividends, undergoes share subdivision or share reduction, conducts share placement and private placement of new shares to existing shareholders and distributes cash dividends, it is necessary to adjust the number of the granted but unexercised SARs to be exercised and their Exercise Prices and to report the same to SASAC for filing. The specific measures are as follows:

(1) Adjustment to the number of granted SARs

1. Share capital increase by conversion from the surplus reserve, distribution of share dividends and share subdivision

Number of granted SARs (after adjustment) = Number of granted SARs (before adjustment) × (1 + number of shares derived from the increase of share capital by conversion from the surplus reserve, distribution of share dividends or share subdivision for every existing share)

2. Share reduction

Number of SARs granted (after adjustment) = Number of SARs granted (before adjustment) × share reduction ratio

3. Share placement and private placement of new shares to existing shareholders

Number of granted SARs (after adjustment) = Number of granted SARs (before adjustment) × (1 + number of shares to be placed or issued for every existing share)

(2) Adjustment to the grant/Exercise Price. The adjustment of the Grant/Exercise Price shall not cause the grant/Exercise Price to fall below the par value of share.

1. Share capital increase by conversion from the surplus reserve, distribution of share dividends and share subdivision

Exercise Price (after adjustment) = Exercise Price (before adjustment) × (1 + number of shares derived from the increase of share capital by conversion from the surplus reserve, distribution of share dividends or share subdivision for every existing share)

2. Share reduction

Exercise Price (after adjustment) = Exercise Price (before adjustment) × share reduction ratio

3. Share placement and private placement of new shares to existing shareholders

Exercise Price (after adjustment) = (Exercise Price before adjustment + placement price × placement ratio)/(1 + placement ratio)

4. Cash bonus distribution

Exercise Price (after adjustment) = Exercise Price (before adjustment) – cash bonus distribution for every existing share

Article 51 In the course of the implementation of the SARs Programme, where the SARs Programme becomes unable to be implemented as planned, or completely loses its incentive value, due to force majeure, the Nomination and Remuneration Committee shall suspend the programme and propose the shareholders at a general meeting to reformulate a new SARs Programme. The Nomination and Remuneration Committee shall propose the shareholders at a general meeting to reset a new Exercise Price if necessary.

Article 52 SARs shall not be transferred, sold, exchanged, mortgaged, provided as a guarantee, booked into the account and used for repaying debts without authorisation.

Article 53 Any person who is not within the scope of granting the SARs Programme shall not hold, directly or in the name of another person, any SARs of the Company. Any person who is in breach of this requirement shall be investigated and punished in accordance with the laws and regulations as well as the rules of the Company.

Article 54 A holder of SARs shall not manipulate, whether individually or in conjunction with a third party, share price of this Company to participate in the insider dealings so as to obtain improper gains or to transfer risks. Any person who is in breach of this requirement shall be investigated and punished in accordance with the laws and regulations as well as the rules of the Company.

CHAPTER 8 DISCLOSURE OF INFORMATION

Article 55 The Company's Board of Directors shall, in accordance with the applicable Chinese and overseas laws and regulations, fulfill its ongoing obligations in respect of the disclosure of information and reporting.

Article 56 The Company shall disclose in its periodic reports the information required by the applicable Chinese and overseas laws and regulations.

CHAPTER 9 FINANCIAL AND TAXATION

Article 57 The price difference which results from the Exercise by a holder thereof shall be paid from the reward fund withheld by the Company. Any shortfall shall be paid out of the management expenses of the current year.

Article 58 The Company shall bear all the management expenses and handling charges arising out of the execution of the SARs Programme. All these expenses shall be included in the Company's management expenses. The expenses incurred by the Holders of SARs after the Exercise shall be borne by such holders.

Article 59 A Holder of SARs will receive the price difference upon settlement for 12 consecutive months commencing from the Exercise Date, and individual income tax shall be withheld and paid, at the time of Exercise, by the Company in accordance with the law.

CHAPTER 10 INTERPRETATION

Article 60 The terms below shall be interpreted as follows:

- (1) **Programme** means the Stock Appreciation Rights Programme for H Shares of AIR CHINA LIMITED, also referred to as the "SARs Programme".
- (2) **Company** means AIR CHINA LIMITED ("Air China"), also referred to as "the Company" or the "Listed Company".
- (3) **H Shares** mean the ordinary shares issued by the Company and traded in the Hong Kong Stock Exchange.
- (4) **Stock Appreciation Rights**, also referred to as "Appreciation Rights" or "SARS", mean the rights granted by the Company to an incentive recipient to receive gains in cash derived from the difference between the Grant Price and the Exercise Price within a certain period of time and under certain conditions.
- (5) **Stock Appreciation Rights Unit** mean the basic unit for entitlement to the increase in the value of the Company's circulating shares under the Programme, also referred to as the "Number of Shares".
- (6) **Grantees** mean the incentive recipients qualified to be granted the SARs under the Programme.
- (7) **Grant** means the act of granting SARs by the Company to the Holders of SARs.
- (8) **Date of Grant** means the date on which SARs are granted pursuant to the Programme.

- (9) **Vested** means the circumstance that the granted Stock Appreciation Rights can be exercised in whole or in part according to the timing and performance conditions specified under the Programme whereby Holders of SARs may begin to obtain the gain derived from the difference between market price on the Exercise Date and the Exercise Price.
- (10) **Exercise** means an act performed by Holders of SARS via settlement with the Company within the prescribed period based on the price (Exercise Price) and conditions as agreed in advance and thereby the Company shall make payment to the said Holders in cash.
- (11) **Exercise Date** means the date on which a Holders of SARS proposes to effect an Exercise in respect of the appreciation rights which have been vested and fall within the exercise period.
- (12) **Exercise Price**, also referred to as the “Grant Price”, means the price by which an incentive recipient may make a phantom purchase of the Company’s shares, which is determined at the time when the stock appreciation rights are granted by the Company to Holders of SARS.
- (13) **Settlement Price** means the price of the Company’s shares that are used to calculate the cash payable when the Stock Appreciation Rights are exercised. The Settlement Price shall equal to the average closing price for 5 trading days within the Window Period for the current Exercise of Stock Appreciation Rights.
- (14) **Window Period** means the period in which Holders of SARS are allowed to confirm with the Company the number of units to be exercised and the Exercise Price. This is also a period for settlement.

Article 61 The meaning of the terms not defined in these Management Measures shall be interpreted in accordance with the relevant laws and regulations of the State as well as other provisions stipulated by the Company.

CHAPTER 11 SUPPLEMENTARY CLAUSES

Article 62 The Nomination and Remuneration Committee of the Company shall be responsible for the interpretation of these Management Measures.

Article 63 These Management Measures shall be implemented upon approval at a shareholders’ general meeting.

Article 64 Amendments to these Management Measures shall be made by the Nomination and Remuneration Committee and shall be submitted to the shareholders’ general meeting for approval.

**DUTY REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR
THE YEAR 2010**

Dear Shareholders and Proxies of Shareholders:

Being the independent non-executive directors of Air China Limited, we have diligently performed our duties and functions as independent non-executive directors in strict compliance with the Company Law, the “Guidelines on the Establishment of Independent Directorship of Listed Companies”, the “Code of Corporate Governance for Listed Companies”, and other laws and regulations including the listing rules of both the domestic and overseas listing venues of the Company, as well as the relevant requirements of the Articles of Association and the “Work Procedures of Independent Non-executive Directors” of the Company, thereby protecting the overall interests of the Company as well as the legitimate interests of all shareholders, especially those of its minority shareholders. The performance of duties and functions by independent non-executive directors in 2010 is now reported to the General Meeting of the Company as follows:

I. Basic information of independent non-executive directors

The Board is comprised of twelve directors, among them four are independent non-executive directors, representing one-third of the members of the Board of the Company, thus satisfying the relevant requirements of the Code of Corporate Governance for Listed Companies. Our four independent non-executive directors are all professionals who specialize in various fields such as Hong Kong laws, PRC laws, financial accounting and fiscal and taxation, therefore they have the competence and experience required for discussion of business development of the Company. According to the requirements of the Listing Rules of the Hong Kong Stock Exchange, we have confirmed our independent status with The Stock Exchange of Hong Kong Limited, and such disclosure is made in the annual report 2010 of the Company.

The Board has established four specialised committees, namely, the Audit and Risk Control Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee and the Aviation Safety Committee. Among which, the chairmen of the Audit and Risk Control Committee and the Nomination and Remuneration Committee are both held by independent non-executive directors, and the majority of the members of these committees are also independent non-executive directors. Each specialised committee has performed its duties and functions in strict compliance with the requirements of the Code of Corporate Governance for Listed Companies and the rules of procedures for specialised committees of the Company.

The term of office of Mr. Hu Hung Lick, Henry and Mr. Zhang Ke, both being independent non-executive directors of the Company, expired on 28 October 2010. At the general meeting of the Company, Mr. Jia Kang, Mr. Fu Yang, Mr. Li Shuang and Mr. Han Fangming were elected as independent non-executive directors of the third session of the Board.

II. Attendance of independent non-executive directors in meetings

In 2010, all independent non-executive directors performed their duties diligently and actively attended general meetings, Board meetings and meetings of specialized committees under the Board. Prior to any Board meeting, the independent non-executive directors carefully reviewed all information provided by the Company, attentively listened to the reports of relevant departments when necessary, and made full preparation for discussion of all proposals and decision-making at Board meetings. At the Board meeting, the independent non-executive directors carefully considered each of the proposals based on their experience and expertise, actively participated in discussions, made relevant recommendations to the Board and expressed their opinions on significant matters of the Company, including the Board's review of the Company's periodic reports, acquisition of equity interest of Air China Cargo Co., Ltd., non-public offering of A shares and private placing of H shares by the Company, further investment in Shenzhen Airlines, and changes of the composition of the Board and the supervisory committee.

In addition, by hearing special reports and conducting investigations and researches on the operations of our business offices at home and abroad, the independent non-executive directors developed an in-depth understanding of the Company's business and financial operations. They also made various recommendations on corporate strategic development, risk control and standard operations and other proposals. In view of the above, the independent non-executive directors have demonstrated their professional strength and played an active role in the decision-making process of the Board and the standardized operations of the Company.

III. Independent opinions of independent non-executive directors

In 2010, in addition to attending relevant meetings and performing their respective duties, the independent non-executive directors of the Company also expressed their independent opinions to the Board or shareholders' general meetings in connection with the nomination of the Company's directors and senior management, connected transactions, guarantees in favour of external parties and other important issues based on the actual operations of the Company. Such opinions include "Independent Opinion on the Nomination of Feng Gang and Ma Chongxian as Senior Managers", "Independent Opinion on the Nomination of Director Candidates to the Third Session of the Board", "Independent Opinion on Connected Transactions Associated with the Shareholding Restructuring Project of Air China Cargo Co., Ltd.", "Independent Opinion on the Renewal of the Framework Agreement between the Company and Cathay Pacific Airways Ltd. and Determination of the Annual Caps for the Connected Transactions for Each of 2011, 2012 and 2013", "Independent Opinion on the Renewal of the Framework Agreement between the Company and China Aviation Corporation (Group) Co., Ltd. and Determination of the Annual Caps for the Connected Transactions for Each of the Years 2011, 2012 and 2013", "Independent Opinion on the Revised Annual Caps for the Connected Transactions between the Company and Lufthansa Group for Each of the Years

2010, 2011 and 2012”, “Independent Opinion on the Special Explanation of the Company’s External Guarantees”, and “Independent Opinion on the Appointment of the Company’s Internal and External Auditors for the Year 2011”, etc. We have testified the above matters of the Company and expressed our support respectively, and thus promoted the orderly development of the Company’s operations and management.

IV. Independent non-executive directors’ supervisory role in the preparation of annual reports

Pursuant to the “Notice on the Preparation of 2010 Annual Reports and Related Works by Listed Companies” issued by China Securities Regulatory Commission and other relevant regulatory requirements, the independent non-executive directors had reviewed the report on business operations and financial position of the Company and other significant events in 2010 and the 2011 work plans together with the management of the Company at the annual work meeting of the Company. Prior to the commencement of the audit work by the auditors of the Company on 13 January 2011, the independent non-executive directors have communicated with the auditors in respect of the composition of the audit team, audit plan, risk judgements, risks and fraud testing, evaluation methods and major audit issues for the current year. On 16 March 2011, the independent non-executive directors reviewed the Company’s annual financial statements after the issue of the preliminary audit opinions by the auditors thereon. On 28 March 2011, the independent non-executive directors considered the Company’s 2010 annual financial report and other relevant resolutions. In addition, in order to ensure the truthfulness, accuracy and completeness of the Company’s annual report, the independent non-executive directors and the Audit and Risk Control Committee of the Board cooperated closely with each other, and communicated thoroughly with the auditors and the management of the Company in respect of the audit of annual report and other relevant matters.

In 2011, we will continue to faithfully perform our duties and functions as independent non-executive directors with professional attitude and spirit. As such, we will strive to have more in-depth understanding of the Company’s business operations and financial position, enhance communication and cooperation with the Board, the supervisory committee and the management of the Company, and provide support to the Board to make decisions more effectively, the purposes of which are to ensure the objectiveness, fairness and regulated operation of the Board, and protect the overall interests of the Company and the legitimate interests of the minority investors.

Finally, we would also like to express our sincere gratitude to relevant staff of the Company for their great support and cooperation in 2010.

Independent non-executive Directors: Hu Hung Lick, Henry (his term of office expired), Zhang Ke (his term of office expired), Jia Kang, Fu Yang, Li Shuang and Han Fangming

8 April 2011



中國國際航空股份有限公司
AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00753)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) of Air China Limited (the “Company”) for the year ended 31 December 2010 will be held at 9:30 a.m. Thursday, 26 May 2011 at The Conference Room, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC for the following purposes:

1. To consider and approve the report of the board of directors (the “Board”) of the Company for the year 2010;
2. To consider and approve the report of the supervisory committee of the Company for the year 2010;
3. To consider and approve the audited consolidated financial statements of the Company for the year 2010 prepared under the PRC Accounting Standards and the International Financial Reporting Standards;
4. To consider and approve the profit distribution proposal and the dividends distribution proposal for the year 2010 as recommended by the Board (including approving the appropriation of, after making up the loss, 10% of the balance of the net profit of the Company of the year 2010 as set out in the financial statements prepared under the PRC Accounting Standards into the discretionary surplus reserve of the Company and the distribution of a cash dividend of RMB1,523,830,000, or RMB0.1182 per share (inclusive of applicable tax) based on the total number of 12,891,954,673 shares of the Company, for the year 2010) and to authorise the Board to implement such proposals;
5. To consider and approve the proposed appointment of Mr. Yang Yuzhong as a new independent non-executive director of the Company as recommended by the Board;
6. To consider and approve the proposed emoluments of independent non-executive directors of the Company as recommended by the Board;

7. To consider and approve the reappointment of Ernst & Young as the Company's international auditors and Ernst & Young Hua Ming CPAs Limited Company as the Company's domestic auditors for the year ending 31 December 2011 and to authorise the Board of the Company to determine their remunerations for the year 2011;

To consider and approve the following resolutions as special resolutions (items 8, 9 and 10):

8. **“THAT** the authorisation of the Board of the Company to allot, issue and deal with additional shares of the Company be and is hereby approved.

- (1) subject to paragraph (3) of this resolution, the exercise by the Board of the Company during the Relevant Period (as defined in paragraph (4) of this resolution) of all the powers of the Company to allot, issue and deal with additional A Shares and/or H Shares of the Company (hereinafter referred to as **“Shares”**) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

- (2) this approval shall authorise the Board of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

- (3) the amount of additional A Shares and H Shares (as the case may be) allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with either separately or concurrently by the Board of the Company pursuant to the approval in paragraph (1) of this resolution shall not exceed 20% of each of the Company's existing A Shares and H Shares (as the case may be) in issue at the date of passing this resolution; and

- (4) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until the earlier of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the 12 months period following the passing of this resolution; and
- (c) the revocation or variation of the authority given to the Board of the Company under this resolution by a special resolution of the Company's shareholders in general meetings.”

9. “**THAT** the Board of the Company be and is hereby authorised to increase the registered capital of the Company to reflect the issue of Shares authorised under special resolution 8, and to make such appropriate and necessary amendments to the Articles of Association of the Company as they think fit to reflect such increases in the registered capital of the Company and to take any other action and complete any formality required to effect such increase of the registered capital of the Company.”
10. “**THAT** the resumption of the first issue of the stock appreciation rights programme of the Company which was suspended in 2009 in accordance with the amended Measures on Management of the Stock Appreciation Rights in respect of Air China Limited, the authorisation of the Board and the nomination and remuneration committee of the Board to implement, at its discretion, the relevant matters in connection with the resumption of the first issue of the stock appreciation rights programme of the Company, and the authorisation of the Board to set periods as the special exercise windows for the realisation of the gains of 70% of the first issue of the stock appreciation rights which have become effective within 60 trading days after the resumption of the first issue of the stock appreciation rights is approved by a general meeting, be and is hereby approved.”

By order of the Board
Air China Limited
Kong Dong
Chairman of the Board

Beijing, PRC, 11 April 2011

As at the date of this announcement, the directors of the Company are 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. Li Shuang* and Mr. Han Fangming*.*

* *Independent non-executive director of the Company*

Notes:

1. Matter Related to Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholder

In accordance with the Enterprise Income Tax Law of the People’s Republic of China and the Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China, both implemented in 2008, with effect from 1 January 2008, the Company shall be obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders with a tax rate of 10% when the Company distributes any dividends to non-resident enterprise shareholders whose names appear on the register of members of H Shares of the Company. As such, any H Shares of the Company which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements such as tax agreements (arrangements) upon receipt of any dividends. Shareholders are recommended to consult their taxation advisors regarding the owning and disposing of H Shares of the Company in the PRC and in Hong Kong and other tax effects.

2. Closure of register of members and eligibility for attending the AGM

Holders of H Shares of the Company are advised that the register of members of the Company will close from Tuesday, 26 April 2011 to Thursday, 26 May 2011 (both days inclusive), during which time no transfer of H Shares of the Company will be effected and registered. In order to qualify for attendance at the AGM and to receive the final dividends (if approved), instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by 4:30 p.m. on Thursday, 21 April 2011 .

Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 21 April 2011 are entitled to attend the AGM.

3. Notice of attendance

H Share shareholders who intend to attend the AGM should complete and lodge the accompanying notice of attendance and return it to the Company's H Share registrar on or before Thursday, 5 May 2011. The notice of attendance may be delivered by hand, by post or by fax to the Company's H Share registrar Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the notice of attendance do not affect the right of a shareholder to attend the AGM. However, the failure to return the notice of attendance may result in an adjournment of the AGM, if the number of shares carrying the right to vote represented by the shareholders proposing to attend the AGM by the notice of attendance does not reach more than half of the total number of shares of the Company carrying the right to vote at the AGM.

4. Proxy

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

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

5. Other businesses

- (i) The AGM is expected to last for two hours. Shareholders and their proxies attending the meeting shall be responsible for their own traveling and accommodation expenses.
- (ii) The address of Computershare Hong Kong Investor Services Limited is:

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