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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

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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: 753)

## **CIRCULAR ON ADDITIONAL PROPOSALS TO BE APPROVED BY THE SHAREHOLDERS AT THE ANNUAL GENERAL MEETING IN RESPECT OF (1) REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUE OF A SHARES BY THE COMPANY AND (2) AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

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The purpose of this circular is to give you information on two additional proposals to be approved by the Shareholders at the AGM. A copy of the new notice of AGM is set out on pages 14 to 18 of the circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed new proxy form in accordance with the instructions printed thereon as soon as possible in any event not later than 24 hours before the time appointed for the AGM. Completion and return of the new proxy form shall not preclude you from attending and voting in person at the AGM or any adjourned meeting should you so wish.

14 May 2008

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## DEFINITIONS

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*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 annual general meeting of the Company to be held on 30 May 2008, details of which are set out in the notice of AGM to the Shareholders dated 14 April 2008
“Articles of Association”	articles of association of the Company
“Board”	the board of directors of the Company
“Company”	Air China Limited, a joint stock company with limited liability incorporated in the PRC whose H shares are listed on the Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“First Proxy Form”	the proxy form despatched to the Shareholders on 14 April 2008
“H shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company
“Notice of AGM”	the notice of AGM dated 14 April 2008 despatched by the Company to the Shareholders
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular only, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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### 中國國際航空股份有限公司 AIR CHINA LIMITED

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 753)

**Directors:**

*Non-executive Directors:*

Kong Dong (*Chairman*)

Wang Shixiang (*Vice Chairman*)

Yao Weiting

Ma Xulun

Christopher Dale Pratt

Chen Nan Lok Philip

*Executive Directors:*

Cai Jianjiang

Fan Cheng

*Independent Non-Executive Directors:*

Hu Hung Lick, Henry

Wu Zhipan

Zhang Ke

Jia Kang

**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

14 May 2008

*To the Shareholders*

Dear Sir or Madam,

**(1) REPORT ON THE USE OF PROCEEDS FROM  
THE PREVIOUS ISSUE OF A SHARES BY THE COMPANY  
AND  
(2) AMENDMENT OF THE ARTICLES OF ASSOCIATION OF  
THE COMPANY**

**1. INTRODUCTION**

Subsequent to the despatch of the Notice of AGM, the Company's controlling Shareholder China National Aviation Holding Company submitted a written proposal to the Board, which

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## LETTER FROM THE BOARD

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proposed that the report on the use of proceeds from the previous issue of A shares by the Company be approved by the Shareholders at the AGM as an ordinary resolution, and that the amendment of Article 20 of the Article of Association in respect of the share capital structure of the Company be approved by the Shareholders at the AGM as a special resolution. The purpose of this circular is to give you information on the aforesaid additional proposals to be approved by the Shareholders at the AGM. A copy of the new notice of AGM is set out on pages 14 to 18 of this circular.

### **2. REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUE OF A SHARES BY THE COMPANY**

In order to publicly issue additional A shares, the Board prepared a report on the use of proceeds from the previous issue of A shares in accordance with relevant regulations issued by CSRC, which was approved by the first meeting of the second session of the Board and the second extraordinary general meeting of the Company in 2007, respectively. On 26 December 2007, CSRC issued the Regulations on the Report on the Use of Proceeds from the Previous Issue of Shares. Accordingly, the Company prepared a new draft of the report on the use of proceeds from the previous issue of A shares by the Company and the report has been approved by the ninth meeting of the second session of the Board. The full text of the report is set out in Appendix I to this circular. A special purpose verification report issued by Ernst & Young Hua Ming is also set out in Appendix II for Shareholders' reference.

### **3. AMENDMENT OF THE ARTICLES OF ASSOCIATION IN RESPECT OF THE SHARE CAPITAL STRUCTURE OF THE COMPANY**

Since the initial public offering of A shares by the Company in 2006, all the then issued domestic shares and the foreign shares held by China National Aviation Corporation (Group) Limited have been permitted to be tradable on the Shanghai Stock Exchange and some of which will become tradable when the relevant lock-up periods expire. Considering that both the Shareholders of A shares and the Shareholders of H shares may increase or decrease their shareholdings in accordance with relevant laws, which may change the shareholdings of the Company's major Shareholders from time to time, the Board proposed to amend the Articles of Association as follows:

The sixth paragraph of Article 20 of the Articles of Association of the original draft, which reads:

“The share capital structure after the said additional issuance of H shares shall be as follows: the Company has a total of 12,251,362,273 ordinary shares, of which China National Aviation Holding Company holds 4,949,066,567 Domestic Shares, representing approximately 40.40% of the Company's total share capital; China National Aviation Corporation (Group) Limited holds 1,380,482,920 Foreign Shares, representing approximately 11.27% of the Company's total share capital; Cathay Pacific Airways Limited holds 2,122,472,455 Overseas-Listed Foreign Shares (H shares), representing approximately 17.34% of the Company's total share capital; other holders of Overseas-Listed Foreign Shares (H shares) hold 2,283,210,909 shares, representing approximately

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## LETTER FROM THE BOARD

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18.63% of the Company's total share capital; other holders of the Domestic Shares hold 1,516,129,422 shares, representing approximately 12.38% of the Company's total ordinary shares in issue."

is hereby amended as follows:

"The current share capital structure of the Company shall be as follows: the Company has a total of 12,251,362,273 ordinary shares, of which holders of A shares hold 7,845,678,909 shares, representing approximately 64.04% of the Company's total issued ordinary shares; holders of H shares hold 4,405,683,364 shares, representing approximately 35.96% of the Company's total issued ordinary shares."

The proposed amendment is subject to approval by relevant PRC authorities.

#### **4. RECOMMENDATION OF THE BOARD**

The Board recommends that the Shareholders vote in favour of the ordinary resolution to approve the report on the use of proceeds from the previous issue of A shares by the Company and the special resolution to approve the amendment to the Article of Association at the AGM.

#### **5. PROCEDURES FOR DEMANDING A POLL**

Pursuant to Article 84 of the Article of Association, 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. More 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.

#### **6. THE NEW PROXY FORM**

As a result of the additional proposed resolutions subsequent to the despatch of the Notice of AGM, the First Proxy Form sent together with the Notice of AGM does not contain the proposed resolutions to approve the report on the use of proceeds from the previous issue of A shares by the Company or the amendment to the Article of Association as set out in this circular. In this connection, a new proxy form has been prepared and will be despatched together with this circular.

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## LETTER FROM THE BOARD

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You are requested to complete the new proxy form in accordance with the instructions printed thereon and return it to the Company's H share registrar for holders of H shares and to the Secretariat of the Board of Directors of the Company for holders of A shares. The addresses of the Company and its H share registrar are set out in the new notice of AGM.

A Shareholder who has not lodged the First Proxy Form in accordance with the instructions printed thereon is requested to lodge the new proxy form if he or she wishes to appoint proxies to attend the AGM on his or her behalf. In this case, the First Proxy Form should not be lodged.

A Shareholder who has already lodged the First Proxy Form in accordance with the instructions printed thereon should note that:

- (i) if the new proxy form is not lodged in accordance with the instructions printed thereon, the First Proxy Form, if correctly completed, will be treated as a valid proxy form lodged by him or her;
- (ii) if the new proxy form is lodged in accordance with the instructions printed thereon, the new proxy form, if correctly completed, will be treated as a valid proxy form lodged by the Shareholder and will revoke and supersede the First Proxy Form previously lodged by him or her;
- (iii) if the new proxy form is lodged after the closing time set out in the new notice of AGM, the new proxy form will be invalid. However, it will revoke the First Proxy Form previously lodged by the Shareholder, and any vote that may be cast by the purported proxy (whether appointed under the First Proxy Form or the new proxy form) will not be counted in any poll which may be taken on a proposed resolution. Accordingly, Shareholders are advised not to lodge the new proxy form after the specified closing time. If such Shareholders wish to vote at the AGM, they will have to attend in person and vote at the AGM themselves.

By Order of the Board  
**Air China Limited**  
**Kong Dong**  
*Chairman*

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# APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUANCE OF SHARES BY AIR CHINA LIMITED

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## Air China Limited

### Report on the Use of Proceeds from the Previous Issuance of Shares

#### I. The amount and collection of proceeds from the previous issuance of shares

According to the approval issued by the CSRC on 27 July 2006 (Zheng Jian Fa Xing Zi No. [2006] 57), the Company was allowed to conduct an initial public offering of A Shares (the “A Shares”) in the PRC and to apply for listing on the Shanghai Stock Exchange upon completion of the issuance. The Company issued 1,639,000,000 A Shares of par value of RMB1 each through the Shanghai Stock Exchange in August 2006 at an issue price of RMB2.80 per share. The proceeds from the issuance totaled RMB4,589,200,000. The actual amount of net proceeds was RMB4,513,195,722 (the “Proceeds from the Previous Issuance of Shares”) after deduction of issue expenses of RMB76,004,278.

As verified by the capital verification report issued by Beijing Tian Hua Certified Public Accountants (Tian Hua (Yan) Zi No. [2006] 023-46), as at 15 August 2006, the aforesaid Proceeds from the Previous Issuance of Shares of RMB4,513,195,722 was remitted into the designated fund-raising accounts with account numbers of 0200006029000014709, 11001070500059261152, 800708012468094001 and 0115014140000301 which were maintained at Industrial and Commercial Bank of China, Beijing Capital International Airport Sub-branch, China Construction Bank, Beijing Capital International Airport Sub-branch, Bank of China, Beijing Capital International Airport Sub-branch and China Min Sheng Banking Corporation, Ping An Li Sub-branch respectively by the Company. As at 31 December 2007, the proceeds placed with such designated accounts had all been utilised in accordance with the intended use of proceeds as disclosed in the Prospectus for the Initial Public Offering of A Shares by the Company.

#### II. Actual use of the proceeds from the previous issuance of shares

According to the intended use of proceeds as disclosed in the Prospectus for the Initial Public Offering of the Company’s A Shares, the Proceeds from the Previous Issuance of Shares, after deduction of the issue expenses, have been used to purchase 20 Airbus A330-200 aircraft, 15 Boeing B787 aircraft and 10 Boeing B737-800 aircraft and also used in the Phase III expansion project of Beijing Capital International Airport and its ancillary facilities.

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**APPENDIX I    REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS  
ISSUANCE OF SHARES BY AIR CHINA LIMITED**

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As at 31 December 2007, the comparison of the actual use of the Proceeds from the Previous Issuance of Shares was as follows:

	<i>In RMB ten thousand</i>
Aggregate proceeds	<u>451,319</u>
Total proceeds changed in use	<u>–</u>
Percentage of total proceeds changed in use	<u>–</u>
Accumulated amount of used proceeds	<u>451,319</u>
Total amount of used proceeds, breakdown by year:	
2007	<u>237,036</u>
2006	<u>214,283</u>

**APPENDIX I    REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS  
ISSUANCE OF SHARES BY AIR CHINA LIMITED**

Investment projects		Accumulated proceeds invested as at 31 December 2007*				Difference between actual investment amount and committed investment amount following the issuance	Projects available for intended use or status of completion as at 31 December 2007
Committed investment projects	Actual investment projects	Committed investment amount prior to the issuance	Committed investment amount following the issuance	Actual investment amount	following the issuance		
Purchase of 20 Airbus A330-200 aircraft	Purchase of 20 Airbus A330-200 aircraft	Unspecified	Unspecified	310,274	–	Three of which were received and others were not received	
Purchase of 15 Boeing B787 aircraft	Purchase of 15 Boeing B787 aircraft	Unspecified	Unspecified	17,971	–	Not yet received	
Purchase of 10 Boeing B737-800 aircraft	Purchase of 10 Boeing B737-800 aircraft	Unspecified	Unspecified	63,281	–	Not yet received	
Phase III expansion project of Beijing Capital International Airport and its ancillary facilities	Phase III expansion project of Beijing Capital International Airport and its ancillary facilities	59,793	59,793	59,793	–	Under construction	
				<u>451,319</u>	<u>–</u>		
Total				<u>451,319</u>	<u>–</u>		

\* For the period from the date of the receipt of the Proceeds from the Previous Issuance of Shares to 31 December 2007.

**APPENDIX I    REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS  
ISSUANCE OF SHARES BY AIR CHINA LIMITED**

**III. The economic benefits generated from the use of proceeds from the previous issuance of shares**

As at 31 December 2007, the comparison of the economic benefits generated from the use of Proceeds from the Previous Issuance of Shares was as follows:

*In RMB ten thousand*

Investment projects	Actual economic benefits in the last three years			Accumulated economic benefits generated as at 31 December 2007*	Estimated revenue achieved or not
	2007	2006	2005		
Purchase of 20 Airbus A330-200 aircraft	84,526	–	–	84,526	<i>Note 1</i>
Purchase of 15 Boeing B787 aircraft	–	–	–	–	<i>Note 2</i>
Purchase of 10 Boeing B737-800 aircraft	–	–	–	–	<i>Note 3</i>
Phase III expansion project of Beijing Capital International Airport and its ancillary facilities	–	–	–	–	<i>Note 4</i>
<b>Total</b>	<b>84,526</b>	<b>–</b>	<b>–</b>	<b>84,526</b>	

\* For the period from the date of the receipt of the Proceeds from the Previous Issuance of Shares to 31 December 2007.

*Note 1:* According to the terms of the relevant aircraft purchase contracts, three aircraft (namely B6079, B6080 and B6081) were delivered to the Company in January, February and March 2007 respectively, which were subsequently put into operation before 31 December 2007 and generated air traffic revenue of RMB323,800,000, RMB297,230,000 and RMB224,230,000 in 2007 respectively. As disclosed in the Prospectus for the Initial Public Offering of the Company's A Shares, the expected revenue from each of those aircraft amounted to RMB322,000,000 each year. Among the three delivered A330-200 aircraft, B6079 aircraft has achieved the targeted revenue while B6080 and B6081 aircraft have not yet achieved such amount of revenue since the periods of their service are less than one year.

*Note 2:* As disclosed in the Prospectus for the Initial Public Offering of the Company's A Shares, the expected annual revenue from each of those aircraft amounted to RMB283,000,000. As at 31 December 2007, those aircraft have not been delivered to the Company.

*Note 3:* As disclosed in the Prospectus for the Initial Public Offering of the Company's A Shares, the expected annual revenue from each of those aircraft amounted to RMB152,000,000. As at 31 December 2007, those aircraft have not been delivered to the Company.

*Note 4:* As at 31 December 2007, the project is yet to be completed.

# APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUANCE OF SHARES BY AIR CHINA LIMITED

## IV. Comparison of the actual use of proceeds from the previous issuance of shares against the relevant disclosures in periodic reports and other information

As at 31 December 2007, the comparison of the actual use of Proceeds from the Previous Issuance of Shares against the relevant disclosures in periodic reports and other information was as follows:

*In RMB ten thousand*

Investment projects	As at 31 December 2006 <sup>#</sup>			As at 30 June 2007 <sup>#</sup>			As at 31 December 2007 <sup>#</sup>			Notes
	Actual use	Disclosure in the Company's 2006 Annual Report	Differences	Actual use	Disclosure in the Company's 2007 Interim Report	Differences	Actual use	Disclosure in the Company's 2007 Annual Report	Differences	
Purchase of 20 Airbus A330-200 aircraft	103,347	77,970	25,377	310,274	312,771	(2,497)	310,274	310,274	-	1
Purchase of 15 Boeing 787 aircraft	12,116	12,193	(77)	17,971	18,125	(154)	17,971	17,971	-	2
Purchase of 10 Boeing B737-800 aircraft	39,027	26,415	12,612	63,281	63,825	(544)	63,281	63,281	-	3
Phase III expansion project of Beijing Capital International Airport and its ancillary facilities	59,793	40,097	19,696	59,793	60,350	(557)	59,793	59,793	-	4
	<u>214,283</u>	<u>156,675</u>	<u>57,608</u>	<u>451,319</u>	<u>455,071</u>	<u>(3,752)</u>	<u>451,319</u>	<u>451,319</u>	<u>-</u>	

\* The Company is not required to disclose the information related to the use of the proceeds in the Third Quarter Report of 2006, the First Quarter Report of 2007 and the Third Quarter Report of 2007.

# Refer to the period from the date of the receipt of Proceeds from the Previous Issuance of Shares to the end of the reporting period.

*Note 1:* As stated in the Directors' Report of the Company's 2006 Annual Report relating to the use of proceeds, as at 31 December 2006, the Company had applied RMB779,700,000 of the Proceeds from the Previous Issuance of Shares to purchase 20 Airbus A330-200 aircraft. Due to timing differences, the difference with actual amounts used was RMB253,770,000. As at 31 December 2006, the actual amounts of the Proceeds from the Previous Issuance of Shares used by the Company to purchase the aircraft was RMB1,033,470,000 in aggregate.

The difference between the use of proceeds as stated in the Directors' Report of the Company's 2007 Interim Report and the actual amount being paid was primarily due to the use by the Company of part of the interest accrued from the Proceeds from the Previous Issuance of Shares to finance the purchase of these aircraft and was disclosed accordingly.

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## APPENDIX I REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUANCE OF SHARES BY AIR CHINA LIMITED

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*Note 2:* As stated in the Directors' Report of the Company's 2006 Annual Report relating to the use of proceeds, as at 31 December 2006, the Company had applied RMB121,930,000 of the Proceeds from the Previous Issuance of Shares to purchase 15 Boeing B787 aircraft. The difference with actual amounts used was RMB770,000. The difference was primarily due to the use by the Company of part of the interest accrued from the Proceeds from the Previous Issuance of Shares to purchase these aircraft. As at 31 December 2006, the actual amount of the Proceeds from the Previous Issuance of Shares used by the Company to purchase these aircraft was RMB121,160,000 in aggregate.

The difference between the use of proceeds as stated in the Directors' Report of the Company's 2007 Interim Report and the actual amount being paid was primarily due to the use by the Company of part of the interest accrued from the Proceeds from the Previous Issuance of Shares to finance the purchase of these aircraft and was disclosed accordingly.

*Note 3:* As stated in the Directors' Report of the Company's 2006 Annual Report relating to the use of proceeds, as at 31 December 2006, the Company had applied RMB264,150,000 of the Proceeds from the Previous Issuance of Shares to purchase 10 Boeing B737-800 aircraft. Due to timing differences, the difference with actual amounts being used was RMB126,120,000. As at 31 December 2006, the actual amount of the Proceeds from the Previous Issuance of Shares applied by the Company to the purchase these aircraft was RMB390,270,000 in aggregate.

The difference between the use of proceeds as stated in the Directors' Report of the Company's 2007 Interim Report and the actual amount being paid was primarily due to the use by the Company of part of the interest accrued from the proceeds of from the previous issuance of shares to finance the purchase of these aircraft and was disclosed accordingly.

*Note 4:* As stated in the Directors' Report of the Company's 2006 Annual Report relating to the use of proceeds, as at 31 December 2006, the Company had applied RMB400,970,000 of the Proceeds from the Previous Issuance of Shares to fund Phase III expansion project of Beijing Capital International Airport and its ancillary facilities. Due to timing differences, the difference with the actual amounts being used was RMB196,960,000. As at 31 December 2006, the actual amount of the Proceeds from the Previous Issuance of Shares being used by the Company to fund the expansion project amounted to RMB597,930,000 in aggregate.

The difference between the use of proceeds as stated in the Directors' Report of the Company's 2007 Interim Report and the actual amount being paid was primarily due to the use by the Company of part of the interest accrued from the proceeds of from the previous issuance of shares to finance the expansion project and was disclosed accordingly.

### V. Conclusion

The Directors consider that the Proceeds from the Previous Issuance of Shares were used according to the intended use of proceeds as disclosed in the Prospectus for the Initial Public Offering of the Company's A Shares. The Company has duly performed its obligations to disclose faithfully the use of Proceeds from the Previous Issuance of Shares and its progress.

All directors of the Company hereby confirm that there are no false representations, misleading statements or material omission in this report, and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

The Board of Directors  
**Air China Limited**

31 March 2008

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## APPENDIX II SPECIAL PURPOSE VERIFICATION REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUANCE OF SHARES

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### Special Purpose Verification Report on the Use of Proceeds from the Previous Issuance of Shares

Ernst & Young Hua Ming (2008) Zhuan Zi No. 60468040\_A05

To the Board of Directors of Air China Limited,

We have conducted a verification of the report on the use of proceeds from the previous issuance of shares for the period up to 31 December 2007 by Air China Limited (the “Company”) in accordance with the resolution passed by the Board of Directors of the Company on 31 October 2007 for the Company’s proposed public offering of additional A shares (the “Offering of Additional A Shares”) and the requirements of the “Regulations on the Report on the Use of Proceeds from the Previous Issuance of Shares” (Zheng Jian Fa Xing Zi [2007] No. 500) (the “Regulations”) promulgated on 26 December 2007 by China Securities Regulatory Commission (the “CSRC”). It is the responsibility of the Board of Directors of the Company to prepare the aforesaid report on the use of proceeds from the previous issuance of shares according to the Regulations and to guarantee the truthfulness, accuracy and completeness of the report and there is no false representations, misleading statements or material omission in the report. We are responsible to issue a special purpose verification report on the abovementioned use of proceeds from the previous issuance of shares on the basis of our verification work conducted in accordance with “Chinese Certified Public Accountants Standards on Other Assurance Engagements No. 3101 – Assurance Engagements other than Audit or Review of Historical Financial Information”.

We performed our verification work in accordance with “Chinese Certified Public Accountants Standards on Other Assurance Engagements No. 3101 – Assurance Engagements other than Audit or Review of Historical Financial Information”, which requires us to plan and perform such verification work in order to obtain reasonable assurance on whether there exist no material false representations in the aforesaid report on the use of proceeds from the previous issuance of shares. During our verification process, we conducted procedures such as accessing to information, examination on a random basis, reconciliation and other procedures which we considered necessary. We believe that our verification work has formed a reasonable basis for our opinion.

In our opinion, the Company’s report on the use of proceeds from the previous issuance of shares was prepared in accordance with the Regulations promulgated by the CSRC and reflected, in all material respects, the actual use of proceeds from the previous issuance of shares up to 31 December 2007 by the Company.

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**APPENDIX II SPECIAL PURPOSE VERIFICATION REPORT ON THE USE OF  
PROCEEDS FROM THE PREVIOUS ISSUANCE OF SHARES**

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Without our prior written consent, this special purpose verification report shall not be used for other purposes other than the application to be made by the Company to the CSRC for the Offering of Additional A Shares.

Ernst & Young Hua Ming

Certified Public Accountant, China: Jin Xin

Beijing, the PRC

Certified Public Accountant, China: Yan Lingyang

31 March 2008

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# NOTICE OF ANNUAL GENERAL MEETING

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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: 753)

**NOTICE IS HEREBY GIVEN** that an annual general meeting (“AGM”) of Air China Limited (the “Company”) for the year ended 31 December 2007 will be held at 9:30 a.m. on Friday, 30 May 2008 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 of the Company for the year 2007;
2. To consider and approve the report of the Supervisory Committee of the Company for the year 2007;
3. To consider and approve the audited consolidated financial statements of the Company for the year 2007 prepared under the Accounting Standards for Enterprises of the PRC and International Financial Reporting Standards;
4. To consider and approve the profit distribution proposal and the dividends distribution proposal for the year 2007 as recommended by the Board of Directors of the Company and to authorize the management of the Company to implement such proposals;
5. 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 2008 and to authorise the Board of Directors of the Company to determine their remunerations;
6. To consider and approve the report on the use of proceeds from the previous issue of A Shares by the Company;

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## NOTICE OF ANNUAL GENERAL MEETING

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7. To consider and approve the following resolutions as special resolutions:

7A. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Board of Directors of the Company during the Relevant Period (as hereafter defined in paragraph (d)) of all the powers of the Company to allot, issue and deal with additional shares of the Company (“Shares”) and to make or grant offers, agreements and options which might require the exercise of such powers be and are hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Board of Directors 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;
- (c) the amount of additional A Shares and overseas-listed foreign Shares (“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 Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereafter defined) or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company, 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 special resolution; and
- (d) for the purpose of special resolution 7A:

“Relevant Period” means the period from the passing of special resolution 7A until the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the 12 months period following the passing of special resolution 7A; and
- (iii) the revocation or variation of the authority given to the Board of Directors of the Company under this special resolution by a special resolution of the Company’s shareholders in general meetings.

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## NOTICE OF ANNUAL GENERAL MEETING

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“Rights Issue” means an offer of shares open for a period fixed by the Board of Directors of the Company to holders of Shares on the register of members on a fixed record date in proportion of their then holdings of such Shares (subject to such exclusion or other arrangements as the Board of Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirement of, any recognised regulatory body or any stock exchange in any territory applicable to the Company) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.”

- 7B. “**THAT** the Board of Directors 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 7A, 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.”
- 7C. “**THAT**, the proposed amendment to the first paragraph of Article 105 of the Articles of Association of the Company, i.e. the number of Directors of the Board is changed from 13 to 12, is hereby approved.”
- 7D. “**THAT** proposed amendment to the Articles of Association of the Company in respect of the share capital structure be and is hereby approved as follows:

The existing sixth paragraph of Article 20, i.e. “The share capital structure after the said additional issuance of H shares shall be as follows: the Company has a total of 12,251,362,273 ordinary shares, of which China National Aviation Holding Company holds 4,949,066,567 Domestic Shares, representing approximately 40.40% of the Company’s total share capital; China National Aviation Corporation (Group) Limited holds 1,380,482,920 Foreign Shares, representing approximately 11.27% of the Company’s total share capital; Cathay Pacific Airways Limited holds 2,122,472,455 Overseas-Listed Foreign Shares (H shares), representing approximately 17.34% of the Company’s total share capital; other holders of Overseas-Listed Foreign Shares (H shares) hold 2,283,210,909 shares, representing approximately 18.63% of the Company’s total share capital; other holders of the Domestic Shares hold 1,516,129,422 shares, representing approximately 12.38% of the Company’s total ordinary shares in issue.”

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is replaced by the following:

“The current share capital structure of the Company shall be as follows: the Company has a total of 12,251,362,273 ordinary shares, of which holders of A shares hold 7,845,678,909 shares, representing approximately 64.04% of the Company’s total issued ordinary shares; holders of H shares hold 4,405,683,364 shares, representing approximately 35.96% of the Company’s total issued ordinary shares.”

This special resolution 7D is subject to approval by relevant PRC authorities.”

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

Beijing, PRC, 14 May 2008

*As at the date of this Notice, the Directors of the Company are Messrs Kong Dong, Wang Shixiang, Yao Weiting, Ma Xulun, Christopher Dale Pratt, Chen Nan Lok, Philip, Cai Jianjiang, Fan Cheng, Hu Hung Lick, Henry\*, Wu Zhipan\*, Zhang Ke\* and Jia Kang\*.*

\* *Independent non-executive Directors of the Company*

*Notes:*

### **1. 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 1 May 2008 to 30 May 2008 (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 qualify for the final dividends, 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 4:00 p.m. on 30 April 2008. The final dividends are expected to be paid on 26 June 2008 after it is approved at the AGM.

Shareholders of the Company whose names appear on the register of members of the Company at the close of business on 30 April 2008 are entitled to attend the AGM.

### **2. Notice of attendance**

Shareholders who intend to attend the AGM should complete and lodge the accompanying notice of attendance and return it to, for holders of H Shares, the Company’s H Share registrar, or for holders of A Shares, the Company’s Board Secretariat, on or before 9 May 2008. The notice of attendance may be delivered by hand, by post or by fax to the Company’s H Share registrar, or to the address of the Company’s Board Secretariat (as may be applicable). 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.

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### 3. 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 appointer 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 or at the address of the Company's Board Secretariat for holders of A 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 or the address of the Company's Board Secretariat (as may be applicable).

### 4. 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:

Room 1806-1807  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990

- (iii) The address of the Company's Board Secretariat is:

Secretariat of the Board  
Air China Limited  
30 Tianzhu Road  
Tianzhu Airport Economic Development Zone  
Beijing 101312  
PRC  
Tel No.: (86 10) 6146 2791  
Fax No.: (86 10) 6146 2805  
Contact Person: Mr. Guo Jinghua