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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)

**ANNOUNCEMENT IN RELATION TO FUEL HEDGING ACTIVITIES
AND PROFIT WARNING**

I. Announcement on Fuel Hedging Activities

The Company has made a series of announcements in relation to its fuel hedging activities on 15 October 2008, 28 October 2008, 21 November 2008 and 19 December 2008. The international oil prices have continued to drop since December 2008. The closing price of the West Texas Intermediate (WTI) crude oil on the New York Mercantile Exchange was US\$44.60 per barrel on 31 December 2008. The average price for crude oil in December 2008 was US\$42.04 per barrel. Taking such prices into account in the Company's calculation, the fair value losses on the fuel hedging contracts of the Company as at 31 December 2008 has increased to RMB6.8 billion (unaudited). Actual loss from the settlement of the fuel hedging contracts of the Company in December 2008 was approximately US\$52.8 million. Such actual loss will not have a significant adverse impact on the cash flow of the Company.

Faced with the dramatic fall in oil prices, the Company has actively optimized and adjusted its fuel hedging contracts, following which the fair value losses and the actual loss from the settlement of the fuel hedging contracts decreased by an amount greater than the amount paid by the Company to make the adjustments thereby resulting in an overall reduction in loss. The Company's fuel hedging contracts are still structured as buying call options and selling put options.

The Company is currently assessing the effectiveness of its fuel hedging positions as at 31 December 2008 in accordance with the relevant accounting principles. The Company will implement accounting treatment in strict compliance with the relevant accounting principles and will make due disclosures as required under relevant regulations and rules.

Although the abovementioned fair value losses on the fuel hedging contracts have a negative effect on the financial position of the Company for the year ended 31 December 2008, the fall in oil prices has helped the Company to reduce its fuel spot purchasing cost. The Company asks the investors to note that the fair value losses of the abovementioned fuel hedging contracts are in relation to the remaining period of the fuel hedging contracts and may increase or decrease depending on future movements in market prices relative to the oil prices as at the end of December 2008.

II. Announcement on the Expected Loss for the results of the year ended 31 December 2008

1. Estimated results of the period

- (i) Period: the estimated results apply to the period from 1 January 2008 to 31 December 2008
- (ii) Estimated results: the finance department of the Company has, based on the financial data for the period from January to December 2008 and applying the PRC Accounting Standards, made a preliminary estimate that the Company will incur significant loss for the year ended 31 December 2008. Detailed financial information will be disclosed in the Company's annual report for the year ended 31 December 2008.
- (iii) The estimated results mentioned above have not been audited by certified auditors.

2. Results of the corresponding period in 2007

- (i) Net profit attributable to shareholders of the Company's parent company i.e. China National Aviation Holding Company: RMB3,881 million
- (ii) Basic earnings per share: RMB0.3267

3. Reasons for the expected loss

- (i) Decrease in results of aviation operation: due to the adverse effects of the Sichuan earthquake, market fluctuations during the Olympics Games and the global financial crisis, the aviation market experienced a general shrinking demand in 2008 and traffic revenue was significantly lower than expected. Although international crude oil prices have fallen dramatically since September 2008 and October 2008, the oil prices for the year 2008 were still significantly higher than that of the previous year on the whole and the Company experienced substantial increase in its jet fuel cost as compared with that of the same period last year.
- (ii) Fair value losses on fuel hedging activities: the fair value losses as at 31 December 2008 on the fuel hedging contracts held by the Company will have a considerable effect on the financial results for the year ended 31 December 2008.

INVESTORS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN SHARES OF THE COMPANY

This announcement is issued by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Air China Limited
Huang Bin Tam Shuit Mui
Joint Company Secretaries

Beijing, PRC, 16 January 2009

As at the date of this announcement, the Directors of the Company are Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Wang Shixiang, Mr. Christopher Dale Pratt, Mr. Chen Nan Lok, Philip, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Hu Hung Lick, Henry, Mr. Wu Zhipan*, Mr. Zhang Ke* and Mr. Jia Kang*.*

* *Independent non-executive Directors of the Company*