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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)

MAJOR TRANSACTION:

PURCHASE OF 20 AIRBUS 330-SERIES AIRCRAFT

The Company hereby announces that on 26 June 2008 the board of Directors of Company approved the Airbus Aircraft Purchase Agreement among the Company, AIE and Airbus Company and pursuant to which the Company has agreed to purchase 20 Airbus 330-Series aircraft from Airbus Company.

The Airbus Transaction constitutes a major transaction of the Company under the Listing Rules. The Company will, pursuant to the Listing Rules, dispatch a circular containing the information required under the Listing Rules in relation to the Airbus Transaction within 21 days after the publication of this announcement. An extraordinary general meeting of the Company will be convened to approve the Airbus Transaction.

AIRBUS AIRCRAFT PURCHASE AGREEMENT

On 26 June 2008 the board of Directors of Company approved the Airbus Aircraft Purchase Agreement among the Company, AIE and Airbus Company and pursuant to which the Company has agreed to purchase 20 Airbus 330-Series aircraft from Airbus Company. The details of the Airbus Transaction are summarized as follows:

The Effective Date of the Airbus Transaction:

26 June 2008

Parties to the Airbus Transaction:

- (i) the Company, as the purchaser, the principal business activity of which is air passenger, air cargo and airline-related services;
- (ii) AIE, as the import agent for the Company; and
- (iii) Airbus Company, as the vendor, one of whose principal business activity is aircraft manufacturing.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Airbus Company and each of the ultimate beneficial owner of Airbus Company are independent third parties and not connected persons (as defined in the Listing Rules) of the Company.

Aircraft to be acquired:

The Airbus Aircraft, i.e. 20 Airbus 330-series aircraft

Consideration:

The aircraft basic price comprises the airframe price, optional features prices and engine price. The aircraft basic price of the Airbus Aircraft in aggregate is approximately US\$3,821 million (HK\$29,842 million). The aircraft price is subject to price escalation by applying a formula. Airbus Company has granted to the Company significant price concessions with regard to the Airbus Aircraft. These will take the form of credit memorandum which may be used by the Company towards the final price of the Airbus Aircraft or may be sued for the purchase of goods and services from Airbus Company. Such credit memorandum were determined after arm's length negotiations between the parties and as a result, the actual consideration for the Airbus Aircraft is lower than the aircraft basic price mentioned above.

The Airbus Transaction was negotiated and entered into in accordance with customary business practice. Taking into account all the factors relating to the purchase of aircraft by the Company, including the market condition, the type, number and delivery schedule of aircraft being purchased, the extent of the price concessions granted to the Company in the Airbus Transaction is comparable with the price concessions that the Company had obtained in the previous aircraft purchase entered into between the Company and Airbus Company on 10 July 2007 (the **2007 Airbus Aircraft Purchase**). The Company believes that there is no material impact of the price concessions obtained in the Airbus Transaction on the unit operating cost of the Company's fleet. It is normal business practice of the global airline industry to disclose the aircraft basic price, instead of actual price, for aircraft acquisition. Disclosure of the actual consideration would result in the loss of the significant price concessions and hence a significant negative impact on the Company's cost for the Airbus Transaction, and would therefore not be in the interest of the Company and the Company's shareholders as a whole. The Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.58(4) of the Listing Rules in respect of disclosure of the actual consideration of the Airbus Aircraft.

As the 2007 Airbus Aircraft Purchase and the Airbus Transaction were entered into within a 12 month period and were both with Airbus Company, pursuant to Rule 14.22 of the Listing Rules, their transaction amounts should be aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. The aggregated transaction amount is approximately US\$5,227 million (HK\$40,823 million).

As the relevant percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Transaction with aggregated transaction amount with 2007 Airbus Aircraft Purchase is above 25% but less than 100%, the Airbus Transaction constitutes a major transaction and is therefore subject to approval by the Company's shareholders under the Listing Rules.

Payment and delivery terms:

The aggregate consideration for the acquisition of Airbus Aircraft is payable by cash in instalments. The Company is expecting to take delivery of the Airbus Aircraft in stages from early 2011 to 2014.

Source of funding:

The Airbus Transaction will be funded through cash generated from the Company's business operations, commercial bank loans and other debt instruments of the Company. The Company does not expect the Airbus Transaction to have any material impact on its cash-flow position or its business operations.

REASONS FOR AND BENEFITS OF THE AIRBUS TRANSACTION

The Airbus Aircraft will increase the fleet capacity of the Company in terms of available tonne kilometres per annum by approximately 16.5% compared with the Company's available tonne kilometres of 2007, and will principally reinforce Beijing's position as a transportation hub and increase frequency of flights, departing originally from Beijing, of a number of key domestic or international routes. The Company expects the Airbus Aircraft will deliver more cost-efficient performance and provide more comfortable services to passengers.

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

FURTHER INFORMATION

CNAHC currently directly owns approximately 51.66% of the total issued share capital of the Company. Each of CNAHC and its associates (as defined in the Listing Rules) does not have any interest in the Airbus Transaction other than as a shareholder of the Company (where applicable). No shareholder of the Company is required to abstain from voting if the Company was to convene a general meeting for the approval to the Airbus Transaction. Pursuant to Rule 14.44 of the Listing Rules, a written approval of CNAHC may be accepted in lieu of holding a general meeting to approve the Airbus Transaction.

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

The Company will, pursuant to the Listing Rules, dispatch a circular containing the information required under the Listing Rules in relation to the Airbus Transaction within 21 days after the publication of this announcement.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AIE”	Air China Import and Export Co., a company incorporated in the People's Republic of China and a wholly-owned subsidiary of the Company
“Airbus Aircraft”	20 Airbus 330-Series aircraft to be purchased by the Company pursuant to the Airbus Aircraft Purchase Agreement

“Airbus Aircraft Purchase Agreement”	the aircraft acquisition agreement effective as of 26 June 2008 pursuant to which the Company has agreed to acquire and Airbus Company has agreed to sell the Airbus Aircraft
“Airbus Company”	Airbus S. A. S., a company incorporated in Toulouse, France
“Airbus Transaction”	the acquisition by the Company of the Airbus Aircraft pursuant to the Airbus Aircraft Purchase Agreement
“Company”	Air China Limited, a company incorporated in the People’s Republic of China whose H shares have a primary listing on The Stock Exchange of Hong Kong Limited and secondary listing on the Official List of the UK Listing Authority and whose A shares are listed on the Shanghai Stock Exchange
“CNAHC”	China National Aviation Holding Company, a company incorporated in the People’s Republic of China
“Director(s)”	the director(s) of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	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 Li Man Kit
Joint Company Secretaries

Beijing, 26 June 2008

As at the date of this announcement, 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 Director of the Company*