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)

TRADING STATEMENT
ISSUE OF PRICE SENSITIVE INFORMATION

BACKGROUND

Since 15 October 2008 when Air China Limited (the ***Company***) made a profit warning announcement in relation to operating losses for the nine months ended 30 September 2008 and 28 October 2008 when the Company announced its results for the third quarter of 2008, international crude oil price has plunged in the wake of the global financial tsunami. Accordingly, the loss in the fair value of the fuel hedging contracts held by the Company has increased further. The board of directors of the Company has placed great emphasis on the impact of the hedging contracts on the financial position of the Company and is actively taking appropriate measures with reference to the market conditions to cope with and control the possible risks.

The Company is making this announcement to further explain the details of the fuel hedging contracts.

FAIR VALUE LOSSES ON FUEL HEDGING CONTRACTS

Fuel costs constitute a significant component of the Company's operating costs, accounting for more than 40% of the Company's annual operating costs for this year to-date. Therefore, controlling the impact of rises in fuel price is key to sustaining the Company's growth and maintaining the stability in its generation of profits. The purpose of entering into fuel hedging contracts is to enable the Company to lock in the price of fuel over a contractually specified period through the use of financial instruments and to mitigate as much as possible the risks of any future possible rises in fuel price. According to the applicable accounting principles, any change in the fair value of hedging contracts due to movements in market prices shall be reflected in the financial statements of the relevant accounting period.

For hedging purpose, the Company entered into fuel hedging contracts with certain counterparties, the economic effect of which is equivalent to (1) entitling the Company to buy certain amounts of fuel from the counterparties during the contractually specified period at pre-determined prices and (2) entitling the counterparties to sell certain amounts of fuel to the Company during the contractually specified period at pre-determined prices. Under the aforesaid hedging contracts, the prices at which the Company is entitled to buy fuel will be considerably higher than that at which the counterparties are entitled to sell fuel to the Company.

The hedging contracts currently held by the Company were entered into in July 2008 with the longest term until the year 2011. These hedging contracts were entered into when international oil prices were at historical high levels and the general market consensus then was that high oil prices would prevail for a long period of time. Accordingly, in light of such general market consensus, the cost of fuel hedging contracts which only hedged against the risk of rises in fuel price correspondingly was considerably high. The Company decided to fulfill its aim of hedging against the risk of increasing fuel prices at lower cost through the price lock-in mechanism under the hedging contracts pursuant to which the Company obtained the right to buy fuel from counterparties at fixed prices while granting counterparties the right to sell fuel to the Company at lower fixed prices. Further, the contracts lock in fuel prices at the contract prices even where fuel price in the market falls and the Company has the obligation to buy fuel at such agreed contract prices from the counterparties. The Company's obligation under the hedging contract to purchase at contract prices is the necessary cost for hedging against the risk of fuel price increases.

The Company has maintained its policy in relation to hedging activities which is that hedging activities should be commensurate with its actual operations and that the aggregate fuel volumes hedged under the hedging contracts should not exceed the amount of fuel approved by the board of directors of the Company (which for the year 2008 is 50% ±10% of the amount of fuel acquired). Through such hedging contracts, where fuel price increases, the gains resulting from the right to buy fuel at fixed prices lower than spot prices can, to a certain extent, mitigate the higher spot purchase prices paid by the Company. On the other hand, where fuel prices fall, the operational savings made by the Company from purchasing at low spot fuel prices will mitigate the loss incurred as a result of fulfilling its obligation to buy fuel at the agreed prices under the hedging contracts which are higher than the spot prices.

Since 28 October 2008 when the Company announced its results for the third quarter of 2008, international oil prices have continued to plummet and the cost of fuel for the Company decreased in October. However, as at 31 October 2008, based on the then prevailing fuel prices, the agreed prices and volumes of fuel which the counterparties may require the Company to purchase under the hedging contracts before the end of the prescribed period, the fair value loss on the hedging contracts amounted to approximately RMB3.1 billion, which is approximately RMB2.1 billion higher than the fair value loss disclosed in the Company's third quarterly results. Investors should note that the above fair value loss is discounted cash flow calculated as at 31 October 2008 on the possible aggregate loss that may be incurred in relation to the entire remaining period of the hedging contracts. However, such fair value loss is not actual cash loss and therefore has no cash impact on the Company. The actual amount of loss depends on the future movements in oil prices and adjustments of the fuel hedging positions of the Company which may result in an amount to the Company higher or lower than the fair value loss stated above. As at 31 October 2008, such hedging contracts have not caused any actual cash loss. If the international oil price continues to remain at such low levels during the remaining period of the hedging contracts, the Company may be able to gradually make up for the fair value losses incurred through the hedging contracts with actual operational savings from fuel purchases at such low prices on the spot market.

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
Kong Dong
Chairman of the Board

Beijing, PRC, 21 November 2008

As at the date of this announcement, the Directors of the Company are Messrs Kong Dong, Wang Yinxiang, Wang Shixiang, 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*