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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) General Mandate to Issue Debt Financing Instruments
(III) Proposed Change of Auditor and Internal Control Auditor
(IV) Proposed Payment of Final Dividends
(V) Proposed Second Grant under the Stock Appreciation Rights Programme
and
Notice of Annual General Meeting

A letter from the Board is set out on pages 3 to 11 of this circular.

A notice convening the annual general meeting of the Company to be held at 2:00 p.m. on Thursday, 23 May 2013 at The Conference Room, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC, is set out on pages IV-1 to IV-5 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.

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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 2012 annual general meeting of the Company to be held at 2:00 p.m. on Thursday, 23 May 2013 at The Conference Room, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC for the Shareholders 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 PRC, 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
“Debt Financing Instruments”	the debt financing instruments denominated in RMB or foreign currencies to be issued by the Company and/or its controlled or wholly-owned subsidiary in one or multiple tranches, including but not limited to corporate bonds, ultra-short-term commercial paper, short-term commercial paper, mid-term notes, domestic non-public targeted debt financing instruments, overseas non-public targeted debt financing instruments and overseas bonds/notes
“Director(s)”	the director(s) of the Company
“Group”	The Company and its subsidiaries
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Incentive Recipients”	certain Directors, senior management and key technician and managerial personnel of the Group who will be proposed to be granted the Stock Appreciation Rights
“Latest Practicable Date”	means 28 March 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Measures”	the 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
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Second Grant Proposal”	the proposal for the second grant of the Stock Appreciation Rights by the Company as set out in Appendix II to this circular
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Appreciation Right(s)”	the stock appreciation rights granted under the stock appreciation rights programme of the Company, representing the rights conferred to the Incentive Recipients to receive stipulated earnings from the increase in share price of H Shares, subject to specific timeframe and conditions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



中國國際航空股份有限公司
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Directors:

Non-Executive Directors:

Wang Changshun (*Chairman*)

Wang Yinxiang

Cao Jianxiong

Sun Yude

Christopher Dale Pratt

Sai Cheung Shiu, Ian

Executive Directors:

Cai Jianjiang (*President*)

Fan Cheng

Independent Non-Executive Directors:

Fu Yang

Li Shuang

Han Fangming

Yang Yuzhong

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

3 April 2013

To the Shareholders

Dear Sir or Madam,

(I) General Mandate to Issue Shares
(II) General Mandate to Issue Debt Financing Instruments
(III) Proposed Change of Auditor and Internal Control Auditor
(IV) Proposed Payment of Final Dividends
(V) Proposed Second Grant under the Stock Appreciation Rights Programme
and
Notice of Annual General Meeting

I. INTRODUCTION

It is proposed that at the annual general meeting of the Company to be held on Thursday, 23 May 2013, the notice of which is set out on pages IV-1 to IV-5 of this circular, resolutions will be proposed to, among others, (i) give general mandates to the Directors to issue shares

LETTER FROM THE BOARD

and increase the registered capital of the Company; (ii) give a general mandate to the Directors to issue debt financing instruments; (iii) appoint KPMG as the Company's international auditor and KPMG Huazhen (Special General Partnership) as the Company's domestic auditor and internal control auditor respectively for the year ending 31 December 2013; (iv) approve the proposed payment of final dividends for the year ended 31 December 2012; and (v) approve the revised Management Measures and the Second Grant Proposal.

II. 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 (as defined in the accompanying notice of the AGM), to separately or concurrently, allot, issue, and deal with additional A Shares and/or 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 "**Share Issue Mandate**"). The Share Issue Mandate will lapse at the conclusion of the Relevant Period (as defined in the accompanying notice of the AGM). The Company shall obtain the approval of the CSRC and other relevant authorities for any issue of new shares under the Share Issue Mandate.

The special resolution will also propose 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 Share Issue 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.

III. GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS

1. Background

Given the general mandate to issue debt financing instruments granted by Shareholders at the last annual general meeting will lapse at the conclusion of the AGM, a special resolution will be proposed at the AGM to grant a general mandate to the Directors to issue the Debt Financing Instruments (the "**Debt Financing Instrument Issue Mandate**").

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2. Particulars of Debt Financing Instruments

Particulars regarding the proposed issuance of the Debt Financing Instruments are as follows:

- | | |
|--|---|
| (i) Issuer: | the Company and/or its wholly-owned or controlled subsidiary |
| (ii) Placing arrangement: | no preferential placement to the Shareholders |
| (iii) Issue size: | the total balance of the Debt Financing Instruments outstanding will fall within the requirements under relevant laws and regulations as well as those specified by regulatory authorities |
| (iv) Term and type: | not more than 15 years for one single-term instrument or a portfolio of instruments with various terms |
| (v) Use of proceeds: | the proceeds to be raised from the issuance are intended to be used towards meeting the demand of the Company's operations, adjusting its debt structure, replenishing its working capital and/or funding its capital investments, among others |
| (vi) Term of validity of the resolution: | from the date of the passing of the resolution at the AGM to the date of the annual general meeting of the Company for the year ending
31 December 2013 |

If the Board and/or its authorised person have resolved to issue the Debt Financing Instruments within the term of the Debt Financing Instrument Issue Mandate and the Company has obtained the approval, permission or registration for the issuance from the relevant regulatory authorities within the same period, the Company may complete the issuance within the validity period of such approval, permission or registration.

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3. Authorisation to the Board

3.1 It is proposed to the Shareholders at the AGM to authorise the Board, generally and unconditionally, to deal with the following in accordance with the specific needs of the Company and market conditions:

- (i) to determine the issuer, issue size, type, specific instruments, detailed terms, conditions and other matters relating to the issuance (including, but not limited to, the issue size, principle amount, currency, issue price, interest rate or mechanism for determining the interest rate, issue place, issue timing, term, whether or not to issue in multiple tranches and number of tranches, whether or not to set repurchase or redemption terms, credit rating, guarantee, repayment term, specific fund-raising arrangements within the scope approved at a general meeting, detailed placing arrangements, underwriting arrangements and all other matters relating to the issuance);
- (ii) to carry out all necessary and ancillary actions and procedures (including, but not limited to, select and engage intermediary institutions, handle all approval, registration and filing procedures with the relevant regulatory authorities in connection with the issuance on behalf of the Company, execute all necessary documents, select bonds trustee manager for the issuance, formulate rules for the bondholders' meeting and handle any other matters relating to the issuance and trading);
- (iii) to approve, confirm and ratify any action or procedure relating to the issuance as mentioned above already taken by the Company;
- (iv) to make adjustments to the specific proposals for the issuance in accordance with the comments from the relevant regulatory authorities or the market conditions within the authority granted at a general meeting, in the case of any change in policies of regulatory bodies in relation to the issuance, or any change of market conditions, except where voting at a general meeting is required by any relevant laws and regulations and the articles of association of the Company;
- (v) to determine and handle all relevant matters relating to the listing of the Debt Financing Instruments upon the completion of the issuance;
- (vi) in the case of issuance of corporate bonds, to determine not to distribute dividends to the Shareholders to safeguard repayment of debts as required under the relevant laws and regulations in the event that the Company expects to, or does fail to pay the principal and/or coupon interests of such bonds as they fall due; and
- (vii) to approve, execute and dispatch any announcements or circulars relating to the issuance and make any related disclosure in accordance with the listing rules of the relevant jurisdictions where the shares of the Company are listed.

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- 3.2 Upon the approval of paragraph 3.1 above at the AGM, it is proposed that the Shareholders shall authorise the Board to delegate the authorisations set forth in items (i) to (vi) of paragraph 3.1 above to the president and/or the general accountant of the Company.
- 3.3 Upon the approval of paragraph 3.1 above at the AGM, it is proposed that the Shareholders shall authorise the Board to delegate the authorisation set forth in item (vii) of paragraph 3.1 above to the secretary of the Board.

IV. PROPOSED CHANGE OF AUDITOR AND INTERNAL CONTROL AUDITOR

China National Aviation Holding Company, being the controlling shareholder of the Company, is a central state-owned enterprise regulated by the State-owned Assets Supervision and Administration Commission of the State Council. According to the relevant regulations issued by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, there are restrictions on the number of years an accounting firm can continuously provide audit services to a central state-owned enterprise and its subsidiaries. Since the number of years the Company has engaged Ernst & Young and Ernst & Young Hua Ming CPAs Limited Company (Special General Partnership) (collectively, "E&Y") has exceeded the prescribed time limit, E&Y will retire as the auditor of the Company (the "Auditor") with effect from the close of the AGM and will not be re-appointed. Meanwhile, the Company will not re-appoint Deloitte Touche Tohmatsu CPA Ltd. (Special General Partnership) as its internal control auditor.

As recommended by the Audit Committee of the Company, the Board has resolved to propose an ordinary resolution at the AGM to appoint KPMG as the Company's international auditor and KPMG Huazhen (Special General Partnership) as the Company's domestic auditor and internal control auditor respectively for the year 2013.

E&Y has confirmed in writing that there are no matters that need to be brought to the attention of the shareholders of the Company in connection with the change of Auditors. The Board is not aware of any matters that need to be brought to the attention of the shareholders of the Company in connection with the above change of Auditors.

The proposed appointment of the above Auditors and internal control auditor of the Company is subject to the Shareholders' approval at the AGM.

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V. PROPOSED PAYMENT OF FINAL DIVIDENDS

Reference is made to the results announcement of the Company dated 26 March 2013 in respect of the recommended payment of a final dividend of RMB0.5935 (including tax) per ten shares for the year ended 31 December 2012.

Based on the 2012 profit distribution plan of the Company, the Company will appropriate 10% of the balance of the net profit of the Company of the year 2012 as set out in the financial statements prepared under the PRC Accounting Standards into the discretionary surplus reserve and distribute a cash dividend of RMB777 million, or RMB0.5935 (including tax) per ten shares based on the total number of 13,084,751,004 shares of the Company as at the Latest Practicable Date, for the year 2012.

The proposed payment of the 2012 final dividends is subject to shareholders' approval at the AGM. The 2012 final dividends will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 10 June 2013. Dividends payable to the Shareholders shall be denominated and declared in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi while dividends payable to the holders of H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average of the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to the declaration of the 2012 final dividends (if approved) at the AGM.

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" (《中華人民共和國企業所得稅法》) and the "Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (《中華人民共和國企業所得稅法實施條例》), both implemented on 1 January 2008 and the "Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Offshore Non-resident Enterprise Holders of H Shares" (Guo Shui Han[2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated on 6 November 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% from 2008 onwards 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 organisations 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.

In accordance with the "Circular on Certain Issues Concerning the Policies of Individual Income Tax" (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the

LETTER FROM THE BOARD

PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the 2012 final dividends to individual shareholders whose names appear on the register of members of H shares of the Company.

Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H shares of the Company in the PRC and in Hong Kong and other tax effects.

VI. PROPOSED SECOND GRANT UNDER THE STOCK APPRECIATION RIGHTS PROGRAMME

1. Introduction

Pursuant to relevant notices issued by SASAC in relation to the implementation of equity incentive system by state-owned listed companies and SASAC's reply on implementation by Air China Limited of the second grant of the stock appreciation rights, the Board has resolved to propose a special resolution at the AGM to approve the revised Management Measures and the Second Grant Proposal and to authorise the Board and/or the nomination and remuneration committee of the Board to implement, at its direction, the relevant matters relating to the Second Grant Proposal, including but not limited to the determination of scope of grant, incentive recipients, quantity of grant, date of grant, period of validity, effective arrangement, conditions of grant and effective performance conditions and all other matters.

2. Second Grant Proposal

It is proposed by the Board that approximately 26.04 million of the Stock Appreciation Rights in total, representing approximately 0.2% of the total issued share capital of the Company as at the Latest Practicable Date, will be granted to 162 persons (the final number and name list of the Incentive Recipients shall be determined upon the actual number and list of persons holding the relevant offices in the Company at the date of grant), upon satisfaction of certain conditions for the grant and subject to the approval of the Second Grant Proposal by the Shareholders at the AGM. For details of the proposed Incentive Recipients, the average number of shares to be granted in each hierarchy level, the exercise price of the Stock Appreciation Rights and the conditions of grant, please refer to the Second Grant Proposal as set out in Appendix II to this circular.

3. General

Pursuant to the stock appreciation rights programme, the Incentive Recipients will be granted certain Stock Appreciation Rights. Each unit of Stock Appreciation Rights is notionally linked to one H Share and represents the rights conferred to the relevant Incentive Recipient to receive in cash stipulated earnings from the increase in market share price of the relevant H Share. However, no H Shares will actually be issued to any Incentive Recipient. The stock appreciation rights programme does not involve the grant of options over new shares or other new securities issuable by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Listing Rules.

LETTER FROM THE BOARD

The list of the Incentive Recipients and their entitlements for the second grant of the Stock Appreciation Rights set out in the Second Grant Proposal were proposals only and the Board currently plans to confirm the Incentive Recipients and their entitlements at the time of grant. The proposed grant of the Stock Appreciation Rights to the Directors had been approved by the independent non-executive Directors and no Incentive Recipients of the second grant of the Stock Appreciation Rights holds more than 5% of the shares of the Company carrying voting rights in the Company as at the Latest Practicable Date.

The revised Management Measures and the Second Grant Proposal are subject to the Shareholders' approval at the AGM.

VII. RECOMMENDATION

The Directors consider that the proposed resolutions set out in the notice of the AGM are in the best interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of all the resolutions at the AGM.

VIII 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 2012, the full text of which is set in Appendix III to this circular.

IX. AGM

The Company will convene the AGM at The Conference Room, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC at 2:00 p.m. on Thursday, 23 May 2013. A notice of AGM, a form of proxy and an attendance notice will be dispatched to the Shareholders in accordance with the Listing Rules on Wednesday, 3 April 2013. The notice of AGM is reproduced on pages IV-1 to IV-5 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 Friday, 3 May 2013.

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.

LETTER FROM THE BOARD

X. GENERAL INFORMATION

The Company will close its register of members and suspend the registration of transfer of shares from Tuesday, 23 April 2013 to Thursday, 23 May 2013 (both days inclusive) in order to determine the shareholders list of the Company who will be entitled to attend and vote at the AGM.

Shareholders of the Company whose names appear on the register of members of the Company on the close of business of Monday, 22 April 2013 may attend the AGM after completing the registration procedures. In order to qualify for attendance at the AGM, 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 Monday, 22 April 2013.

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 Friday, 3 May 2013.

By order of the Board
Wang Changshun
Chairman

Beijing, the PRC

The Measures on Management of the Stock Appreciation Rights are prepared in the Chinese language and the English version is therefore a translation only. In the event of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

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

CHAPTER 1 GENERAL PROVISIONS

- 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.

APPENDIX I MEASURES ON MANAGEMENT OF THE STOCK APPRECIATION RIGHTS
(REVISED)

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.

APPENDIX I MEASURES ON MANAGEMENT OF THE STOCK APPRECIATION RIGHTS
(REVISED)

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.

APPENDIX I MEASURES ON MANAGEMENT OF THE STOCK APPRECIATION RIGHTS
(REVISED)

- 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.
- 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.

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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 When the SARs are exercised, evaluation shall be made on the accomplishment of an incentive recipient's personal performance contract. If the incentive recipient has achieved the performance targets of his personal performance contract for the year, his SARs shall be realized; where an incentive recipient has not achieved his performance targets, his SARs for the current period shall not be exercised and shall be void.

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Article 34 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 35 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 36 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 37 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 38 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 39 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 40 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 41 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 No. 11 – Share-based Payment. The amount drawn shall be disbursed as a management expenses before taxation.
- Article 42 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 43 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 44 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 45 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 46 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.

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Article 47 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 48 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 49 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.

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Article 50 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 51 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
 - i. 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)
 - ii. Share reduction

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

- i. 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)

- ii. Share reduction

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

- iii. 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)

- iv. Cash bonus distribution

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

Article 52 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 53 SARs shall not be transferred, sold, exchanged, mortgaged, provided as a guarantee, booked into the account and used for repaying debts without authorisation.

Article 54 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 55 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 56 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 57 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 58 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 59 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 60 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 61 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 62 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 PROVISIONS

- Article 63 The Nomination and Remuneration Committee of the Company shall be responsible for the interpretation of these Management Measures.
- Article 64 These Management Measures shall be implemented upon approval at a shareholders' general meeting.
- Article 65 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.
- Article 66 The Implementing Rules for the Measures on Management of the Stock Appreciation Rights in Respect of Air China Limited (Provision) (Guo Hang Gu Fen Fa [2007] No.188) shall be annulled automatically.

The Proposal of Second Grant of the Stock Appreciation Rights is prepared in the Chinese language and the English version is therefore a translation only. In the event of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

Air China Limited
Proposal of Second Grant of the Stock Appreciation Rights

In order to motivate executives to continuously improve their management and constantly improve the Company's performance, the Company has formulated the following proposal of second grant of the stock appreciation rights according to *Reply with Approval on Implementation of Proposal of Second Grant of the Stock Appreciation Rights of Air China Limited* (Guo Zi Fen Pei [2012] No. 1100), *Notice on Issuing the Trial Measures for Implementing the Equity Incentive System by the State-controlled Listed Companies (Overseas)* (Guo Zi Fa Fen Pei [2006] No. 8) (hereinafter referred to as "Document No. 8"), *Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System by the State-controlled Listed Companies* (Guo Zi Fa Fen Pei [2008] No. 171) (hereinafter referred to as "Document No. 171"), and on the basis of *H-share Appreciation Rights Plan of Air China Limited* and the revised *Measures on Administration of Stock Appreciation Rights of Air China Limited*.

I. Basic Principles

(I) Legality and compliance

This grant plan will strictly follow the guidelines of Document No. 8 and Document No. 171 formally issued by SASAC and comply with the regulatory requirements.

(II) Performance orientation

The grant plan aims at motivating employees and improving the Company's performance through effective long-term incentives.

(III) Internal fairness

From the perspective of the Company's internal management, the grant plan reflects relatively fair treatments of executives at different levels and promotes the effective implementation of the grant plan.

II. Main Contents

(I) Incentive instrument

H-share appreciation rights are used as the incentive instrument of the grant plan.

(II) Coverage

The stock appreciation rights will be granted to:

1. Directors of the listed company (excluding independent non-executive directors), including the chairman, vice chairman, executive director serving concurrently as the president, directors, totalling six persons;

APPENDIX II PROPOSAL OF SECOND GRANT OF THE STOCK APPRECIATION RIGHTS

2. Senior executives of the Company, referring to persons responsible for decision-making, operations and management of the Company, including the vice president, chief engineer, assistant to the president, secretary for the board of directors and other persons stipulated in the articles of association, totalling nine persons;
3. Key technicians and executives of the Company, including:
 - (1) Executives above Level 13B in Air China (equivalent to the departmental general manager in the headquarters), totalling 107 persons;
 - (2) Executives at Level 19 in overseas marketing organisations (i.e. district general managers in overseas marketing organisations), totalling three persons; and
 - (3) Employees above the corresponding level in the companies controlled by, and within the scope of assets of the listed company: executives above Level 13B in Air China Cargo, Dalian Airlines and Beijing Airlines, the president/vice president/assistant to the president/chief supervisor in Shenzhen Airlines and senior executives (at primary level) in Ameco, totalling 37 persons.

Upon calculation, the stock appreciation rights will be granted to 162 persons. The final number of persons covered and the list thereof shall be subject to the number of persons in position and the list thereof at the time of grant.

(III) Distribution of incentives to persons at various levels

The grant value (expected income) for a single person shall be determined as follows:

1. Expected stock incentive income for the chairman is equivalent to 40% of the total remuneration (including expected long-term incentive income) at the time of grant;
2. For persons at other positions, the expected stock incentive income shall be calculated based on their position coefficients relative to the coefficient of the chairman position set out in the following table:

Position level	Position coefficient	Position level	Position coefficient
Chairman	2.30	13A	1.20
Vice chairman	2.25	13B	1.15
Executive director serving concurrently as the president	2.16	Level 19 in overseas marketing organisations	1.14

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Position level	Position coefficient	Position level	Position coefficient
Director	2.05	Primary level in Ameco	0.90
Senior executives of the Company	1.85	Primary level in Shenzhen Airlines	0.46
14A	1.35	Vice president in Shenzhen Airlines	0.40
14B	1.30	Assistant to the president/chief supervisor in Shenzhen Airlines	0.34

(IV) Quantity of the grant

A total of 26.04 million shares are planned to be granted under the proposal of second grant of the stock appreciation rights, accounting for 0.2% of the share capital (A+H shares) of the Company.

Calculated based on the valuation benchmark date of 29 February 2012 (closing price of that day: HK\$5.86; exchange rate: HK\$1=RMB0.813) and evaluated through B-S model, the value of each share of the appreciation rights is approximately RMB1.98.

The total cost of the proposed second grant of the stock appreciation rights is approximately RMB51.55 million, with specific quantities granted to various employees as follows:

Position level	Number of persons at the level	Average quantity granted to persons at the Level
Chairman	1	343,000
Vice chairman	1	336,000
Executive director serving concurrently as the president	1	303,000
Directors	3	297,000
Senior executives of the Company	9	273,000
14A	9	180,000
14B	17	172,000
13A	36	160,000
13B	45	153,000
Level 19 in overseas marketing organisations	3	151,000

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Position level	Number of persons at the level	Average quantity granted to persons at the Level
Employees above Level 13B in Air China Cargo	11	164,000
Employees above Level 13B in Beijing Airlines	1	160,000
Employees above Level 13B in Dalian Airlines	5	162,000
Primary level in Ameco	2	135,000
Primary level in Shenzhen Airlines	1	68,000
Vice president in Shenzhen Airlines	10	60,000
Assistant to the president/chief supervisor in Shenzhen Airlines	7	51,000
Total	162	26,041,000

(V) Effective period and effective period arrangement

1. Effective period: Stock appreciation rights to be granted shall be valid for five years from the date of grant, i.e., employees may, within five years after the date of grant, exercise their rights according to the pre-arranged timetables for taking effect and exercise of the rights, and any stock appreciation rights that are not exercised within five years from the date of grant shall be annulled.
2. Effective period arrangement: If relevant performance conditions are met, the granted rights shall take effect in batch as follows:

Batch of taking effect	Valid exercise period	Proportion
First batch	From the first trading day following the second anniversary of the date of grant to the last trading day by the end of the fifth anniversary of the date of grant	30%
Second batch	From the first trading day following the third anniversary of the date of grant to the last trading day by the end of the fifth anniversary of the date of grant	40%

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Batch of taking effect	Valid exercise period	Proportion
Third batch	From the first trading day following the fourth anniversary of the date of grant to the last trading day by the end of the fifth anniversary of the date of grant	30%

(VI) Exercise price

According to the relevant regulatory rules, the exercise price of H-share appreciation rights shall not be lower than the highest of the following prices:

1. Closing price of the Company's H shares as of the date of grant;
2. Average closing price of the Company's H shares for five trading days prior to the date of grant; and
3. Par value per H share of the Company.

(VII) Performance conditions for grant and becoming effective

1. Performance index:

According to the provisions of Document No. 171 on establishment of a performance evaluation system, the Company plans to use the following three indexes as performance indexes for the long-term incentives:

- (1) Comprehensive indexes that reflect return for shareholders and value created for the Company: "Economic value added (EVA)" and "return on equity (ROE)"; and
- (2) Growth index that reflects the Company's profitability and market value: "Growth rate of operating revenue".

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2. Benchmark companies

According to Document No. 171, for grant and entry into effect of long-term incentives of the listed company, the performance of the listed company is required to be compared with those of domestic and overseas comparable benchmark peers. Given the industry, scale and other factors, 17 comparable enterprises are selected as the market benchmark companies of the Company, as specified below:

Company	Country/Region	Company	Country/Region
China Eastern Airlines	China	US Airways	U.S.
China Southern Airlines	China	Delta Airlines	U.S.
Cathay Pacific Airways	Hong Kong	Air Canada	Canada
Thai Airways International	Thailand	Air France	France
Korean Air	Republic of Korea	All Nippon Airways (ANA)	Japan
Singapore Airlines	Singapore	Lufthansa	Germany
Qantas	Australia	Scandinavian Airlines (SAS)	Sweden
Continental Airlines	U.S.	Southwest Airlines	U.S.
United Airlines	U.S.		

3. Performance conditions for grant

According to the regulatory rules of SASAC, the performance level of the Company shall not be lower than that of the last three years or the 50th percentile of the benchmark companies.

Based on our calculation, the performance conditions of the Company in 2011 and previous years are in compliance with the regulatory requirements. Historical level of the performance index and performance conditions for grant are as follows:

- (1) EVA: EVA in 2011 was RMB2.59 billion, higher than the average EVA of 2008-2010 (-RMB690 million). After taking into account various factors such as historical level and future development trends, it is confirmed that the EVA for performance conditions for grant is RMB500 million (average capital cost ratio is 5.5%, same below).
- (2) ROE: ROE in 2011 was 16%, higher than the average ROE of Air China Limited in 2008-2010 (8.9%), and higher than 50th percentile of the benchmark companies (4.34%). After taking into account various factors such as historical level and future development trends, it is confirmed that the ROE for performance conditions for grant is 10%.

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- (3) Growth rate of operating revenue: Growth rate of operating revenue of Air China Limited in 2011 is 20%, higher than the average growth rate of Air China Limited in 2008-2010 (12.7%), and higher than 50th percentile of the benchmark companies (9.78%). After taking into account various factors such as historical level and future development trends, it is confirmed that the growth rate of operating revenue for performance conditions for grant is 8%.

4. Performance conditions for rights becoming effect

SASAC requires that in the fiscal year prior to the year of rights becoming effective, the performance index shall not be less than:

- (1) EVA: In the fiscal year prior to the effective year, the audited EVA of the Company based on International Accounting Standards (IAS) shall not be less than the target value below, and not be less than the average performance of the industry or 75th percentile of the benchmark companies:

Performance index	Target value for grant	First batch	Second batch	Third batch
EVA	500 million	500 million	800 million	1 billion

- (2) ROE: In the fiscal year prior to the effective year, the audited ROE of the Company based on IAS shall not be less than the target value below:

Performance index	Target value for grant	First batch	Second batch	Third batch
ROE	10%	11%	12%	13%

- (3) Growth rate of operating revenue: In the fiscal year prior to the effective year, the audited growth rate of operating revenue of the Company based on IAS shall not be less than the target value below:

Performance index	Target value for grant	First batch	Second batch	Third batch
Growth rate of operating revenue	8%	10%	12%	15%

APPENDIX II PROPOSAL OF SECOND GRANT OF THE STOCK APPRECIATION RIGHTS

- (4) Indexes of both ROE and growth rate of operating revenue shall be no less than the average level of the industry and 75th percentile of performance of the benchmark companies.
- (5) Performance evaluation on incentive recipients shall be associated with their annual personal performance evaluation made pursuant to their contracts, which they must sign with the Company in that year. After the annual performance evaluation, those who meet their performance evaluation expectations for the fiscal year prior to the effective year will have their rights and interests vested, otherwise their rights and interests will be annulled.

Therefore, when the above conditions are met, the stock appreciation rights granted may become effective in the relevant effective years in accordance with the predetermined proportion.

(VIII) Income from exercise of rights

According to the relevant provisions of SASAC, stock incentive income shall be reasonably controlled based on performance evaluation indexes and growth of share prices. The Company caps the stock incentive income for the incentive recipients at 40% of their respective remuneration at the time of grant. If that percentage is exceeded, any outstanding stock appreciation rights that are not exercised shall be nullified.

(IX) Special treatments

Document No. 171 provides that once any incentive recipient under the proposed second grant of the stock appreciation rights leaves office, retires, etc., the following measures shall apply:

1. Where the incentive recipient is redeployed, retires, deceases, loses capacity for civil conduct and the stock appreciation rights granted to them become eligible for exercise after the performance evaluation conditions are met, the portion eligible for exercise may be exercised within half a year after the said person leaves office but the stock appreciation rights that are not eligible for exercise due to not reaching the effective period or the performance conditions not being met shall not be exercised.
2. Where any incentive recipient resigns or is dismissed, any outstanding stock appreciation rights that are not exercised shall not be exercised.

The 2012 Duty Report of the Independent Non-executive Directors is prepared in the Chinese language and the English version is therefore a translation only. In the event of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

**DUTY REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE
YEAR 2012**

Dear Shareholders:

Being the independent non-executive directors of Air China Limited (hereinafter referred to as the “Company”), we have diligently carried out our duties and functions, provided objective opinions in strict compliance with the Company Law, the Securities 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. Our performance of duties and functions in 2012 is hereby reported as follows:

I. Basic information of independent non-executive directors

Mr. Fu Yang, aged 63, previously served as deputy director of the Economic Law Office of the National People’s Congress Law Committee, Vice President of the third, fourth and fifth sessions of the All China Lawyers Association, a visiting professor of Center for Environment Law at the Law School of Renmin University of China. He is a partner and the director of Kang Da Law Firm in Beijing. He is also an arbitrator of China International Economic and Trade Arbitration Commission. Mr. Fu has been serving as an independent non-executive director of the Company since June 2009.

Mr. Li Shuang, aged 68, is a professor of accounting and a tutor to doctorate students. Mr. Li graduated from the Foreign Language Department of Beijing Normal University in 1968. In 1982, he obtained a master’s degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance, and in October of the same year lectured at Central Institute of Finance & Banking (currently known as Central University of Finance and Economics) where he served various positions including the Head of the accounting department, director of the academic affair office, Dean and Vice President. From 1994 to 1997, he had been invited to the United States twice as a visiting scholar. In October 1996, he was entitled to the special allowance granted by the State Council. From 1999 to 2004, he worked as a Deputy secretary-in-General and Adviser of the Chinese Institute of Certified Public Accountants. From May 2001 to June 2010, he served as an independent non-executive director of Da Cheng Fund Management Co., Ltd., China Minmetals Non-ferrous Metals Co. Ltd., Zhong Bao Ke Kong Investment Co., Ltd., Beijing Centergate Technologies (Holding) Co., Ltd.,

Shenyin & Wanguo Securities Investment Co., Ltd., Chengde Xinxin Vanadium and Titanium Co., Ltd. and Beijing Wangfujing Department Store (Group) Co., Ltd., respectively. Mr. Li had served as a non-executive director of China Shoto plc. from January 2005 to June 2011. He has been serving as an independent non-executive director of the Company since October 2010.

Mr. Han Fangming, aged 46, graduated from Peking University with a Ph.D degree. Mr. Han was a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and is currently a Deputy Chairman of the Foreign Affairs Committee of CPPCC and the convener of the Public Diplomacy Team, the Deputy Chief Editor and Head of the editorial department of "Public Diplomacy Quarterly", Executive Member of the Chinese-African People's Friendship Association, Executive Member of the Chinese People's Association for Friendship with Foreign Countries, Executive Member of China Economic and Social Council, chairman of China-Africa Economic and Technological Cooperation Committee, Deputy director of China Overseas-Educated Scholars Development Foundation, Vice President of China Society for Southeast Asian Studies and founding chairman of the Charhar Institute under the Think-Tank for Foreign Policy and International relationship, a researcher at the Center for Studies of World Modernisation Process of Peking University, a visiting professor at Tibet University and an arbitrator of the China International Economic and Trade Arbitration Commission. In 1999, he joined TCL Group and was appointed as an independent non-executive director of TCL Multimedia Technology Holdings Limited. He has been serving as an executive director of TCL Corporation from 2006 to June 2011. He has served as Vice Chairman of TCL Corporation since June 2011. Mr. Han has been serving as an independent non-executive director of the Company since October 2010.

Mr. Yang Yuzhong, aged 68, graduated from Beijing Aeronautical Institute majoring in aircraft design and manufacturing. From July 1999 to July 2006, Mr. Yang served as the Deputy General Manager of China Aviation Industry Corporation I, during which period he was also the head of Chinese Aeronautical Establishment and the chairman of AVIC1 Commercial Aircraft Co., Ltd.. Mr. Yang has been a consultant of Aviation Industry Corporation of China since August 2006. He served as an independent non-executive director of China National Materials Company Limited from June 2007 to December 2009. Mr. Yang has been an independent non-executive director of China South Locomotive & Rolling Stock Corporation Limited since December 2007 and an external director of China National Materials Group Corporation Ltd. since December 2009. Mr. Yang has been serving as an independent non-executive director of the Company since May 2011.

During the reporting period, we have submitted to the Stock Exchange of Hong Kong Limited the confirmation of independence in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited to confirm our independent status, and such disclosure is contained in the 2012 annual report of the Company.

II. Attendance of independent non-executive Directors in meetings

As independent non-executive directors, we have actively participated in Board meetings, attended general meetings and presided over meetings of specialized committees under the Board in accordance with the principles of diligence and integrity. Prior to any Board meeting,

we 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, we carefully considered each of the proposals based on our experience and expertise, actively participated in discussions, made relevant recommendations and expressed our independent opinions with objective attitude.

In 2012, the Company convened 14 Board meetings, 4 general meetings, 11 meetings of the audit and risk control committee, 5 meetings of the nomination and remuneration committee, with the attendance rate of each of the independent non-executive Director as shown below:

Name	Attendance of Board meetings in Person	Attendance via Telecommunications	Attendance via Proxy	Absence	Objections Raised	Attendance of General Meetings	Meetings of The Audit and Risk Control Committee	Meetings of The Nomination and Remuneration Committee
Fu Yang	5	8	1	0	None	3	11	5
Li Shuang	6	8	0	0	None	4	11	5
Han Fangming	4	8	2	0	None	1	N/A	5
Yang Yuzhong	6	8	0	0	None	3	N/A	N/A

In addition, by attending the annual working meetings of the Company and receiving special reports and information delivered by the Company on a regular basis, we developed an in-depth understanding of the Company's business and financial operations as well as service guarantee etc. We also made various recommendations on areas such as corporate strategic development, risk management and standardized operations. In view of the above, we have demonstrated our professional strength and played an active role in the decision-making process of the Board and the standardized operations of the Company.

III. Important concerns during the performance of duties by independent non-executive directors during the year

In 2012, we paid special attention to the following issues, made independent objective judgments in connection with the legality and conformity of the decision, implementation and disclosure of relevant issues, and expressed our independent opinions. The details are as follows:

(1) *Connected transactions:*

We provided independent opinions in connection with the Non-public A Share Issue to the controlling shareholder, China National Aviation Holding Company, the establishment of an airport ground handling joint venture in Shanghai, the entering into the framework agreements

by the Company for continuing connected transactions from 2013 to 2015 and the adjustment of relevant annual caps as well as the conduct of connected transactions by the Company in 2012. We considered that the connected transactions between the Company and connected parties were conducted in the ordinary course of business of the Company, the rights and obligations of all relevant parties were determined by agreements on an arm's length basis, and the transaction prices were fair and reasonable and the relevant transactions were conducted on normal commercial terms and practice. Directors and shareholders who had an interest in the transactions had abstained from voting respectively, the voting procedures were legitimate and effective, and there was no action damaging to the interests of all shareholders.

(2) Guarantees in favour of external parties and appropriation of funds

During the reporting period, the Company had not provided any guarantee in favour of external parties, and there were no appropriation of funds by the controlling shareholder or its connected parties for reasons other than operations.

(3) Use of proceeds

During the reporting period, the Company had no fund raising activity.

(4) Nomination of senior management personnel and their remuneration

We carefully reviewed the proposal in connection with the 2012 remuneration adjustment plan and the proposed appointment of Mr. Chai Weixi and Mr. Chen Zhiyong as Vice Presidents of the Company. We expressed our independent opinions and considered that the remuneration adjustment plan of the Company was reasonable and advantageous to attract and retain talented staff as well as to improve the Company's competitive strength, and there were no circumstances damaging the interests of the Company and its shareholders as a whole. Mr. Chai Weixi and Mr. Chen Zhiyong both satisfied with the qualifications specified in the Company Law and the Articles of Association of the Company, and the appointment procedures were complied with the provisions of relevant laws and regulations.

(5) Results alert and preliminary results estimate

During the reporting period, neither results alert nor preliminary results estimate was published by the Company.

(6) Appointment or change of our auditors

We expressed independent opinions on the appointment of Ernst & Young and Ernst & Young Hua Ming as the international and domestic auditors of the Company for the year 2012, respectively, and Deloitte Touche Tohmatsu CPA Ltd. as the internal control auditor for the year 2012. We are of the opinion that, the appointment of the abovementioned auditors by the Company was in the interests of the Company and its shareholders, which had been considered and approved in a legitimate and effective procedure in line with the requirements of relevant laws and regulations and the Articles of Association of the Company.

(7) Cash dividends and other distribution to the investors

During the reporting period, we reviewed and expressed independent opinions on the preliminary profit distribution plan for 2011, the distribution plan of the Company for the next three years (2012-2014), and the relevant amendments to the Articles of Association of the Company in respect of the profit distribution policy. We are of the opinion that, the Company has attached great importance to giving reasonable investment returns to shareholders while maintaining sound and sustainable development. It has established a policy of profit distribution in a sustainable, steady and scientific way, which are in line with the provisions of the existing laws and regulations, and constructive to protecting the legitimate rights and interests of the investors. No acts were found detrimental to the interests of the Company or the interests of minority shareholders.

(8) Fulfilment of undertakings by the Company and shareholders

The Company had sorted out the undertakings made by the Company and the controlling shareholder in previous years, the fulfilment progress of which had been disclosed in the periodic reports in 2012 as required. Having conducted careful review, we believe that neither the Company nor the controlling shareholder has breached their respective undertakings during the reporting period.

(9) Implementation of information disclosure

During the reporting period, the Company prepared and published the 2011 annual report, the first quarterly report, the interim report and the third quarterly report of 2012, and 46 corporate announcements. We have monitored the disclosure of information by the Company in 2012, and are of the opinion that the Company has followed the principles of “open, just and fair” in respect of its information disclosure which was in line with the relevant provisions under the rules governing the listing of securities on the Shanghai Stock Exchange and the Information Disclosure Guidelines of the Company. Therefore, the Company has duly fulfilled its obligation of information disclosure in a true, timely, accurate and complete manner.

(10) Implementation of internal controls

The Company continued to improve its internal control system and steadily proceeded with the construction of the internal control system in strict accordance with regulatory requirements. In 2012, the internal control measures of the Company was assessed by the Board of Directors and audited by the auditors of the Company. The “Self-assessment Report of the Board of Directors on the Company’s Internal Control in 2012” and the “Internal Control Audit Report” from the Board of directors have been completed in compliance with the relevant laws, rules and regulations.

(11) Operation of the Board of Directors as well as its specialized committees

The Board has established four specialized committees, namely, the Audit and Risk Control Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee and the Aviation Safety Committee. Among them, the chairmen of the

Audit and Risk Control Committee and the Nomination and Remuneration Committee are held by independent non-executive directors, with the majority of the committee members being independent non-executive directors. Each of the specialized committee has carried out 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 specialized committees of the Company.

In 2013, we will continue to follow the principles of prudence, diligence and integrity and the spirit of being accountable to the Company and all shareholders in discharging our duties as independent non-executive directors. In addition, we will enhance communications with the directors, supervisors and management of the Company and pay special attention to implementation of cash dividend policy, connected transactions, external guarantees as well as information disclosure matters, thereby protecting the legitimate interests of investors, especially the minority shareholders from any damage, and providing rational recommendations for the sustainable and healthy development of the Company.

Independent non-executive Directors: Fu Yang, Li Shuang, Han Fangming and Yang Yuzhong

26 March 2013



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 2012 will be held at 2:00 p.m. on Thursday, 23 May 2013 at The Conference Room, 29/F, Air China Building, 36 Xiaoyun Road, Chaoyang District, Beijing, PRC for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors (the “**Board**”) of the Company for the year 2012;
2. To consider and approve the report of the supervisory committee of the Company for the year 2012;
3. To consider and approve the audited consolidated financial statements of the Company for the year 2012 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 2012 as recommended by the Board (including approving the appropriation of 10% of the balance of the net profit of the Company of the year 2012 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 RMB777 million, or RMB0.5935 (including tax) per ten shares based on the total number of 13,084,751,004 shares of the Company, for the year 2012 and to authorise the Board to implement such proposals;
5. To consider and approve the appointment of KPMG as the Company’s international auditor and KPMG Huazhen (Special General Partnership) as the Company’s domestic auditor and internal control auditor respectively for the year ending 31 December 2013 and to authorise the management of the Company to determine their remunerations for the year 2013;

SPECIAL RESOLUTIONS

To consider and approve the following resolutions as special resolutions (items 6 to 8):

6. **“THAT**

(a) 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:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the 12 months period following the passing of this resolution; and

(iii) 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; and

- (b) 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 this resolution, 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;”
7. “**THAT** the Board of the Company be and is hereby authorised, generally and unconditionally, to issue, in one or multiple tranche(s), debt financing instruments within the permissible size under the applicable laws and regulations. Debt financing instruments include but are not limited to corporate bonds, ultra-short- term commercial papers, short-term commercial papers, mid-term notes, domestic non-public targeted debt financing instruments, overseas non-public targeted debt financing instruments and overseas bonds/notes denominated in RMB or foreign currencies;”
8. “**THAT** the revised Measures on Management of the Stock Appreciation Rights of the Company and the Proposal for the Second Grant of the Stock Appreciation Rights by the Company be and are hereby approved and the Board of the Company and the nomination and remuneration committee of the Board be and is hereby authorised to implement, at its direction, the relevant matters relating to the second grant of the stock appreciation rights, including but not limited to the determination of scope of grant, incentive recipients, quantity of grant, date of grant, period of validity, effective arrangement, conditions of grant and effective performance conditions and all other matters.”

By order of the Board
Air China Limited
Wang Changshun
Chairman

Beijing, PRC, 3 April 2013

As at the date of this notice, the directors of the Company are Mr. Wang Changshun, 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. Fu Yang, Mr. Li Shuang*, Mr. Han Fangming* and Mr. Yang Yuzhong*.*

* *Independent non-executive director of the Company*

Notes:

1. Closure of Register of Members

(i) *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, 23 April 2013 to Thursday, 23 May 2013 (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, 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 Monday, 22 April 2013.

Shareholders of the Company whose names appear on the register of members of the Company on the close of business on Monday, 22 April 2013 are entitled to attend the AGM.

(ii) *Eligibility for receiving 2012 final dividends*

The Board of the Company has recommended the payment of a final dividend of RMB0.5935 (including tax) per ten shares for the year 2012. If the final dividend is payable by the passing of Resolution No. 4 by the shareholders, it will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 10 June 2013.

The register of members of the Company will be closed from Tuesday, 11 June 2013 to Sunday, 16 June 2013 (both dates inclusive) during which period no transfer of H shares of the Company will be registered. In order to be entitled to receive the 2012 final dividends (if approved), all transfers of H shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 10 June 2013.

2. 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 Friday, 3 May 2013. 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.

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 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.

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:

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