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中國國際航空股份有限公司
AIR CHINA LIMITED

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

**Sample Letter to Optionholders of
China National Aviation Company Limited**

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of this letter or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

The making of the Option Proposal (as defined in the Announcement) to persons located or with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. If you are a citizen or resident or national of or located in a jurisdiction outside Hong Kong, you should inform yourself about and observe any applicable legal requirements. It is your responsibility if you wish to accept the Option Proposal to satisfy yourself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal requirements and the payment of any taxes due in respect of such jurisdiction.

Unless the context otherwise requires, terms used in this letter shall bear the same meanings as defined in the joint announcement dated 21 June 2006 (the “**Announcement**”) issued by Air China Limited and China National Aviation Company Limited, a copy of which is enclosed with this letter.

This letter should be read in conjunction with the accompanying scheme document (the “Scheme Document”), the Announcement and form of acceptance (the “Form of Acceptance”).

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16 November 2006

Dear Optionholder,

This letter explains the actions available for you to take in relation to your Outstanding Options. You are advised to refer to the Scheme Document and the Announcement when considering the actions available.

Your attention is also drawn to the Share Option Scheme, and in particular paragraph 6.3.3 of the Share Option Scheme.

COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS

- (1) Pursuant to the Share Option Scheme, you may exercise on or before the Option Exercise Date all or any of your Options which have become exercisable in accordance with the Share Option Scheme. However, only Shares issued upon exercise of the Options in accordance with the terms of the Share Option Scheme prior to the date being one day before the Effective Date (the “**Last Exercise Date**”) will form part of the Scheme Shares. If you elect to exercise your Options after the Last Exercise Date, you will not be able to receive Option Shares in respect of such Options exercised, as no further Shares may be issued upon the Scheme becoming effective. As such, no Share Proposal Price will be paid by Air China or its nominee in respect of any Options exercised after the Last Exercise Date.

This means that once and **only if** you have exercised your Options on or prior to the Last Exercise Date, you will be entitled to receive, in relation to the Options exercised, in accordance with the terms of the Share Proposal and subject to the Scheme becoming effective:

for each Scheme Share HK\$2.80 in cash

If you elect to exercise your Options you must send a cheque (for the total of your outstanding Options multiplied by the exercise price of HK\$1.14 per Share) payable to “China National Aviation Company Limited”.

Please refer to the Scheme Document for details of the Share Proposal.

- (2) To the extent you have no intention to, or fail to exercise your Options on or prior to the Option Exercise Date, you may accept the Option Proposal in accordance with its terms, as set out herein, by allowing your right to exercise such unexercised Options to lapse on the Option Exercise Date and elect on the enclosed Form of Acceptance, by not later than 4:00 p.m. on the Option Exercise Date, currently scheduled to be 24 January 2007, to receive the Option Proposal Price at HK\$1.66 per Outstanding Option. Further announcement will be made by Air China and CNAC should there be any change to the expected timetable.
- (3) You may elect to do nothing, or fail to accept the Option Proposal in accordance with the terms set out herein, in which case, if the Scheme becomes effective, your Options will lapse and determine on the day immediately following the Option Exercise Date. This means no Option Proposal Price will be payable to you by Air China (or its nominee).

Each Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Scheme Document and the Share Option Scheme.

CICC and Merrill Lynch, the exclusive financial advisers to Air China in respect of the Proposals, are satisfied that sufficient financial resources are available to Air China to implement the Share Proposal and Option Proposal.

IF THE SCHEME DOES NOT BECOME EFFECTIVE

If the Scheme does not become effective, the Share Proposal and the Option Proposal will lapse and:

- (1) to the extent you have any Options not exercised, these will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the Share Option Scheme; and
- (2) any Shares allotted and issued to you on exercise of your Options will not be cancelled.

TERMS OF THE OPTION PROPOSAL

Air China is making a proposal, which is conditional upon the Scheme becoming effective and binding, to you in accordance with the Share Option Scheme and relevant requirements under the Takeovers Code. Each Optionholder who accepts the Option Proposal and lodges the Form of Acceptance by the prescribed deadline will be entitled to the Option Proposal Price as follows:

for each Outstanding Option HK\$1.66 in cash

The Option Proposal Price represents the “see-through” price of the Options, being the amount by which the value of the Share Proposal Price exceeds the exercise price of the Options.

The Option Proposal is conditional upon the Scheme becoming effective. The Conditions of the Scheme are set out on pages 35 and 36 of the Scheme Document.

Your attention is drawn to the letter from the Independent Board Committee of CNAC to the Independent Scheme Shareholders and the Optionholders set out on page 12 in the Scheme Document and the letter from CLSA to the Independent Board Committee set out on pages 13 to 31 of the Scheme Document which contain the recommendations of the Independent Board Committee and of CLSA, respectively, in relation to the Scheme and the Option Proposal.

GENERAL TERMS AND CONDITIONS

- (i) The delivery of the Form of Acceptance, duly signed, if Air China (or its nominee) determines it appropriate, may be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the Form of Acceptance and this letter, including the date specified for receipt.
- (ii) By completing the “Accept the Option Proposal” section on the Form of Acceptance in respect of a particular Option you irrevocably elect to authorise Air China (or its nominee) to send to you, or procure the sending to you of, the cash to which you are entitled at your own risk.

OUTSTANDING OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the Options held by you as at the Latest Practicable Date (as defined in the Scheme Document) is set out on page 146 of the Scheme Document. If there is any exercise of your Options after the Latest Practicable Date you may accept the Option Proposal only in respect of such outstanding Options which remain unexercised as at the Option Exercise Date.

LAPSED OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of an Option which lapses, or has already lapsed, under the Share Option Scheme. You cannot exercise an Option or accept the Option Proposal in respect of an Option which has lapsed.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

DECLARATION

By returning the Form of Acceptance you thereby:

- (i) confirm that each Option in respect of which you make an election is valid and subsisting free from all liens, mortgages and third party interests of any nature whatsoever and you acknowledge that any Option certificate (if any) in respect of such Option shall become void once that Option has been exercised or cancelled pursuant to your decisions shown on the Form of Acceptance;
- (ii) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (iii) authorise Air China (or its nominee) and CNAC jointly and severally, and any director or officer of any of Air China and CNAC or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to or in consequence of the elections and acceptances you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such elections and acceptances;
- (iv) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to the Form of Acceptance; and
- (v) confirm you have read, understood and agreed to the Option Proposal, the terms and conditions set out in this letter and the Form of Acceptance, and that you have received the Scheme Document, the Announcement and this letter.

GENERAL

- (i) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of Merrill Lynch, CICC, Air China (or its nominee) or CNAC accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (ii) The provisions set out in the Form of Acceptance form part of the terms of the Option Proposal.
- (iii) The Option Proposal, all acceptances and electing will be governed by and construed in accordance with the laws of Hong Kong.
- (iv) Due execution of the Form of Acceptance in respect of the Option Proposal will constitute an authority to Merrill Lynch, CICC, Air China (or its nominee), any director of Air China or their respective agents to complete and execute on behalf of the accepting Optionholder any document and to do any other act that may be necessary or expedient for the purpose of vesting in Air China, or such persons as Air China shall direct, all rights of the Optionholders in respect of the Options which are the subject of such acceptance.

ACTION TO BE TAKEN

You should return the duly completed Form of Acceptance to the Company Secretary of Air China Limited at, 9th Floor, Blue Sky Mansion, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing, PRC or 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Hong Kong to be received by no later than 4:00 p.m. on the Option Exercise Date, currently scheduled to be 24 January 2007. If you do not complete a Form of Acceptance or exercise your Options in accordance with the terms set out in this letter and the Share Option Scheme, subject to and conditional upon the Scheme becoming effective, your Options will lapse and be worthless.

Before forwarding the Form of Acceptance to the Company Secretary of Air China, please ensure that you have signed the Form of Acceptance and that your signature has been witnessed.

As stated above, the Option Proposal is conditional upon the Scheme becoming effective and binding. Unless the Scheme becomes effective and binding, and therefore the Option Proposal becomes unconditional, the Option Proposal will lapse.

No acknowledgment of receipt of any Form of Acceptance will be given.

Assuming that the Option Proposal becomes unconditional on the Effective Date, currently expected to be 10 January 2007, and that you accept the Option Proposal in accordance with the terms set out in this letter and the Share Option Scheme, Air China will procure its nominee to issue and despatch cheques for the Optional Proposal Price in respect of each Outstanding Option you hold, and in respect of which you duly accept the Option Proposal, within ten days of the later of the Effective Date and the date of receipt of your duly completed Form of Acceptance.

Yours faithfully,
for and on behalf of
Air China Limited
Fan Cheng
Director

Appendix

Form of Acceptance

The directors of Air China jointly and severally accept full responsibility for the accuracy of the information contained in this letter and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this letter have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statements in this letter misleading.