This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this Prospectus, before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed ''Risk Factors'' in this Prospectus. You should read this section carefully before you decide to invest in our Offer Shares.

We have included a glossary of airline business and other terms in this Prospectus. See the section headed ''Glossary of Technical Terms.''

OVERVIEW

We are the national flag carrier of China and a leading provider of air passenger, air cargo and airline-related services in China. We are primarily based in Beijing, China's capital and a major hub for domestic and international air transportation. We have the largest share of air transportation business (as measured by total traffic volume) at Beijing Capital International Airport, China's busiest airport. With our operational centre in Beijing and extensive route network serving major Chinese cities and international destinations, we believe we are well positioned to capture the growing demand for airline services in greater China.

We attribute our leading position in the Chinese air transportation market primarily to our status as:

- China's largest commercial airline, accounting for approximately 30.4% of the total RTKs flown by all Chinese airlines in 2003, according to CAAC statistics;
- China's largest air cargo services provider, accounting for approximately 38.1% of the total RFTKs flown by all Chinese airlines in 2003, according to CAAC statistics; and
- the Chinese airline with the highest brand value, according to World Brand Lab, which ranked ''Air China'' the 32nd most valuable brand name in China — the highest-ranked Chinese airline brand.

We believe that we operate a well-balanced route network, with complementary domestic and international routes providing our passengers with convenient direct flights and transfer services. Our investments in Air Macau, Dragonair and Shenzhen Airlines allow us to benefit from growth in other aviation markets. We have formed business partnerships with numerous leading international and regional airlines, which we believe will assist us in broadening our service offerings, expanding our international customer base and providing additional customised services.

We provide airline-related services, including aircraft maintenance, repair and overhaul services (also known as MRO), ground services and in-flight catering services. We provide these airline-related services in Beijing, Chengdu, Hong Kong and other locations through our own business units and joint ventures with prominent companies, including Lufthansa and Hong Kong Jardine Matheson Ltd.

As of June 30, 2004, we operated a fleet of 136 aircraft, serving 69 domestic and 34 international and regional destinations. In the six months ended June 30, 2004, we carried approximately 11.1 million passengers and approximately 312,605 tonnes of cargo, with passenger traffic of approximately 21,142 million RPKs and cargo traffic of approximately 1,225 million RFTKs.

In 2001, 2002, 2003 and the six months ended June 30, 2004, our combined revenues totaled RMB22,736.4 million, RMB24,983.7 million, RMB24,641.4 million and RMB15,311.0 million, respectively, and our combined profit from operating activities attributable to shareholders totaled RMB948.3 million, RMB499.6 million, RMB159.6 million and RMB788.4 million, respectively. We recorded a net profit in 2003 despite the SARS outbreak, which adversely affected the Chinese airline industry and resulted in many airlines recording losses in 2003.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- market leader in our Beijing hub;
- well-balanced and complementary route network;
- high-quality customer base;
- strong brand recognition;
- valuable business partnerships;
- operating efficiencies resulting from business integration; and
- leading position in China's air cargo market.

STRATEGY

We aim to become the airline of choice in China and one of the world's most competitive airlines by enhancing our existing strengths in providing passenger and cargo services, and by implementing the following strategies:

- strengthen our Beijing hub and expand our route network;
- control cost and improve efficiency;
- enhance the effectiveness of our sales and marketing efforts;
- improve our service quality;
- strengthen our leadership in China's air cargo market; and
- improve our employee evaluation system.

RISK FACTORS

There are certain risks involved in our operations and investing in our H Shares, including: (i) risks related to our business; (ii) risks related to the airline industry; (iii) risks related to the PRC; and (iv) risks related to the Global Offering.

Risks Related to Our Business

- The net proceeds from the Global Offering and our future operating cash flows may not be sufficient to cover our planned capital expenditures, and we may require significant additional external financing, which may not be available on acceptable terms or at all.

- Our high level of indebtedness and other fixed payment obligations could adversely affect our liquidity and profitability.
- We may expand our business through acquisitions of airlines or airline-related businesses, which exposes us to uncertainties and integration risks related to future acquisitions.
- We are controlled by CNAHC, a state-owned enterprise, whose interests may conflict with those of the holders of the H Shares.
- Future changes in interest rates may adversely affect our profitability.
- We are required to make a distribution to CNAHC and CNACG, which could be substantial. Such distribution should not be treated as indicative of our future dividend policy nor can we provide any assurances on the amount of future dividends, if any.

Risks Related to the Airline Industry

- The PRC government exercises substantial influence over the Chinese airline industry.
- The Chinese airline industry is rapidly changing. Deregulation and other changes may adversely affect our competitiveness, results of operations and business prospects.
- The airline industry is highly regulated, and changes in the regulatory framework could have an adverse effect on our results of operations and our business prospects.
- The airline industry is intensely competitive. If we are unable to compete effectively in this industry, our growth prospects and profitability may be adversely affected.
- The airline business is characterised by high fixed costs.
- Our results of operations may fluctuate from period to period due to the highly cyclical and seasonal nature of the airline industry.
- Increases in the price of jet fuel or shortages in jet fuel supply could increase our operating expenses and adversely affect our results of operations.
- We depend on China Aviation Oil Holding Company for our domestic jet fuel supply.
- An outbreak of SARS, or other contagious diseases, or the perception that such outbreaks may occur, may adversely affect demand for air travel.
- Future terrorist attacks, or the threat of such attacks, may increase the cost of our operations and reduce demand for our services.
- The reputation and financial results of an airline could be harmed in the event such airline experiences an aircraft accident or incident.
- Insurance may become more difficult or expensive to obtain.
- The limitations of the Chinese commercial aviation infrastructure may inhibit our ability to increase aircraft utilisation rates and to provide safe and efficient air transportation.
- We may have difficulty recruiting additional qualified pilots.
- Consolidation or new alliances in the airline industry may reduce our relative competitiveness.

- Limitations on foreign ownership of Chinese airlines may adversely affect our ability to attract foreign investment.

Risks Related to the People's Republic of China

- China's economic, political and social conditions and government policies could affect our business.
- Changes in relations between the mainland of China and Taiwan could affect demand for our passenger and cargo services, those of our affiliate, Dragonair, and our consolidated subsidiary, Air Macau.
- Changes in foreign exchange regulations may materially and adversely affect our results of operations and dividend payments.
- Fluctuations in exchange rates may materially and adversely affect our operations and financial results.
- Interpretation of PRC laws and regulations involves uncertainty.
- You may be subject to Chinese taxation should the current tax regime change.
- Our ability to increase our share capital by issuing new Shares is subject to certain conditions and approvals of PRC regulatory authorities.

Risks Related to the Global Offering

- The trading prices of our H Shares may fluctuate significantly.
- It may be difficult to effect service of process upon us or our Directors, Supervisors or executive officers who reside in China or to enforce against them in China any judgements obtained from non-Chinese courts.

SUMMARY HISTORICAL COMBINED FINANCIAL INFORMATION

You should read the summary combined financial information set out below in conjunction with our combined income statements and combined balance sheets included in the Accountants' Report set out in ''Appendix I — Accountants' Report'' to this Prospectus, which are prepared in accordance with IFRS. The summary combined results for the three years ended December 31, 2003, and for the six-month periods ended June 30, 2003 (unaudited) and 2004, and the summary combined balance sheet information as of December 31, 2001, 2002 and 2003, and June 30, 2004, set out below are extracted without material adjustment from ''Appendix I — Accountants' Report'' to this Prospectus. The basis of presentation is set out in Section 2 to the Accountants' Report. We have included in this Prospectus our financial information for the six months ended June 30, 2003 in compliance with an interpretation of Note 2 to Appendix 16 of the Hong Kong Listing Rules.

	Year Ended December 31,				Six Months Ended June 30,		
	2001	2002	2003		2003	2004	
	RMB	RMB	RMB	US$	RMB (unaudited)	RMB	US$
	(in millions, except per share data)						
Income statement data:							
Air traffic revenues, net	21,348.2	23,846.7	23,422.7	2,830.0	8,692.3	14,698.3	1,775.9
Passenger	18,049.9	19,815.2	19,030.2	2,299.3	6,809.9	12,151.9	1,468.2
Cargo and mail	3,298.3	4,031.5	4,392.5	530.7	1,882.4	2,546.4	307.7
Other operating revenues	1,388.2	1,137.0	1,218.7	147.2	533.6	612.7	74.0
Total operating revenues	22,736.4	24,983.7	24,641.4	2,977.2	9,225.9	15,311.0	1,849.9
Total operating expenses	(19,450.3)	(21,699.3)	(22,357.1)	(2,701.2)	(10,061.6)	(13,484.5)	(1,629.2)
Profit/(loss) from operations	3,286.1	3,284.4	2,284.3	276.0	(835.7)	1,826.5	220.7
Finance costs	(2,029.2)	(2,777.1)	(2,349.1)	(283.8)	(985.0)	(789.4)	(95.4)
Operating profit/(loss) after finance costs	1,256.9	507.3	(64.8)	(7.8)	(1,820.7)	1,037.1	125.3
Share of profits less losses from associates	352.8	426.5	243.1	29.4	(110.8)	223.7	27.0
Profit/(loss) before tax	1,609.7	1,039.8	178.3	21.6	(1,931.5)	1,260.8	152.3
Minority interests	(108.8)	(171.1)	71.1	8.6	143.7	(81.1)	(9.8)
Net profit/(loss) from operating activities attributable to shareholders	948.3	499.6	159.6	19.3	(1,252.5)	788.4	95.3
Balance sheet data:							
Cash and cash equivalents	3,994.8	3,699.5	2,620.2	316.6		3,758.5	454.1
Other current assets	4,992.7	5,727.7	5,988.9	723.6		5,964.2	720.6
Fixed assets, net	44,056.1	42,876.2	42,423.9	5,125.8		42,383.0	5,120.8
Other non-current assets	5,209.8	5,091.2	5,364.1	648.1		5,126.3	619.4
Total assets	58,253.4	57,394.6	56,397.1	6,814.1		57,232.0	6,914.9
Short-term bank and other loans	(8,300.3)	(10,941.8)	(9,236.7)	(1,116.0)		(9,301.9)	(1,123.9)
Long-term bank and other loans	(15,374.9)	(14,280.5)	(12,819.8)	(1,548.9)		(11,910.5)	(1,439.1)
Short-term obligations under finance leases	(3,804.3)	(1,961.2)	(1,607.1)	(194.2)		(1,644.0)	(198.6)
Long-term obligations under finance leases	(14,839.7)	(13,242.8)	(12,091.8)	(1,461.0)		(11,217.6)	(1,355.3)
Owners' equity	4,250.5	5,020.3	6,892.9	832.8		7,657.3	925.2
Other data:							
EBITDA[(1)]	6,528.7	6,536.0	5,661.7	684.1	831.7	3,541.9	427.9
EBITDAR[(2)]	7,225.2	7,391.4	6,753.9	816.0	1,336.8	4,144.7	500.8

(1) EBITDA refers to earnings before finance costs (including interest expense, interest income, exchange gains/losses, gains/losses on fuel derivatives and dividend income on long-term investments), income taxes, share of profits less losses of associates, dilution gain on investment in a subsidiary, depreciation and amortisation as computed under IFRS. EBITDA is a commonly used performance indicator in the airline

industry to compare operating performance on a uniform basis, eliminating differences caused by an airline's depreciation and amortisation policy, financing situation and tax treatment. EBITDA may also be used to approximate operating cash flow, if such airline's working capital is relatively stable.

(2) EBITDAR refers to earnings before finance costs (including interest expense, interest income, exchange gains/losses, gains/losses on fuel derivatives and dividend income on long-term investments), income taxes, share of profits less losses of associates, dilution gain on investment in a subsidiary, depreciation and amortisation, aircraft and jet engines operating lease expenses, and other operating lease expenses as computed under IFRS. EBITDAR is a useful benchmark in light of the airline industry's unique nature. Airlines typically acquire aircraft, the most important asset class of their operations, through purchase and operating leases. An operating lease is accounted for through recognition of lease payments as cost in the income statement as compared to a finance lease that is treated as debt on the balance sheet. EBITDA, therefore, may not be the best measure for an airline's operating performance since an airline with more operating leases (higher leasing expense) should not be compared to an airline with more purchased aircraft (higher depreciation and potentially higher financing cost). As a result, EBITDAR, which adjusts for the difference, may be regarded as a more meaningful performance indicator.

SUMMARY OPERATING DATA

The following table sets forth certain operating data relating to our airline business as of and for the three years ended December 31, 2003 and for the six months ended June 30, 2003 and 2004, excluding the operating data of Air Macau:

	Year Ended December 31,			Six Months Ended June 30,	
	2001	2002	2003	2003	2004
Traffic:					
RPKs (in millions)	28,686.0	34,092.1	33,477.0	12,359.2	21,141.2
International	11,818.5	14,197.1	12,765.1	4,688.6	8,652.6
Domestic	15,422.3	18,432.7	19,525.2	7,252.0	11,835.4
Hong Kong and Macau	1,445.2	1,462.3	1,186.7	418.6	653.2
RFTKs (in millions)	1,801.5	2,117.7	2,206.2	1,008.7	1,225.2
International	1,351.1	1,569.2	1,686.3	781.4	943.7
Domestic	395.7	483.0	461.9	201.1	253.7
Hong Kong and Macau	54.7	65.5	58.1	26.2	27.9
Passengers carried (in thousands)	15,600.1	18,138.9	18,053.7	6,674.7	11,135.8
International	2,829.0	3,266.6	2,656.2	1,019.1	1,814.2
Domestic	12,020.2	14,110.2	14,798.9	5,445.1	8,999.0
Hong Kong and Macau	750.9	762.1	598.6	210.5	322.6
Cargo and mail carried (tonnes)	482,461	577,381	564,211	248,404	312,605
Kilometres flown (in millions)	235.0	263.2	266.1	111.3	159.6
Block hours (in thousands)	351.0	390.3	390.1	161.5	239.2
Number of flights	132,690	144,304	147,225	59,900	87,844
International	17,634	21,317	19,882	8,297	13,076
Domestic	107,843	115,764	121,756	49,271	71,654
Hong Kong and Macau	7,213	7,223	5,587	2,332	3,114
RTKs (in millions)	4,367.0	5,167.9	5,200.4	2,114.5	3,116.9
Capacity:					
ASKs (in millions)	46,348.3	51,910.3	50,732.6	20,964.0	30,815.8
International	17,861.1	20,034.7	19,708.5	8,121.4	12,955.0
Domestic	25,802.2	29,144.5	28,982.6	11,989.8	16,761.3
Hong Kong and Macau	2,685.0	2,731.0	2,041.5	852.8	1,099.5
AFTKs (in millions)	3,613.6	3,967.4	4,028.2	1,743.8	2,315.8
International	2,490.3	2,638.9	2,854.9	1,263.8	1,644.0
Domestic	988.3	1,196.7	1,065.1	434.9	621.7
Hong Kong and Macau	135.0	131.7	108.2	45.1	50.2
ATKs (in millions)	7,785.0	8,639.3	8,594.1	3,630.6	5,089.3
Load factors:					
Passenger load factor (RPK/ASK)	61.9%	65.7%	66.0%	59.0%	68.6%
International	66.2%	70.9%	64.8%	57.7%	66.8%
Domestic	59.8%	63.2%	67.4%	60.5%	70.6%
Hong Kong and Macau	53.8%	53.5%	58.1%	49.1%	59.4%
Cargo and mail load factor (RFTK/AFTK)	49.9%	53.4%	54.8%	57.8%	52.9%
International	54.3%	59.5%	59.1%	61.8%	57.4%
Domestic	40.0%	40.4%	43.3%	46.2%	40.8%
Hong Kong and Macau	40.6%	49.7%	53.7%	58.1%	55.6%
Yield:					
Yield per RPK (RMB)	0.58	0.53	0.54	0.52	0.54
International	0.48	0.49	0.47	0.44	0.48
Domestic	0.63	0.55	0.57	0.56	0.59
Hong Kong and Macau	0.79	0.72	0.68	0.68	0.68
Yield per RFTK (RMB)	1.76	1.81	1.87	1.75	1.92
International	1.75	1.91	1.95	1.79	2.04
Domestic	1.56	1.31	1.43	1.36	1.30
Hong Kong and Macau	3.34	3.21	3.10	3.44	3.61
Fleet:					
Total aircraft in service at period end	111	115	131	123	136
Daily utilisation (block hours per day per aircraft)	9.0	9.3	8.7	7.6	10.0
Unit cost:					
Operating expenses per ASK (RMB)[1]	0.38	0.38	0.41	0.44	0.41
Operating expenses per ATK (RMB)[2]	2.29	2.31	2.41	2.56	2.48

(1) Unit cost reflects total operating expenses of both passenger and cargo services divided by total ASK.

(2) Unit cost reflects total operating expenses of both passenger and cargo services divided by total ATK.

FORECAST FOR THE YEAR ENDING DECEMBER 31, 2004

Forecast combined profit before taxation(1)	not less than RMB3.506 billion
Forecast combined profit after taxation and minority interests but before extraordinary items(1)	not less than RMB2.290 billion
Pro forma fully diluted forecast earnings per Share(2)(3)	RMB0.25 (HK$0.24)

(1) The bases on which the above profit forecast has been prepared are set out in "Appendix III — Profit Forecast."

(2) The calculation of the pro forma fully diluted forecast earnings per Share is based on the unaudited forecast profit after taxation and minority interests but before extraordinary items for the year ending December 31, 2004 and a total of 9,050,618,182 Shares issued and outstanding during the entire year, adjusted, as if the Global Offering had occurred at January 1, 2004. This calculation assumes that the Over-allotment Option will not be exercised and is set out in "Appendix II — Pro Forma Financial Information."

(3) Pro forma forecast earnings per Share is converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB1.0638 prevailing on October 29, 2004.

OFFERING STATISTICS(1)

	Based on an Offer Price of HK$2.35	Based on an Offer Price of HK$3.10
Market capitalisation of the Shares(2)	HK$21,269 million	HK$28,057 million
Market capitalisation of the H Shares(3)	HK$6,593 million	HK$8,698 million
Prospective price/earnings multiple(4)	9.8 times	12.9 times
Pro forma adjusted net tangible asset value per Share(5)	HK$1.56	HK$1.76

(1) All statistics in this table are provided on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation of the Shares is based on 9,050,618,182 Shares expected to be in issue following completion of the Global Offering.

(3) The calculation of market capitalisation of the H Shares is solely based on 2,805,680,000 H Shares expected to be in issue following the Global Offering.

(4) For pro forma forecast earnings per share, please refer to "Appendix III — Profit Forecast."

(5) The pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed "Financial Information — Pro Forma Statement of Net Assets" in this Prospectus and on the basis of a total of 9,050,618,182 Shares issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2004.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.35 and HK$3.10, respectively, the pro forma net tangible asset value per Share will be HK$1.59 per Share and HK$1.81 per Share, respectively. If the Over-allotment Option is exercised in full, the pro forma forecast earnings per Share will be diluted to HK$0.23.

DIVIDEND POLICY

Subject to applicable requirements of PRC law, our Board will declare dividends, if any, in Renminbi with respect to H Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any dividend distribution shall be subject to shareholders' approval. The decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend upon:

- our results of operations and cash flows;
- our financial position;
- our Shareholders' interests;
- general business conditions;
- our future prospects;
- statutory and regulatory restrictions on the payment of dividends by us; and
- other factors that our Board of Directors deems relevant.

Under PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. The holders of H Shares will share proportionately on a per share basis in all dividends and other distributions declared by our Board of Directors. Further information on the dividend policy is set out in the section headed "Financial Information — Dividend Policy" in this Prospectus.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that the net proceeds to the Company from the Global Offering, after deducting underwriting discounts, commissions and estimated offering expenses payable by us, will be approximately HK$6,522 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$2.725 per H Share, being the midpoint of the price range set forth on the cover of this Prospectus.

If the Over-allotment Option is exercised in full, we estimate that the net proceeds to the Company from the offering of these additional H Shares, after giving effect to the expected reallocation of H Shares to the Hong Kong Public Offering, will be approximately HK$7,512 million after deducting the underwriting discounts, commissions and estimated offering expenses.

We intend to use the net proceeds from the Global Offering in the following manner:

- approximately RMB4.8 billion to acquire ten Airbus 319 aircraft and four Boeing 737-700 aircraft; and
- any remaining proceeds to repay debts that will mature in one year and to supplement our cash flow.

In accordance with PRC regulations, both CNAHC and CNACG are required to contribute a portion of their Shares to be sold in the Global Offering to the Chinese National Social Security Fund. CNAHC and CNACG will, on behalf of the Chinese National Social Security Fund, sell such Shares in the Global Offering and transfer the net proceeds to the Chinese National Social Security Fund.

Assuming an Offer Price of HK$2.725 per H Share, being the midpoint of the price range set forth on the cover of this Prospectus, we estimate that the net proceeds received by CNAHC and CNACG from this offering, after deducting the underwriting discounts, commissions and estimated offering expenses payable by CNAHC and CNACG, will be approximately

HK$651 million before any exercise of the Over-allotment Option, or HK$751 million, if the Underwriters exercise in full the Over-allotment Option. We will not receive any of the proceeds from the sale of Sale Shares by CNAHC and CNACG.