
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors currently consists of ten Directors, three of whom are Independent Non-executive Directors. Our Directors are elected at a meeting of the shareholders of our Company for a term of three years, renewable upon re-election and re-appointment.

The functions and powers of our Board of Directors include, among other things:

- (a) convening Shareholders' meetings and reporting its work to Shareholders at these meetings;
- (b) implementing Shareholders' resolutions;
- (c) determining our business plans and investment proposals;
- (d) formulating our annual financial budget and report;
- (e) formulating our profit distribution plans and loss recovery plans;
- (f) formulating proposals for the increase or decrease in our registered capital and the issuance of debentures;
- (g) formulating our major acquisitions and disposal plans, and our plans for merger, division or dissolution;
- (h) determining our internal management structure;
- (i) appointing or removing our vice presidents and other senior officers based on the recommendation of our president;
- (j) formulating our basic management system;
- (k) formulating proposals for any amendments to our articles of association; and
- (l) exercising any other powers conferred by Shareholders by action at Shareholders' meetings or under our articles of association.

Except for items (f), (g) and (k) above, which require the affirmative vote of more than two-thirds of our Directors, resolutions on any of the remaining items may be approved by the affirmative vote of a majority of our Directors.

In addition to board approval, the adoption of profit distribution plans and loss recovery plans, changes in our registered capital, the issuance of debentures, amendments of our articles of association and major corporate transactions, such as acquisitions, disposals, mergers, divisions or dissolutions, are required to be approved by our Shareholders.

SUPERVISORS

The PRC Company Law requires a joint stock company with limited liability to establish a Supervisory Committee. Our Supervisory Committee is responsible for monitoring our financial matters and supervising the actions of our Board of Directors and our management personnel. Our Supervisory Committee currently consists of four members. One member of our Supervisory Committee must be a representative elected by our employees. The remaining members must be elected by our Shareholders in a general meeting. One member of our Supervisory Committee is designated as the chairman. Members of our Supervisory Committee may not serve as Director,

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president, vice president or financial controller of our Company. The term of office for our Supervisors is three years, which is renewable upon re-election.

The functions and powers of our Supervisory Committee include:

- reviewing financial reports and other financial information prepared by the Board of Directors and which are proposed to be presented at Shareholders' meetings; and
- overseeing our Directors, president, vice presidents and other senior officers in order to prevent them from abusing their authority or infringing upon our interests.

In the case of any conflict of interest between our Company and any of our Directors, our Supervisors shall confer with or initiate legal proceedings against such Directors on behalf of our Company. A resolution proposed at any meeting of our Supervisory Committee shall be adopted only if it is approved by two-thirds or more of our Supervisors.

None of the members of our senior management is an appointee or representative of the PRC government or currently connected with it in any stated official capacity.

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Directors

The following table sets forth certain information concerning our Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
LI Jiaxiang	55	Chairman and Non-executive Director
KONG Dong	56	Vice Chairman and Non-executive Director
WANG Shixiang	55	Vice Chairman and Non-executive Director
YAO Weiting	57	Non-executive Director
MA Xulun	40	Executive Director and President
CAI Jianjiang	40	Executive Director and Vice President
FAN Cheng	49	Executive Director, Joint Company Secretary and Chief Financial Officer
HU Hung Lick, Henry	84	Independent Non-executive Director
WU Zhipan	47	Independent Non-executive Director
ZHANG Ke	51	Independent Non-executive Director

The business address of each of our Directors, Supervisors and senior management is 9/F, Blue Sky Mansion, 28 Tian Zhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing 101312, China.

Li Jiaxiang, aged 55, is the Chairman of the Board and a Non-executive Director of our Company. Mr. Li has in-depth knowledge of the aviation industry. Prior to joining Air China International Corporation in November 2000 as Vice President and becoming its President in October 2002, Mr. Li had previously served in the China Air Force since 1969 and served in various positions including as a Major General. In October 2002 he was appointed as Vice President of CNAHC and then promoted to the position of President in August 2004, a post he continues to hold. Mr. Li graduated from Shandong Zaozhuang Coal Technology Institute in 1969 and studied in China Northwestern University from 1999 to 2001 majoring in international economic law.

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Kong Dong, aged 56, is a Vice Chairman of the Board and a Non-executive Director of our Company. Mr. Kong has been involved in the aviation industry for over 20 years and has extensive experience in business management. Prior to joining the CNAHC Group in January 2001, Mr. Kong was Deputy General Manager of China Ocean Helicopter Company from 1985 to 1991, President of Shenzhen Airport Group from 1992 to 1995, and Director-General in charge of the expansion project of the Beijing Capital International Airport from 1995 to 2000. In January 2001, he joined CNAC(PRC) as President and sits on the board of CNAC (a subsidiary of our Company) as chairman. In October 2002, he joined CNAHC as Vice President. He also serves as President and Vice Chairman of the Board of CNACG. Mr. Kong graduated from Nanchang University (previously known as Jiangxi Industry University) in 1977 with a Bachelor's degree and is a senior economist.

Wang Shixiang, aged 55, is a Vice Chairman of the Board and a Non-executive Director of our Company. Mr. Wang has over 30 years experience in the aviation industry and is experienced in the business management. Mr. Wang was previously President of the Civil Aviation Flight University of China from 1995 to 1999 and General Manager of China Southwest Airlines from 2000 to 2002. He joined CNAHC in October 2002 as Vice President after China Southwest Airlines was merged into Air China International Corporation. Mr. Wang graduated from the Civil Aviation Flight University of China (previously known as China Civil Aviation Advanced School) in 1968 and is a qualified First-Class Pilot Tutor. Mr. Wang also graduated from China Central Party University in 2000, after studying a post-graduate programme.

Yao Weiting, aged 57, is a Non-executive Director of our Company. Mr. Yao has over 30 years of extensive experience in accounting and finance. Mr. Yao worked as Chief Accountant in Air China International Corporation from 2000 to 2002 and joined CNAHC in October 2002 as a Vice President. Prior to joining Air China International Corporation, Mr. Yao was Deputy Director of Economic Adjustment Bureau of China Metallurgical Ministry from 1997 to 1998 and Assistant to the State Council Investigation Special Commissioner from 1998 to 1999. Mr. Yao also serves as an independent non-executive director of Angang New Steel Company Limited, a company listed on the Hong Kong Stock Exchange. Mr. Yao graduated from Zhejiang Institute of Economics and Management in 1967 majoring in industrial accounting and is a senior accountant as well as a senior economist.

Ma Xulun, aged 40, is an Executive Director and President of our Company. Mr. Ma has over 20 years of extensive experience in finance and management. As our President, Mr. Ma is responsible for the overall management of our Company. Prior to joining Air China International Corporation in December 1998 as Vice President, Mr. Ma was Deputy General Manager of China Commodities Storing and Transportation Corporation from 1995 to 1997 and Deputy Director General of Financial Department of CAAC from 1997 to 1998. Mr. Ma graduated from Shanxi Finance University in 1984 with a Bachelor's Degree of Economics and is a non-practicing certified public accountant.

Cai Jianjiang, aged 40, is an Executive Director and Vice President of our Company. Mr. Cai has over 15 years experience in the aviation industry. As our Vice President, Mr. Cai is mainly responsible for the marketing, sales and international affairs of our Company. Prior to joining Air China International Corporation in 2000 as a General Manager of its Shanghai Branch and later as the assistant to the President of Air China International Corporation from 2001 to 2002, Mr. Cai served as president of Shenzhen Airlines from 1999 to 2000. Mr. Cai served as Vice

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President of Air China International Corporation starting from October 2002. Mr. Cai graduated from China Civil Aviation Institute in 1983.

Fan Cheng, aged 49, is an Executive Director, a Joint Company Secretary and the Chief Financial Officer of our Company. Mr. Fan graduated from Nanjing Institute of Chemistry and Chemical Engineering in 1982 with a Bachelor's degree and graduated from Beijing University in 2000 with an MBA degree. Mr. Fan is a senior engineer, a senior accountant and a non-practicing certified public accountant. Mr. Fan joined Air China International Corporation in March 2001 and served as General Manager of Assets Management Department of CNAHC from December 2002 until October 2004 when our Company had been incorporated. Mr. Fan is also a director of CNACG. Mr. Fan has over 20 years of extensive experience in business operation, finance and management. As our Chief Financial Officer, Mr. Fan is mainly responsible for financial management. In addition, Mr. Fan is also the Secretary of our Board. The roles performed by Mr. Fan as the Secretary of the Board include, among others, ensuring that important decisions of the Board will be implemented in strict compliance with the required procedures, acting as a contact between the Company and the securities regulatory authorities, and coordinating and organising the Company's information disclosure as well as establishing a sound information disclosure system.

Hu Hung Lick, Henry, aged 84, is an Independent Non-executive Director of our Company. He graduated from the University of Paris with a Docteur-en-Droit degree. Dr. Hu has been practicing as a barrister for over 49 years and is currently the president of Shue Yan College in Hong Kong. He is also a member of the China International Economic and Trade Arbitration Commission. Dr. Hu has been serving as an independent non-executive director of CNAC since April 1997. He is also an independent non-executive director of Founder Holdings Limited, a company engaged in investment holding and listed on the Hong Kong Stock Exchange. He was a member of Preparatory Committee and Selection Committee for the First Government of Hong Kong and was member of the Standing Committee of the 8th and 9th Chinese People's Political Consultative Conference. He is a Justice of Peace of Hong Kong and was awarded the honorary title of Officer of the Order of the British Empire, or O.B.E., in 1975 and the Golden Bauhinia Star by the government of Hong Kong in 1998.

Wu Zhipan, aged 47, is an Independent Non-executive Director of our Company. Mr. Wu acquired a Doctor in Laws Degree from School of Law, Peking University, in 1988, and was a visiting scholar at Harvard Law School from 1991 to 1992. Mr. Wu is currently the Vice-chancellor of Beijing University. He is also an expert consultant of the Supreme People's Court, an arbitrator of the Arbitration Panel of China International Economic and Trade Arbitration Commission and President of the China Economic Law Research Institute Society. Mr. Wu is the author of a large number of legal publications and has 20 years of extensive work experience in the legal field. Mr. Wu is also an independent non-executive director of two Shanghai Stock Exchange listed companies, namely China Minsheng Banking, Corp., Ltd. and Henan Zhongfu Industry, Co., Ltd., an independent non-executive director of Fortune SGAM Fund Management Co., Ltd. and an independent supervisor of a Hong Kong and New York Stock Exchange listed company, namely PetroChina Company Limited. PetroChina Company Limited is engaged in a broad range of petroleum and natural gas-related activities. China Minsheng Banking Co., Ltd. is engaged in banking and financing activities. Henan Zhongfu Industry Co., Ltd. is engaged in the manufacturing of aluminium products.

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Zhang Ke, aged 51, is an Independent Non-executive Director of our Company. Mr. Zhang graduated from Renmin University of China in 1982 with a Bachelor's degree of economics. He is a certified public accountant and currently Chairman and chief partner of ShineWing Certified Public Accountants. Mr. Zhang is a member of the Standing Council of CICPA, honorary professor in the Accounting Department of Renmin University of China, and a member of CPA Examination Committee of the Ministry of Finance. Mr. Zhang has over 20 years of extensive experience in the fields of investment, managerial consultancy, finance and auditing.

There is no family relationship between any of our Directors or executive officers. Each of our Non-executive Directors (excluding Independent Non-executive Directors) also serves as executive officer of CNAHC, and does not work for our Company on a full-time basis. One of our three Executive Directors (Mr. Fan Cheng) also serves as a director of CNACG. Each of the Non-Executive Directors (excluding the Independent Non-executive Directors) and Mr. Fan Cheng has given certain undertakings to the Company in relation to voting where there is a conflict between the interests of the Group and the interests of the CNAHC Group (see section 4, "Further Information about our Directors and Supervisors" in "Appendix IX — Statutory and General Information" to this Prospectus). The remaining five Directors (including our Independent Non-executive Directors) have not held and are not expected to hold any position at CNAHC or CNACG and are therefore independent of CNAHC and CNACG. We intend to maintain a majority of Directors who are independent of CNAHC and CNACG.

Supervisors

<u>Name</u>	<u>Age</u>	<u>Position</u>
ZHANG Xianlin	51	Chairman of Supervisory Committee
LIAO Wei	40	Supervisor
ZHANG Huilan	44	Supervisor
LIU Feng	46	Supervisor

Zhang Xianlin, aged 51, is Chairman of our Supervisory Committee. Mr. Zhang graduated from Huazhong University of Science and Technology with a Doctor's degree and is a certified public accountant and senior accountant. Prior to joining our Company in 2004, Mr. Zhang joined CNACG in 1996 and served as Managing Vice President, a post he continues to hold. Mr. Zhang served in the Finance Department of CAAC's Northern Administration Bureau from 1988 to 1992 and served as Deputy Director General of the Finance Department of CAAC from 1992 to 1997. Mr. Zhang has over 30 years of extensive experience in enterprise finance and investment management. Mr. Zhang is also a director of CNAC.

Liao Wei, aged 40, is a Supervisor of our Company. Mr. Liao graduated from China Southwest Finance University with a Bachelor's Degree in 1986 and is a senior accountant. Mr. Liao worked in CNACG from 1997 to 2002 and held the position of General Manager of CNACG's investment department since May 2000. Mr. Liao joined CNAHC in December 2002 and has served as General Manager of CNAHC's finance department since September 2003, a post he continues to hold. Prior to joining CNACG in 1997, Mr. Liao worked in CAAC's Finance Department and Air Macau. Mr. Liao has many years of extensive experience in finance.

Zhang Huilan, aged 44, is a Supervisor of our Company. Ms. Zhang graduated from Asia (Macau) International Public University with an MBA degree in 2000 and is a senior accountant.

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Ms. Zhang holds IATA diploma in airline accounting and finance. Ms. Zhang served as director of the Finance Department of CNAC (Macau) from 1993 to 2001. Prior to joining our Company in 2004, Ms. Zhang worked in CNAC (PRC) as General Manager of its finance department in 2001 and then joined CNAHC in December 2002 as the Deputy General Manager of Financial Department and was later appointed Deputy General Manager of Asset Management Department of CNAHC. Ms. Zhang has many years of extensive experience in finance and business management.

Liu Feng, aged 46, is a Supervisor of our Company and is the representative of our employees on our Supervisory Committee. Mr. Liu graduated from the China Central Party University. Mr. Liu joined Air China International Corporation in 1992 as the secretary to the trade union and has been serving as the deputy director of the trade union office of Air China International Corporation since December 1995.

Senior Officers

Cheng Yiru, aged 55, is a Vice President of our Company. Mr. Cheng graduated from Civil Aviation Flight University of China in 1971 and is a First-Degree Pilot. Prior to joining Air China International Corporation as a Vice President in October 2002 Mr. Cheng served as Deputy General Manager of China Southwest Airlines from 1994 to 2002. Mr. Cheng has been involved in the PRC's civil aviation industry for over 30 years. As our Vice President, Mr. Cheng is mainly responsible for the fleet, aviation safety supervision, flying technique management and operation quality of our Company.

Sun Yude, aged 50, is a Vice President of our Company. Mr. Sun graduated from China Civil Aviation Institute in 1986. Prior to joining Air China International Corporation in October 2002 as a Vice President, Mr. Sun served as General Manager of Zhejiang Airlines from 2000 to 2002. Mr. Sun has been involved in the Chinese civil aviation industry for over 30 years. As our Vice President, Mr. Sun is mainly responsible for the planning and development department and information technology work of our Company.

Ma Kuiliang, aged 58, is a Vice President of our Company. Mr. Ma graduated from China Civil Aviation Institute in 1968 and is a senior engineer. Mr. Ma served as President of Ameco from 2000 to 2001. Mr. Ma served as Assistant President of Air China International Corporation from December 2001 and then became its Vice President since October 2002. Prior to joining Air China International Corporation, Mr. Ma worked with CAAC Beijing Maintenance Base. Mr. Ma has over 30 years of extensive experience in engineering and management in the Chinese civil aviation industry. As our Vice President, Mr. Ma is mainly responsible for the aircraft engineering work of our Company.

Yang Lihua, aged 49, is a Vice President of our Company. Ms. Yang graduated from Beijing Languages University in 1977 with a Bachelor's degree. She joined Air China International Corporation in 1988 and was a manager of Cabin Service Department from 1986 to 1995, Deputy Chief of the Flight Team of Air China International Corporation from 1996 to 2000, and as General Manager of Passenger Service Department of Air China International Corporation from 2000 to 2002. Ms. Yang served as a Vice President of Air China International Corporation since October 2002. Prior to joining Air China International Corporation, Ms. Yang worked with CAAC Beijing Administrative Bureau. Ms. Yang has been involved in the Chinese civil aviation industry for more 30 years. As our Vice President, Ms. Yang is mainly responsible for cabin services, ground services and services quality of our Company.

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Gao Dianbang, aged 56, is the Chief Pilot of our Company. Mr. Gao graduated from Civil Aviation Flight University of China in 1969 and is a First-Degree pilot. He joined Air China International Corporation in 1988 and served as the Chief of Flight Team and President Assistant of Air China International Corporation. Prior to joining Air China International Corporation in 1988, Mr. Gao served as pilot trainer in CAAC Beijing Administrative Bureau. Mr. Gao has over 30 years of extensive experience in flight operation. As our Chief Pilot, Mr. Gao is mainly responsible for aircraft technology and operation management of our Company.

The business address of the senior officers is 9/F, Blue Sky Building, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing, China.

Joint Company Secretaries

Fan Cheng. For Mr. Fan Cheng's biography, see the section headed "Directors, Supervisors and Senior Management — Directors."

Li Man Kit, aged 48, is a Joint Company Secretary of our Company. He has been the Company Secretary of CNAC and CNACG since December 2000. Mr. Li graduated from University of East Asia, Macau in business administration and also holds both a Bachelor's degree in Chinese Law and a Master's degree in International Law from Peking University. He is an associate member of the Institute of Chartered Secretaries and Administrators, UK and the Hong Kong Institute of Chartered Secretaries. Prior to joining the CNAC Group, Mr. Li was the company secretary of a shipping group of companies whose shares were listed in both Hong Kong and London. Mr. Li has many years of experience in para-legal, corporate reorganisation, administrative and personnel management and company secretarial work.

WAIVERS FROM THE HONG KONG STOCK EXCHANGE

Waiver from Rules 8.12 and 19A.15 of the Hong Kong Listing Rules

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, an issuer must have sufficient management presence in Hong Kong including that normally at least two of the issuer's executive directors must be ordinary residents in Hong Kong. Since the operation of our Company is substantially in the mainland of China, we do not and, for the foreseeable future, will not have two executive directors residing in Hong Kong. Currently, substantially all of our Directors reside in the mainland of China. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules.

We have made relevant arrangements to maintain effective communication between us and the Hong Kong Stock Exchange. Both the authorised representatives will be readily contactable by the Hong Kong Stock Exchange and will readily make themselves available in Hong Kong whenever necessary to deal promptly with enquiries from the Hong Kong Stock Exchange. In addition, in order to maintain an alternative channel of communication with the Hong Kong Stock Exchange and to obtain professional advice on continuous compliance with the Hong Kong Listing Rules, we have retained the services of the Joint Sponsors to our listing on the Hong Kong Stock Exchange, China International Capital Corporation (Hong Kong) Limited and Merrill Lynch Far East Limited, by entering into a sponsors' agreement with each of the Joint Sponsors in compliance with Rule 19A.05 of the Hong Kong Listing Rules, for a period of one year from the date of our listing.

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Waiver from Rules 8.17 and 19A.16 of the Hong Kong Listing Rules

As Mr. Fan Cheng does not possess a qualification as stipulated in Rule 8.17 of the Hong Kong Listing Rules, our Company has appointed, and will continue to do so for a minimum period of three years after the date of this Prospectus, Mr. Li Man Kit who is a Hong Kong resident and has the requisite knowledge and experience as required under Rule 8.17(2) of the Hong Kong Listing Rules to act as our joint company secretary. We have applied to the Hong Kong Stock Exchange for a waiver for a period of three years from the Listing Date under Rules 8.17 and 19A.16. Upon the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Fan Cheng to determine whether the requirements as stipulated in Rule 8.17 can be satisfied.

QUALIFIED ACCOUNTANT

Chan Wai Kwong Joel, aged 40, is the qualified accountant of our Company. He is also the Head of Internal Audit of our Company. Mr. Chan holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. After graduation, Mr. Chan joined Ernst & Young in 1988 and was in charge of providing audit services to various clients ranging from small PRC joint venture companies to Hong Kong and U.S. listed companies. Mr. Chan had worked for Laidlaw Pacific (Asia) Limited (a registered investment adviser with SFC) from 1997 to 2000 as senior manager of corporate finance. He also worked for Diyixian.com Limited as its financial controller from 2000 to 2002. Prior to joining our Company, Mr. Chan worked with Princeton Venture Partners Limited (a registered investment adviser with SFC) as a manager. Mr. Chan has over 15 years of experience in auditing, accounting and financial services. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

BOARD COMMITTEES

We have established an audit and risk control committee in compliance with the Code of Best Practice as set out in Appendix 14 of the Hong Kong Listing Rules. The primary duties of the audit and risk control committee are to review and supervise our financial reporting process. The audit and risk control committee shall comprise of three Directors not involved in the day to day management of the Company and shall be appointed by the Board. The audit and risk control committee currently comprises two Independent Non-executive Directors, Mr. Wu Zhipan and Mr. Zhang Ke, and one Non-executive Director, Mr. Yao Weiting, with Mr. Zhang Ke acting as chairman of the audit committee.

We have established a nomination and remuneration committee to make recommendations to our Board regarding the compensation of other Executive Directors as well as candidates to fill vacancies on our Board. In addition, the nomination and remuneration committee conducts reviews of the performance and determines the compensation structure of our senior management. The current members of the nominations and remuneration committee are Mr. Li Jiaxiang, Mr. Kong Dong, Dr. Hu Hung Lick, Henry, Mr. Zhang Ke and Mr. Wu Zhipan, with Mr. Wu Zhipan acting as the chairman of such committee.

We have established a strategy and investment committee to analyse and identify our development strategy and to decide on matters related to our investment as authorised by the Board. The current members of the strategy and investment committee are Mr. Kong Dong,

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Mr. Wang Shixiang, Mr. Ma Xulun and Mr. Cai Jianjiang, with Mr. Ma Xulun as chairman of such committee.

COMPENSATION OF DIRECTORS, SUPERVISORS AND OFFICERS

We were established on September 30, 2004. Prior to that, we did not exist as an independent legal entity and our operations were conducted by certain members of the CNAHC Group. The compensation information set forth below for our Directors, Supervisors and various other employees, insofar as it relates to periods prior to our incorporation, is stated at historical amounts as if our current structure had been in existence throughout the relevant periods.

Our Directors and Supervisors received compensation in the form of salaries, bonuses, housing allowances and other benefits in kind, including our contribution to the pension plan on behalf of our Directors and Supervisors. The aggregate fees or compensation paid to all our Directors (excluding our Independent Non-executive Directors) and Supervisors for the year ended December 31, 2001, 2002 and 2003 were RMB4.1 million, RMB4.8 million and RMB4.9 million, respectively. As required by PRC regulations, we participate in various defined contribution retirement plans organised by provincial and municipal governments for our employees, including employees who are Directors and Supervisors, to which we contributed RMB0.1 million for our Directors and Supervisors for the year ended December 31, 2003. The aggregate amount of compensation we paid to our five highest paid individuals during the year ended December 31, 2003 was approximately RMB8.4 million.

LONG-TERM COMPENSATION SYSTEM

In order to enhance the profitability and value of our Company, and to attract, retain and motivate senior executives and other key employees who make important contributions to the success of our Company, our Shareholders adopted on October 18, 2004 a long-term compensation plan (the “Plan”) that provides for the grant of share appreciation rights (“SAR”) subject to the terms and conditions described below.

Under the Plan, a SAR constitutes the right to receive an amount equal to the appreciation, if any, in the fair market value of an H Share from the date of the grant of the SAR to the date of exercise.

The eligible participants of the Plan include members of the Board, the Board of Supervisors (but excluding Independent Non-executive Directors and independent Supervisors), President, Vice Presidents, heads of key departments in our headquarters, General Managers and some deputy General Managers of our principal branches and subsidiaries as well as selected senior professionals and key specialists. In any event, the SARs will be granted to no more than 200 senior management personnel. Our Board has the right to amend the Plan from time to time, or to terminate the Plan, provided that the amendment or termination does not affect adversely a participant’s rights to or under any benefit granted prior to such amendment or termination.

No Shares will be issued under the Plan. Our shareholders’ equity interests will not be diluted as a result of the issuance of the SARs. SARs will be granted in units with each unit representing one H Share. The aggregate number of Shares represented by the SARs units granted to all participants within each year shall not exceed 0.4% of the total share capital of our Company, and the aggregate number of Shares represented by the SARs units granted to all participants at any time during the period of the Plan shall not exceed 2% of our Company’s total share capital.

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The exercise price of the SARs initially granted will be equal to the Offer Price. The exercise price of the SARs subsequently granted will be equal to the average official closing price of the H Shares as stated in the daily quotation sheet of the Hong Kong Stock Exchange for the five consecutive trading days immediately before the grant date.

Upon exercise of the stock appreciation rights, the exercising participant will receive payment in Renminbi at the prevailing exchange rate, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the exercise price and market price of the H shares at the time of exercise.

Under the Plan, all SARs will have an exercise period of five years. As of each of the last day of the second, third, and fourth anniversary of the date of grant, the total number of SARs exercised may not exceed 30%, 70% and 100%, respectively, of the total SARs granted to the participants.