

For illustrative purpose only, the pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and paragraph 12.29 of the listing rules of the United Kingdom Listing Authority is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Global Offering and to illustrate the performance of the Group had the Global Offering been completed on January 1, 2004.

A. PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the Group's net assets had it occurred as at June 30, 2004 and earnings per share for the year ending December 31, 2004 had it occurred immediately before the start of that period. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position and results of the Group.

	Audited Combined Net Assets of the Group as at June 30, 2004	Adjustment — Net Proceeds of Global Offering	Total Pro Forma Net Assets of the Group	Pro Forma Net Assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3) and (Note 4)
Based on an Offer Price of HK\$2.35 per share				
Non-current assets				
Lease prepayments	70,007	—	70,007	
Goodwill included as part of interests in associates	1,205,390	—	1,205,390	
Other investments	21,930	—	21,930	
Others	46,211,986	—	46,211,986	
	<u>47,509,313</u>	<u>—</u>	<u>47,509,313</u>	
Current assets				
Cash and cash equivalents	3,758,507	5,970,356	9,728,863	
Pledged deposits	138,617	—	138,617	
Others	5,825,623	—	5,825,623	
	<u>9,722,747</u>	<u>5,970,356</u>	<u>15,693,103</u>	
Current liabilities				
Bills payable	(727,118)	—	(727,118)	
Tax payable	(51,005)	—	(51,005)	
Obligations under finance leases	(1,644,035)	—	(1,644,035)	
Bank and other loans	(9,301,850)	—	(9,301,850)	
Others	(9,730,958)	—	(9,730,958)	
	<u>(21,454,966)</u>	<u>—</u>	<u>(21,454,966)</u>	

APPENDIX II
PRO FORMA FINANCIAL INFORMATION

	Audited Combined Net Assets of the Group as at June 30, 2004	Adjustment — Net Proceeds of Global Offering	Total Pro Forma Net Assets of the Group	Pro Forma Net Assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3) and (Note 4)
Non-current liabilities				
Obligations under finance leases . . .	(11,217,580)	—	(11,217,580)	
Bank and other loans	(11,910,523)	—	(11,910,523)	
Others	<u>(2,416,335)</u>	<u>—</u>	<u>(2,416,335)</u>	
	<u>(25,544,438)</u>	<u>—</u>	<u>(25,544,438)</u>	
Total net assets	<u>10,232,656</u>	<u>5,970,356</u>	<u>16,203,012</u>	
Represented by:				
Net intangible assets	1,205,390	—	1,205,390	0.13
Net tangible assets	<u>9,027,266</u>	<u>5,970,356</u>	<u>14,997,622</u>	<u>1.66</u>
	<u>10,232,656</u>	<u>5,970,356</u>	<u>16,203,012</u>	<u>1.79</u>
Based on an Offer Price of HK\$3.10 per share				
Non-current assets				
Lease prepayments	70,007	—	70,007	
Goodwill included as part of interests in associates	1,205,390	—	1,205,390	
Other investments	21,930	—	21,930	
Others	<u>46,211,986</u>	<u>—</u>	<u>46,211,986</u>	
	<u>47,509,313</u>	<u>—</u>	<u>47,509,313</u>	
Current assets				
Cash and cash equivalents	3,758,507	7,905,610	11,664,117	
Pledged deposits	138,617	—	138,617	
Others	<u>5,825,623</u>	<u>—</u>	<u>5,825,623</u>	
	<u>9,722,747</u>	<u>7,905,610</u>	<u>17,628,357</u>	
Current liabilities				
Bills payable	(727,118)	—	(727,118)	
Tax payable	(51,005)	—	(51,005)	
Obligations under finance leases . . .	(1,644,035)	—	(1,644,035)	
Bank and other loans	(9,301,850)	—	(9,301,850)	
Others	<u>(9,730,958)</u>	<u>—</u>	<u>(9,730,958)</u>	
	<u>(21,454,966)</u>	<u>—</u>	<u>(21,454,966)</u>	

APPENDIX II
PRO FORMA FINANCIAL INFORMATION

	Audited Combined Net Assets of the Group as at June 30, 2004	Adjustment — Net Proceeds of Global Offering	Total Pro Forma Net Assets of the Group	Pro Forma Net Assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3) and (Note 4)
Non-current liabilities				
Obligations under finance leases . . .	(11,217,580)	—	(11,217,580)	
Bank and other loans	(11,910,523)	—	(11,910,523)	
Others	<u>(2,416,335)</u>	<u>—</u>	<u>(2,416,335)</u>	
	<u>(25,544,438)</u>	<u>—</u>	<u>(25,544,438)</u>	
Total net assets	<u>10,232,656</u>	<u>7,905,610</u>	<u>18,138,266</u>	
Represented by:				
Net intangible assets	1,205,390	—	1,205,390	0.13
Net tangible assets	<u>9,027,266</u>	<u>7,905,610</u>	<u>16,932,876</u>	<u>1.87</u>
	<u>10,232,656</u>	<u>7,905,610</u>	<u>18,138,266</u>	<u>2.00</u>

Notes:

- (1) The financial information at June 30, 2004 is extracted from the combined balance sheet of the Group set out in “Appendix I — Accountants’ Report” to this Prospectus.
- (2) The adjustment to the pro forma statement of net assets reflects the estimated proceeds from the Global Offering, net of related expenses, to be received by the Company. This has been shown on the basis of both the upper and lower limits of the range of Offer Price, being HK\$3.10 and HK\$2.35 per Share. The translation of Hong Kong dollars into Renminbi was at HK\$1.00 to RMB1.0638, being the PBOC Rate on October 29, 2004.
- (3) The number of Shares is based on 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, excluding any shares that might be issued under the Over-allotment Option.
- (4) The calculation of the unaudited pro forma net tangible asset per Share has not taken into account of the following subsequent events after the balance sheet date of June 30, 2004, which, when happened, will increase/decrease the unaudited pro forma net tangible assets per Share:
 - (i) On September 9, 2004, CNAHC made a cash contribution amounting to RMB561 million to the Group which forms part of the Company’s paid-in capital of RMB6,500 million upon its incorporation.
 - (ii) Upon incorporation of the Company, CNAHC effected the transfer of certain land use rights in an aggregate amount of approximately RMB886 million to the Company which forms part of the Company’s paid-up capital of RMB6,500 million.
 - (iii) As a result of the completion of (i) the stock purchase agreement entered into by a wholly-owned subsidiary of CNAC with Air China International Corporation in relation

to the acquisition of 60% of the equity interest in Beijing Air Catering Co., Ltd. (“BACL”), (ii) the stock purchase agreement entered into by a wholly-owned subsidiary of CNAC with Air China International Corporation in relation to the acquisition of 60% of the equity interest in Southwest Air Catering Company Limited (“SWACL”), and (iii) the stock transfer agreement entered into between Air China International Corporation and Hong Kong Southwest Air Catering Limited (“HKSACL), the minority shareholder of SWACL, in respect of the disposal of 15% of the equity interest in SWACL by Air China International Corporation to HKSACL, the Group will make a payment of approximately RMB378 million to CNAHC, representing the total considerations paid by CNAC, through its wholly-owned subsidiary, and HKSACL for the acquisitions of the entire shareholding interests held by the Group in BACL and SWACL pursuant to the Restructuring. This payment to be made to CNAHC will be accounted for as a special distribution to CNAHC by the Group.

- (iv) Upon completion of the acquisitions of (i) a 48% equity interest in Shandong Aviation Group Corporation and (ii) a 22.8% equity interest in Shandong Airlines Co., Ltd., details of which are set out in Section 11(g) of “Appendix I — Accountants’ Report” to this Prospectus, an estimated goodwill amount of approximately RMB183 million (unaudited) will result from the above acquisitions.
- (v) In accordance with the (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知)“Provisional Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment” notice issued by the Ministry of Finance (English title is a direct translation of Chinese title of the notice), which became effective from August 27, 2002, and pursuant to the Restructuring Agreement, after the Company’s incorporation, the Group is required to make a distribution to CNAHC which represents an amount equal to the net profit attributable to shareholders, as determined based on audited accounts prepared in accordance with the PRC GAAP, generated, during the period from January 1, 2004 to September 30, 2004 (the date of incorporation of the Company) by the businesses and operations (excluding those of CNAC) contributed to the Group by CNAHC.

In addition, in accordance with the (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫行規定》的通知) “Provisional Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment” notice issued by the Ministry of Finance, and pursuant to the Restructuring Agreement, after the Company’s incorporation, the Group is required to make a distribution to CNACG, which represents an amount equal to the net profit attributable to shareholders, as determined based on audited accounts prepared in accordance with the PRC GAAP, generated, during the period from January 1, 2004 to September 30, 2004 (the date of incorporation of the Company) by the businesses and operations (excluding those directly contributed by CNAHC) contributed to the Group by the CNAC group, less the 2003 final dividend and 2004 interim dividend amounts already paid by CNAC to CNACG.

- (vi) Subsequent to June 30, 2004 and up to the date of the Prospectus, distribution totalling approximately RMB15 million was declared by a subsidiary of the Company.

B. PRO FORMA FORECAST EARNINGS PER SHARE FOR THE YEAR ENDING DECEMBER 31, 2004

The unaudited pro forma forecast earnings per share has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering might have affected the Group's forecast earnings per share for the year ending December 31, 2004 had it occurred immediately before the start of that period. It has been prepared for illustrative purpose only and, because of its nature, may not give an accurate picture of the financial results of the Group.

	Forecast Year Ending December 31, 2004
Forecast combined profit before taxation (Note 1)	RMB3,506 million
Forecast combined profit after taxation and minority interests but before extraordinary items (Note 1)	RMB2,290 million
Pro forma fully diluted forecast earnings per Share (Note 2)	RMB0.25

Notes:

1. The pro forma forecast combined profit before taxation and the pro forma forecast combined profit after taxation and minority interests but before extraordinary items for the year ending December 31, 2004 is extracted from the profit forecast as set out in the subsection headed "Profit Forecast for the Year Ending December 31, 2004" under the section headed "Financial Information" in the Prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2004 has been prepared are summarised in "Appendix III — Profit Forecast" to this Prospectus. The forecast of the combined profit before taxation and the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending December 31, 2004 prepared by the Directors is based on the audited combined results of the Group for the six months ended June 30, 2004, unaudited management accounts of the Group for the two months ended August 31, 2004 and a forecast of the combined results of the Group for the remaining four months ending December 31, 2004. The Directors are not aware of any extraordinary items that have arisen or are likely to arise during the year ending December 31, 2004. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in "Appendix I — Accountants' Report" to this Prospectus.
2. The calculation of the unaudited pro forma fully diluted forecast earnings per Share is based on the unaudited forecast combined 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.

C. COMFORT LETTER ON PRO FORMA FINANCIAL INFORMATION RELATING TO STATEMENT OF NET ASSETS AND FORECAST EARNINGS PER SHARE FOR THE YEAR ENDING DECEMBER 31, 2004

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

December 3, 2004

The Directors
Air China Limited

Dear Sirs,

We report on the pro forma financial information of Air China Limited (the “Company”), its subsidiaries and its joint ventures (hereinafter collectively referred to as the “Group”) set out on pages II-1 to II-5 under the headings of “Pro Forma Statement of Net Assets” and “Pro Forma Forecast Earnings Per Share for the Year Ending December 31, 2004” (the “Pro Forma Financial Information”) in Appendix II of the prospectus dated December 3, 2004 in connection with the placing and public offer of the H shares of the Company, which has been prepared, for illustrative purpose only, to provide information about how the Global Offering might have affected the relevant financial information of the Group presented.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and paragraph 12.29 of the listing rules of the United Kingdom Listing Authority (collectively, the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared on the basis set out on pages II-1 to II-5 for illustrative purpose only and, because of its nature, it may not be indicative of:

- the earnings per share of the Group for any future periods; or
- the financial position of the Group at any future date.

OPINION

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and paragraph 12.29 of the listing rules of the United Kingdom Listing Authority.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong