

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Incorporation

We were incorporated under the PRC laws as a joint stock limited liability company on September 30, 2004. We established a place of business in Hong Kong at 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Hong Kong and have been registered as an oversea company under Part XI of the Hong Kong Companies Ordinance. Mr. Li Man Kit of K3 Merry Terrace, 4 Seymour Road, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong. As the Company is incorporated in the PRC, it is subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in “Appendix VII — Summary of Principal Legal and Regulatory Provisions” to this Prospectus. A summary of the Articles of Association of the Company is set out in “Appendix VIII — Summary of Articles of Association” to this Prospectus.

B. Changes in Registered Share Capital

At the time of our establishment, our initial registered share capital was RMB 6,500,000,000, divided into 5,054,276,915 Domestic Shares and 1,445,723,085 Non-H Foreign Shares of par value RMB 1.00 each, all of which were held and fully paid up or credited as fully paid up.

Immediately after the Global Offering, the registered share capital of the Company will be RMB 9,050,618,182, made up of 4,855,945,675 Domestic Shares and 1,388,992,507 Non-H Foreign Shares and 2,805,680,000 H Shares, representing approximately 53.65%, 15.35%, and 31.00% of the registered share capital of the Company, respectively (assuming the Over-allotment Option is not exercised).

Save as disclosed herein and in the paragraphs headed “Resolutions of the Shareholders of the Company” and “Restructuring” below, there has been no alteration in our share capital since our incorporation.

C. Resolutions of the Shareholders of the Company

Resolutions were passed by our Shareholders on September 30, 2004 pursuant to which, among other matters:

- (a) conditional upon, amongst other, (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be issued as mentioned herein; and (ii) the Hong Kong Underwriting Agreement and International Purchase Agreement becoming unconditional and not being terminated in accordance with their terms or otherwise, our Shareholders approved:
- the conversion of the Company into an “overseas subscription company”;
 - the issue and offering of H Shares and the granting of the Over-allotment Option; and
 - the listing of the H Shares on the Hong Kong Stock Exchange;
 - the listing of the H Shares on the London Stock Exchange; and

- (b) the Articles of Association were adopted and the Directors were authorised to amend the Articles of Association in accordance with any comments from the relevant governing authorities in the PRC and the Hong Kong Stock Exchange.

D. Restructuring

The Restructuring principally involved our Company's assuming from CNAHC's wholly owned subsidiary, Air China International Corporation, certain airline-related business, assets and liabilities. Air China International Corporation is a limited liability company established and operated under PRC law. The Restructuring also involved CNACG's transferring its approximately 69% equity interest in CNAC to us by way of capital contribution. Further information on the Restructuring is set out in the section headed "Our Restructuring" in this Prospectus.

The Restructuring involved the following procedures and approvals:

- (a) On April 27, 2004, the CAAC issued an approval document (Zong Ju Ting Han [2004] No. 59) to SASAC approving our succession of all the principal business operations and assets, including all the domestic and international passenger carrying business, and relating approvals, licences, permits, certificates and credentials of Air China International Corporation;
- (b) On September 20, 2004, the SASAC issued an approval document (Guo Zi Gai Ge [2004] No. 872) to CNAHC approving our incorporation;
- (c) On September 8, 2004, the SASAC issued an approval document (Guo Zi Chan Quan [2004] No. 854) to CNAHC concerning the management of State-owned equity interest in us;
- (d) On September 2, 2004, the SASAC issued an approval document (Guo Zi Chan Quan [2004] No. 837) to CNAHC approving the appraisal of our assets;
- (e) On September 30, 2004, a business licence (No. 1000001003917) was issued by the SAIC, whereupon we were established as a joint stock limited company and we acquired the status of an enterprise legal person;
- (f) On September 30, 2004, we convened a Shareholders' extraordinary general meeting at which, among other things:
 - (i) the application to the SASAC for the conversion of our Company into an "overseas subscription company" was approved;
 - (ii) the offering and issue of H Shares was approved;
 - (iii) the listing of the H Shares on the Hong Kong Stock Exchange and the London Stock Exchange was approved; and
 - (iv) the submitting of the Articles of Association to the SASAC for examination and approval was approved;
- (g) On November 20, 2004, CNAHC and CNACG entered into the Restructuring Agreement with our Company;

- (h) On October 12, 2004, the SASAC issued an approval document (Guo Zi Gai Ge [2004] No. 939) to our Company authorising our conversion into an “overseas subscription company” and approving our Articles of Association;
- (i) On September 27, 2004, the SASAC issued an approval document (Guo Zi Chan Quan [2004] No. 913) approving the sale of 228,082,243 Shares by CNAHC on behalf of the Council of the National Council for Social Securities Fund, PRC and the sale of 69,240,542 Shares by CNACG; and
- (j) On November 3, 2004, the CSRC issued an approval document (Zheng Jian Guo He [2004] No. 39) authorising us to proceed with the Global Offering and make an application to list the H Shares on the Hong Kong Stock Exchange and on the Official List of the UK Listing Authority and to seek admission of the H Shares to trading on the London Stock Exchange’s market for listed securities.

2. OUR SUBSIDIARIES

A. Investments in Subsidiaries

The information pertaining to our subsidiaries is listed in “Appendix I — Accountants’ Report” to this Prospectus.

Further information on our sino-foreign joint ventures is set out below:

<u>Name of joint venture</u>	<u>Name of joint venture partners</u>	<u>Proportion of capital contribution</u>	<u>Term of joint venture (expiry date)</u>
Air China Cargo . . .	Our Company	51%	
	Capital Airport Holding Company	24%	November 13, 2033
	CITIC Pacific	25%	
Ameco	Our Company	60%	July 31, 2029
	Lufthansa	40%	

All of the above companies are Sino-foreign equity joint ventures.

Any transfers of registered capital in the above joint ventures are subject to the pre-emption rights of the other joint venture partners as set out in the respective joint venture contracts and/or articles of association of the joint venture companies.

The profits and losses of all of the above Sino-foreign joint ventures are allocated in accordance with the respective joint venture parties’ capital contributions.

B. Changes in Share Capital

The following sets out the changes to the share capital of the relevant subsidiaries of our Company within the two years preceding the date of this Prospectus:

CNAC

As at January 1, 2003, the authorised as well as the issued and fully paid share capital of CNAC was 4,000,000,000 shares and 3,319,308,000 shares, respectively.

In April 2003, CNAC repurchased a total of 6,628,000 ordinary shares of CNAC of HK\$0.1 each at an aggregate consideration of HK\$5,325,000. The highest and lowest prices per share paid for the repurchase were HK\$0.83 and HK\$0.77 respectively. The above shares repurchased were then cancelled.

AIE

AIE was established on August 30, 1993 as a wholly owned subsidiary of Air China International Corporation with a registered capital of RMB75,000,000 all of which was paid up. In January 2004, AIE's registered capital was increased to RMB90,000,000.

Ameco

Ameco was established on August 1, 1989 with a registered capital of US\$87.53 million. Pursuant to the Ameco Joint Venture Agreement as amended on July 19, 2004, the share capital of Ameco is to be increased by US\$100 million, of which the Company and the other joint venture partner will be responsible for 60% and 40%, respectively. The capital injections to achieve such increase of share capital are scheduled as follows:

- US\$15 million is payable within 3 months since the date of the renewal of business licence of Ameco (the "Renewal Date");
- US\$10 million is payable within the period between 4th and 6th month since the Renewal Date;
- US\$25 million is payable within the period between 7th and 21st month since the Renewal Date;
- US\$25 million is payable within the period between 22nd and 36th month since the Renewal Date; and
- US\$25 million is payable within the period between 37th and 48th month since the Renewal Date.

Save as disclosed above, there has been no alteration in the share/registered capital of any of our subsidiaries within the two years preceding the date of this Prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS**A. Summary of Material Contracts**

Subject to paragraph 3B below, except for the contracts described below, there have been no contracts entered into by any member of the Group (including Air China International Corporation, where the content refers to any time prior to the incorporation of the Company) other

than in the ordinary course of business (i) within the two years immediately preceding the publication of this Prospectus that are, or may be, material or (ii) that contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

- (a) the Restructuring Agreement dated November 20, 2004 entered into between us, CNAHC and CNACG regarding the Restructuring referred to in the section headed “Business — Connected Transactions” of this Prospectus;
- (b) the Non-competition Agreement dated November 20, 2004 entered into between us and CNAHC regarding the arrangement of non-competition as referred to in the section headed “Business — Connected Transactions” of this Prospectus;
- (c) the Trademark Licence Agreement dated November 1, 2004 entered into between us and CNAHC regarding the licensing of the trademark bearing “Air China” logo and other trademarks referred to in the section headed “Business — Connected Transactions” of this Prospectus;
- (d) the Comprehensive Services Agreement dated November 1, 2004 entered into between us and CNAHC regarding the general principle for the mutual provision of certain ancillary services to each other referred to in the section headed “Business-Connected Transactions” of this Prospectus;
- (e) the Financial Services Agreement dated November 1, 2004 entered into between us and CNAF regarding the general principle for the provision of a range of financial services to us by CNAF referred to in the section headed “Business — Connected Transactions” of this Prospectus. (As at September 30, 2004, there were 3 loans denominated in RMB in the total outstanding principal amount of RMB210,000,000 and 2 loans denominated in USD in the total outstanding principal amount of USD19,550,000 which have been granted by CNAF to the Company and which are outstanding, details of which are set out below:

<u>Outstanding principal amount</u>	<u>Annual interest rate</u>	<u>Term</u>
RMB100,000,000	4.536%	August 30, 2004 to February 28, 2005
RMB60,000,000	4.536%	August 30, 2004 to February 28, 2005
RMB50,000,000	4.536%	August 17, 2004 to February 16, 2005
US\$10,600,000	LIBOR+0.75%	July 12, 2004 to January 7, 2005
US\$8,950,000	6 month LIBOR+0.4%	May 15, 2002 to May 14, 2009

All of the above loans are unsecured except for the USD8,950,000 loan which has been obtained by the Company to finance the terminal payment under the finance lease of a Boeing aircraft and security over the aircraft was given to CNAF pursuant to the loan agreement.)

- (f) the Air China Cargo Joint Venture Agreement dated March 3, 2003 and supplemented on the same day between us, CITIC Pacific and Capital Airports Holding Company

regarding the incorporation and other material arrangement of Air China Cargo pursuant to which:

- (i) Air China Cargo would be established as a limited liability company established and governed by Chinese law for a term of 30 years, and the parties are responsible for the loss, risk and liabilities of Air China Cargo in proportion to and up to their respective amount of capital contribution;
 - (ii) the registered capital of Air China Cargo is RMB2.2 billion, of which the Company is obliged to contribute 51%, CITIC Pacific 25%, and Capital Airports Holding Company 24%;
 - (iii) the transfer of any or all of the capital contribution by any party to a third party requires consent from the other shareholders of Air China Cargo and approval from relevant authorities, and the other shareholders enjoy the right of first refusal;
 - (iv) the Company undertakes to help Air China Cargo with acquiring not only necessary approvals, registrations, permits and licences from relevant Chinese authorities but also the most favourable tax and investment treatments under PRC law, CITIC Pacific undertakes to help Air China Cargo with purchasing necessary materials, machines and device from abroad at competitive prices and transporting them to Chinese ports, and Capital Airports Holding Company undertakes to solve the problems of land, energy, logistics, and plane takeoff and landing in connection with the business operation of Air China Cargo;
 - (v) the net profit will be distributed in proportion to the parties' respective amount of capital contribution; and
 - (vi) if necessary, Air China Cargo could use the Company's cargo ground, warehouses and buildings which are not listed as part of the capital contribution by the Company at market rates.
- (g) the Sale and Purchase Agreement dated April 21, 2004 and supplemented on April 26, 2004 and November 12, 2004, respectively, between Fly Top Limited, a wholly owned subsidiary of CNAC and Air China International Corporation regarding CNAC's acquisition through Fly Top Limited of 60% equity interest in Beijing Air Catering Co., Ltd. ("BACL"), a company incorporated in the PRC, pursuant to which, among other things, (i) the total consideration payable by Fly Top Limited is RMB294 million; (ii) Air China International Corporation undertakes to complete the formal procedures for obtaining the land use rights with respect to the authorised operation of the land currently used by BACL for its production facilities within 6 months of the date of the Sale and Purchase Agreement and to lease such land to BACL for a term of up to April 30, 2023 at a rent to be calculated on the basis of the original cost for obtaining such land use rights once the land use rights certificate is obtained; (iii) Air China International Corporation gave certain representations and warranties including that it is the legal owner of the 60% equity interest in BACL and the subject matter of the transfer is not subject to any mortgage, options, pre-emptive rights or other third party interests and agreed to indemnify Fly Top Limited against any losses arising from breach of such representations and warranties; and (iv) the Sale and Purchase Agreement shall be effective when approved by the Ministry of Commerce.

- (h) the Sale and Purchase Agreement dated April 21, 2004 and supplemented on April 26, 2004 and November 12, 2004, respectively, between Fly Top Limited and Air China International Corporation regarding CNAC's acquisition through Fly Top Limited of 60% equity interest in Southwest Air Catering Company Limited ("SWACL"), a company incorporated in the PRC, pursuant to which, among other things, (i) the total consideration payable by Fly Top Limited is RMB67 million; (ii) Air China International Corporation agrees to complete the formal procedures for transferring the land use rights of certain land and the building ownership rights of certain production facilities, which had been agreed to be injected by Air China International Corporation into SWACL as part of its initial capital contribution when SWACL was established, from itself to SWACL within six months of the date of the Sale and Purchase Agreement; (iii) Air China International Corporation gave certain representations and warranties including that it is the legal owner of the 60% equity interest in SWACL and the subject matter of the transfer is not subject to any mortgage, options, pre-emptive rights or other third party interests and agreed to indemnify Fly Top Limited against any losses arising from breach of such representations and warranties; and (iv) the Sale and Purchase Agreement shall be effective when approved by the Ministry of Commerce.
- (i) the Sale and Purchase Agreement dated August 19, 2004 between Fly Top Limited and CNACG, regarding CNAC's acquisition, through Fly Top Limited, of approximately 16% of the issued share capital of LSG Lufthansa Service Hong Kong Limited ("LSGLS"), a company incorporated in Hong Kong and principally engaged in the provision of inflight catering services and laundry services. The consideration for the acquisition is HK\$89 million. Fly Top Limited shall not be obliged to complete this agreement unless the sale and purchase of the equity interest in each of (i) Beijing Air Catering Co., Ltd. as referred to in paragraph (g) above and (ii) Southwest Air Catering Limited as referred to in paragraph (h) above are completed simultaneously. Upon completion of the agreement, Fly Top Limited would execute a deed of adherence and supplement (the "Deed of Adherence and Supplement") with LSG Catering Hong Kong Limited, Dragonair, Hong Kong International Air Catering Limited and LSGLS pursuant to which Fly Top Limited became bound by the terms of a shareholders' agreement governing the relationship between the shareholders of LSGLS and affairs of their dealing with LSGLS. The agreement is governed by Hong Kong law.
- (j) the Sale and Purchase Agreement dated August 19, 2004 between Fly Top Limited and Hong Kong International Air Catering Limited, a company incorporated in Hong Kong, regarding CNAC's acquisition through Fly Top Limited of approximately 4.2% of the issued share capital of LSGLS; the consideration for the acquisition is HK\$24.5 million. Fly Top Limited shall not be obliged to complete this agreement unless the sale and purchase of the equity interest in each of (i) Beijing Air Catering Co., Ltd. as referred to in paragraph (g) above, (ii) SWACL as referred to in paragraph (h) above and (iii) LSGLS as referred to in paragraph (i) above have completed or are completed simultaneously. Upon completion of the agreement, Fly Top Limited would execute the Deed of Adherence and Supplement referred to in paragraph (i) above. The agreement is governed by Hong Kong law;

- (k) the 2004 Amendment to the Joint Venture Contract for Ameco between us and Lufthansa dated July 19, 2004, which provides, among other things, that (1) the term of Ameco shall be extended for further 25 years since the date of the issuance of the new business license; (2) the registered capital shall be increased by US\$100 million (the instalment subscription schedule is set out in paragraph 2B of this Appendix; (3) our Company undertakes, upon Ameco's actual need of financing, to arrange total loan facility of approximately RMB282.7 million and Lufthansa undertakes, upon Ameco's actual need of financing, to arrange total loan facility of approximately US\$69.3 million and; (4) restrictions shall apply on transfer of registered capital and profit allocation (set out in paragraph 2A of this Appendix);
- (l) the Assignment Agreement between us and CNAHC on October 8, 2004 regarding the equity interests in Shandong Aviation Group and Shandong Airlines referred to in the section headed "Business — Connected Transactions" of this Prospectus. Pursuant to this agreement:
- (i) CNAHC agreed to transfer all of its rights and obligations under two transfer agreements according to which CNAHC agreed to acquire a 48.0% equity interest in Shandong Aviation Group and a 22.8% equity interest in Shandong Airlines;
 - (ii) Since CNAHC has already paid part of the equity transfer amount and relevant fees under the two transfer agreements, we have agreed to pay the same amount to CNAHC. We also agreed to pay the outstanding amount under the two transfer agreements to Shandong Aviation Group and Shandong Airlines. As at the latest Practicable Date, the total amount we owed to CNAHC was RMB95.6 million; the total amount we owed to Shandong Aviation Group and Shandong Airlines under the two transfer agreements was RMB465.2 million;
 - (iii) we agreed to reimburse CNAHC for all the amounts and expenses that have been incurred and paid by CNAHC under the above two transfer agreements within seven (7) days of the effectiveness of the Assignment Agreement;
 - (iv) CNAHC has given certain representations and warranties including that it has all the rights, power and authorisation to make such transfer and that such transfer will not result in the breach of any other agreements or documents that have been entered into by CNAHC;
 - (v) CNAHC and we agreed to indemnify each other against all the damage and expenses arising from any breach of representations and warranties given by CNAHC or us, as the case may be; and
 - (vi) the Assignment Agreement shall be effective after it is signed by both parties and approved by the relevant government authorities.
- (m) the Hong Kong Underwriting Agreement dated December 2, 2004 entered into among the Company, CNAHC, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and HSBC Nominees (Hong Kong) Limited pursuant to which it is agreed, inter alia:
- (i) the Company agreed, subject to certain conditions, to issue and allot, at the Offer Price, the Offer Shares to be issued in connection with the Hong Kong Public Offering;

- (ii) the Hong Kong Underwriters agreed, subject to certain conditions, to procure subscribers (or subscribe themselves) for the Offer Shares;
 - (iii) the Hong Kong Underwriters will be paid on admission to listing on the Hong Kong Stock Exchange a commission of 2.5% of the Offer Price multiplied by the number of Offer Shares allotted pursuant to the Hong Kong Public Offering;
 - (iv) the obligations of the Hong Kong Underwriters to procure subscribers for, or failing which, themselves to subscribe for, Offer Shares are subject to certain conditions. These conditions include, amongst others, delivery of certain condition precedent documents and registering various documents with Registrar of Companies. In addition, the Hong Kong Underwriters have the right to terminate the Hong Kong Underwriting Agreement in certain circumstances prior to admission;
 - (v) the Company agreed to pay certain costs, charges, fees and expenses of the Hong Kong Public Offering;
 - (vi) each of the Company and CNAHC gave certain representations, warranties and other undertakings, subject to certain limits, to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters;
 - (vii) the Company gave certain indemnities, subject to certain limits, to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters.
- (n) a Sponsor's Agreement dated December 3, 2004 between the Company and the London Sponsor pursuant to which the Company appoints the London Sponsor as the sponsor in connection with the London Listing in consideration for the Company agreeing to pay to Merrill Lynch Far East Limited as a Hong Kong Underwriter a commission under the Hong Kong Underwriting Agreement (See Paragraph (m) above) and all costs and expenses incurred in connection with the London Listing, provided that the London Sponsor will not commit or purport to commit the Company to pay any such amounts, save as agreed beforehand between the Company and the London Sponsor. The Company undertakes, among other things, to (i) procure that certain documents in connection with the London Listing are published, (ii) deliver the Prospectus to the UK Registrar of Companies and (iii) not make announcements regarding the London Listing without notifying the London Sponsor. The Sponsor's Agreement provides that the London Sponsor may terminate the Sponsor's Agreement if, among other things, (i) it comes to the attention of the London Sponsor that any statement in the Prospectus is untrue and (ii) the Company has not complied with the Sponsor's Agreement in any respect which is material in the context of the London Listing.
- (o) a Paying Agency Appointment Letter dated December 3, 2004 between the Company and Computershare Investor Services Plc ("Computershare") pursuant to which the Company appoints Computershare as paying agent in connection with the London Listing and in consideration for the Company agreeing to pay an initial fee of £4,000 and a minimum annual fee of £5,000, Computershare shall, among other things, (i) calculate the amount of any dividend payable to each UK shareholder and (ii) dispatch all payments, as instructed by the Company. The Paying Agency Agreement also provides that the Company shall, in certain circumstances, indemnify

Computershare against, among other things, all actions, proceedings, liability and claims in to acting in accordance with the Company's instructions.

- (p) the strategic placing agreement dated November 20, 2004 between the Strategic Investor, the Joint Global Coordinators and our Company, pursuant to which the Strategic Investor has agreed to, among other things, subscribe at the Offer Price for such number of Offer Shares that would constitute, in aggregate, 10.0% of our total issued share capital immediately following the completion of the Global Offering referred to in the section headed "Strategic Investor" of this Prospectus.

B. Summary of UK Material Contracts

Solely for the purposes of application for secondary listing on the Official List of the UK Listing Authority, except for the contracts described in paragraph 3A above and the contracts described below, there have been no contracts entered into by any member of the Group other than in the ordinary course of business (i) within the two years immediately preceding the publication of this Prospectus that are, or may be, material or (ii) that contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

- (a) a credit facilities commitment letter dated May 21, 2003 between Bank A and the CNAHC Group pursuant to which Bank A has agreed to provide to the CNAHC Group credit facilities for a term starting from May 21, 2003 and ending on May 21, 2006. The credit facilities may be drawn down as long term or short term loans and may be provided in the form of trade credit financing or guarantees for aircraft leases. The arrangement will be automatically renewed upon expiration for a period of one year if neither party disagrees. The CNAHC Group is required to provide prior written notice to Bank A in the event of any change in name, merger, acquisition and division or any other significant events relating to the CNAHC Group. Following the Company's establishment, Bank A issued a letter to the Company on October 2, 2004 to confirm that the Company may utilise the entire amount of the credit facilities pursuant to the letter of May 21, 2003.
- (b) a credit facilities commitment letter dated January 3, 2003 between Bank B and the CNAHC Group pursuant to which Bank B has agreed to provide credit facilities to the CNAHC Group for a term starting from January 31, 2003 and ending on January 31, 2006. The credit facilities may be used by the CNAHC Group for general business purposes but not for equity investment. Bank B may adjust the amount of the facilities upon the occurrence of, among others, merger, acquisition, equity restructuring or material litigation relating to CNAHC Group. Following the Company's establishment, Bank B issued a letter to the Company on October 15, 2004 to confirm that the Company may utilise 69.4% of the amount of the credit facilities pursuant to the letter of January 3, 2003 until the end of the year 2005.
- (c) a credit facilities commitment letter dated April 22, 2003 between Bank C and the CNAHC Group pursuant to which Bank C has agreed to provide credit facilities to the CNAHC Group for a term starting from April 22, 2003 and ending on April 24, 2006. The credit facilities may be used for general business purposes or in respect of aircraft leases. The CNAHC Group is required to notify Bank C of, among others, any acquisition, merger, equity restructuring or material litigation relating to the CNAHC

Group or any other circumstances which may materially affect the CNAHC Group's ability to repay its debts. Following the establishment of the Company, Bank C issued a letter to the Company on October 10, 2004 to confirm that it may utilise up to 92.5% of the amount of the credit facilities pursuant to the letter of April 24, 2004.








C. Our Trademarks

As part of the Restructuring, Air China International Corporation has transferred a series of registered trademarks to us. Details of these trademarks are set out below:

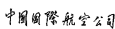


<u>Trademark</u>	<u>Place of registration</u>	<u>Registration Number</u>	<u>Class⁽¹⁾</u>	<u>Expiry Date</u>
	PRC	769790	39	October 13, 2014
	PRC	1121897	39	October 20, 2007
	PRC	1121898	39	October 20, 2007
	PRC	1123780	39	October 27, 2007
	PRC	1123782	39	October 27, 2007
	PRC	1123968	42	October 27, 2007
	PRC	1123969	42	October 27, 2007
	PRC	1123970	42	October 27, 2007
	PRC	1123971	42	October 27, 2007
	PRC	1125894	35	November 6, 2007
	PRC	1177835	39	May 20, 2008
	PRC	1177836	39	May 20, 2008

APPENDIX IX

STATUTORY AND GENERAL INFORMATION

<u>Trademark</u>	<u>Place of registration</u>	<u>Registration Number</u>	<u>Class⁽¹⁾</u>	<u>Expiry Date</u>
 AIR CHINA	PRC	1177881	42	May 20, 2008
 中国国际航空公司 AIR CHINA	PRC	1177882	42	May 20, 2008
 AIR CHINA ⁽³⁾	PRC	1177883	42	May 20, 2008
 中国国际航空公司 AIR CHINA	PRC	1177884	42	May 20, 2008
中国国际航空公司 ⁽²⁾	PRC	1183817	39	June 13, 2008
中国国际航空公司	PRC	1183818	39	June 13, 2008
 AIR CHINA ⁽²⁾	PRC	1183819	39	June 13, 2008
 中国国际航空公司 AIR CHINA ⁽²⁾	PRC	1344936	39	December 13, 2009
AIR CHINA	PRC	1394664	39	May 6, 2010
AIR	PRC	1403905	42	May 27, 2010
AIR CHINA	PRC	1754269	35	April 20, 2012
国航	PRC	1123914	36	October 27, 2007
	PRC	1123916	36	October 27, 2007
AIR	PRC	1391866	36	April 27, 2010
中国国际航空公司	PRC	1147927	36	January 27, 2008
中国国际航空公司	PRC	1147728	42	January 27, 2008

APPENDIX IX**STATUTORY AND GENERAL INFORMATION**

<u>Trademark</u>	<u>Place of registration</u>	<u>Registration Number</u>	<u>Class⁽¹⁾</u>	<u>Expiry Date</u>
 中國國際航空公司	PRC	1147729	42	January 27, 2008
 中國國際航空公司	PRC	1147730	42	January 27, 2008
 中國國際航空公司	PRC	1147727	42	January 27, 2008

- (1) These classifications are based on the 7th Edition of the Nice Classification. Class 39 law covers, among others, air transportation, cargo and passenger transportation and stock warehousing services. Class 42 law covers, among others, hotel, restaurant (including catering) and printing services. Class 35 law covers, among others, import and export agency services. Class 36 covers, among others, real estate leasing, real estate management and trustee.
- (2) We have applied for the registration of such trademarks in Hong Kong under Class 39 based on the 8th Edition of the Nice Classification.
- (3) We have applied for the registration of such trademark in Hong Kong under Classes 40, 41, 43 and 44 based on the 8th Edition of the Nice Classification.

Applications for the registration of the above trademarks under our Company's name have been submitted to the PRC State Trademark Bureau.

D. Our Customers

Our five largest customers accounted for less than 30% of the total sales for the year ended December 31, 2003.

4. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisor's Service Agreements

Each of the Directors has entered into a service contract with us for a term of three years from September 30, 2004 other than Fan Cheng, whose service contract has a term of three years from October 18, 2004 and is thereafter subject to termination by either party giving written notice to the other party. Except as detailed below, these contracts are identical in all material aspects, the major terms of which are as follows:

- (i) each of the Executive Directors is entitled to reimbursement for all necessary and reasonable expenses properly incurred in the course of employment;
- (ii) the Executive Directors and the Non-executive Directors (other than the independent Non-executive Directors) will not be compensated for their roles as directors; and
- (iii) the Executive Directors will be compensated in respect of their other executive functions within the Company:
 - (I) Mr. Ma Xulun will be paid an annual salary of RMB 150,000 and an annual bonus of RMB150,000 for the first year for acting as President of the Company;

- (II) Mr. Cai Jianjiang will be paid an annual salary of RMB 140,000 and an annual bonus of RMB140,000 for the first year for acting as Vice President of the Company; and
- (III) Mr. Fan Cheng will be paid an annual salary of RMB 130,000 and an annual bonus of RMB130,000 for the first year for acting as Chief Financial Officer of the Company,

and the compensation in respect of the period after the expiry of the first year will be determined by the Board of the Company in accordance with the Articles of Association.

The contracts do not provide for compensation to the Directors in the event of early termination of the contract or any bonus, commission or profit sharing arrangements.

With respect to the Directors who are also directors of CNAHC or CNACG (see the section headed “Substantial and Selling Shareholders — Substantial Shareholders”), the following undertakings have been included in their service contracts:

- (a) if the Director becomes aware of any details regarding any investment opportunity relating to air passenger services, he will not disseminate any information regarding that investment opportunity to CNAHC or CNACG, as the case may be, if he receives that information in his capacity as a director of the Company, and he will not disseminate such information to the Company if he receives that information other than in his capacity as a director of the Company;
- (b) if there is a conflict between the interests of the Group and the interests of the CNAHC Group, the prior approval of the Board of the Company shall be required before the Company can proceed with any such conflict situation, and the Director will be excluded from the part of any board meeting of the Company and not vote in respect of a conflict situation or count in the quorum in relation to a resolution or a meeting of the Board of the Company; and
- (c) the Director shall not exercise any voting rights in the Company in relation to any transaction which may give rise to a conflict or potential conflict between the interests of the Company or any member of the Group and the interests of the CNAHC Group.

The Non-executive Directors (other than the Independent Non-executive Directors) will be compensated for their roles as Directors by CNAHC as required by Rule 8 of the Administrative Regulation on Labour and Salaries of Joint Stock Companies, which was published jointly by the Ministry of Labour and the State Economic System Restructuring Commission (whose functions are now performed by SASAC) on 3 December 1994. Mr. Li Jiexiang, Mr. Kong Dong, Mr. Wang Shixiang and Mr. Yao Weiting will each be paid a salary of RMB175,720, RMB175,720, RMB158,148 and RMB158,148 per annum by CNAHC, respectively.

Save as disclosed above, none of the Directors or the Supervisors has entered or proposes to enter into a service contract with us other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

B. Directors' and Supervisors' Remuneration

The aggregate amount of salaries, bonuses, housing allowances and other benefits in kind paid by us to our Directors (excluding our Independent Non-executive Directors) (three of whom were engaged by our predecessor company before we were incorporated) and our Supervisors for the year ended December 31, 2003 was approximately RMB3.0 million and RMB 1.9 million, respectively. For details relating to our contributions to various defined contribution retirement plans for Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management — Compensation of Directors, Supervisors and Officers." It is estimated that the aggregate amount of Directors' and Supervisors' fees and other emoluments payable to the Directors and Supervisors of the Company for the year ending December 31, 2004 will be approximately RMB4.7 million. Each of our Independent Non-executive Directors will receive RMB50,000 per annum in salary under the terms of the service agreements entered into on September 30, 2004.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments during the current financial year.

There are no outstanding loans or guarantees granted or provided by any member of the Group to, or for the benefit of, any of the Directors.

C. Transactions with Directors

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group in the current or immediately preceding financial year of the Company or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

D. Personal Guarantees

As of the date of this Prospectus, none of our Directors has provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

E. Business Address

The business address of each of the Directors and senior management officers is 9/F, Blue Sky Mansion, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing 101312, PRC.

F. Directors' and Supervisors' Interests and Short Positions in the Share Capital and Debenture of our Company and Its Associated Corporations

The following table sets forth the information on Directors' and Supervisors' interests and short positions of each Director and Supervisor, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director or Supervisor whether or not held through another party, in the share capital and debentures of our Company and its associated corporations together with any options in respect of such capital:

<u>Name of interested party</u>	<u>Name of Group Member</u>	<u>Number of shares interested</u>	<u>Approximate percentage of shareholding</u>
Zhang Xianlin	CNAC	33,126,000	1%

Immediately following the completion of the Global Offering, none of our Directors and Supervisors will have any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to our Supervisors.

Save as disclosed above and in paragraph 5 below under the heading "Share Option Scheme", none of our Directors, nor persons connected with the Directors within the meaning of section 346 of the UK Companies Act 1985, will at Admission have any interest in, or options in respect of, any of the share capital of us or any of our subsidiaries.

G. Substantial Shareholders and Persons Who Have an Interest or Short Position Disclosable Under Division 2 and 3 of Part XV of the SFO

Information on the persons, including Directors, Supervisors or chief executive of our Company, who will have, immediately following the completion of the Global Offering and taking no account of any H Shares which may be taken up under the Global Offering or which may be sold pursuant to the exercise of the Over-allotment Option, an interest or short position in the H Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provision is of Divisions 2 and 3 of Part XV of the SFO is set out in the section entitled "Substantial and Selling Shareholders" in this Prospectus.

So far as our Directors are aware, immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following parties will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital or registered capital carrying rights to vote in any other member of us:

<u>Name of interested party</u>	<u>Name of Group Member</u>	<u>Share Capital or Registered Capital</u>	<u>Approximate percentage of shareholding</u>
CNAC Sociedade de Turismo e Diversaes de Macau	Air Macau	400 million shares issued	51%
Lufthansa	Ameco	US\$187.53 million in the form of registered capital	40%
Capital Airport Holding Company	Air China Cargo	RMB2,200 million in the form of registered capital	24%
CITIC Pacific	Air China Cargo	RMB2,200 million in the form of registered capital	25%

H. Disclaimer

Save as disclosed in this Appendix, as at the Latest Practicable Date:

- (b) none of the Directors nor any of the parties listed in paragraph 6E of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our group;
- (c) none of the Directors nor any of the parties listed in paragraph 6E of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;
- (d) save in connection with the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the parties listed in paragraph 6E of this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (e) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this Prospectus to any of our Promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (f) none of the Directors or their associates has any interest in our five largest suppliers or our top five business customers; and
- (g) no authorised debentures of our Company and its subsidiaries has been issued.

5. SHARE OPTION SCHEME

CNAC, one of our subsidiaries, has adopted a share option scheme pursuant to which:

- the acceptance of grant of share options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee;
- the price payable for each ordinary share in CNAC on the exercise of an option will be determined by the board of CNAC which will be the higher of (i) the closing price of CNAC's share as stated in the Hong Kong Stock Exchange daily quotation sheet on the date of grant; (ii) the average closing price of CNAC's share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of CNAC's shares. As at 15 November 2004, there were 104,378,000 share options outstanding under the share option scheme and the price payable for each ordinary share in CNAC on the exercise of each of these share options will be HK\$1.14;
- the exercise period of any option granted must not exceed six years commencing on the date falling three months after the date of grant and expiring on the last day of the said period; and
- the maximum number of shares over which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of CNAC from time to time.

As of June 30, 2004, the maximum number of shares available for issue under the share option scheme is 331,268,000, being 10% of the number of issued share capital of CNAC.

As of June 30, 2004, there were 104,378,000 share options outstanding and the details of grantees of such outstanding share options are as follows:

<u>Name</u>	<u>Residential Address</u>
Chuang Shih Ping	4A Hawthorn Road Happy Valley Hong Kong
Zhang Xianlin	Flat 1210, Block B, Viking Villas 70 Tin Hau Temple Road, Tin Hau Hong Kong
Tsang Hing Kwong Thomas	3A, Victoria Heights 43A Stubbs Road Hong Kong
Gu Tiefei	810D, Avenida dos Jardins do Oceano 120. andar C, Edificio Peach Court Taipa, Macau

The Company believes that the above outstanding share options granted by CNAC will not have any dilution effect on the shareholdings upon the Company's listing on the Hong Kong Stock Exchange and will not have any impact on the earnings per Share arising from the exercise of such outstanding share options.

6. OTHER INFORMATION**A. Estate Duty**

Our Directors have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

B. Litigation

Other than as set out under the section headed “Business — Safety” and Note 5(r) to the Accountants’ Report, no member of the Group is or has been engaged in or, so far as we are aware, has pending or threatened by or against it any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this Prospectus, a significant effect on the Group’s financial position.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

We will, in accordance with Rule 19A.05 of the Hong Kong Listing Rules, appoint the Joint Sponsors to provide us with certain services for a period of one year commencing on the Listing Date.

D. Preliminary expenses

Our estimated preliminary expenses are approximately RMB 270,000 and have been paid by us.

E. Qualification of Experts

The qualifications of the experts (as defined under the Hong Kong Listing Rules and London Listing Rules) who have given opinions in this Prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation (Hong Kong) Limited	Deemed licenced under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
Merrill Lynch Far East Limited	Deemed licenced under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
Merrill Lynch International	A member of London Stock Exchange plc and authorised in the United Kingdom by the UK Financial Services Authority
Ernst & Young	Certified public accountants
Sallmanns (Far East) Limited	Aircraft and Equipment and Property Valuer
Haiwen & Partners	Licenced legal advisers on PRC law
China Enterprises Appraisals	Independent property appraiser in the PRC

F. Accounts

No financial statements of the Company have been prepared since the date of its incorporation on September 30, 2004.

For the purpose of the Restructuring, the Directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods. Ernst & Young have audited the combined financial statements in accordance with Statements of Auditing Standards (“SAS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Except for the companies indicated in Section 1 in the Accountants’ Report and the audited combined financial statements, no audited financial statements were prepared by CNAHC and other companies comprising the Group for the Relevant Periods because there is no statutory audit requirement in the countries/jurisdictions in which the companies are incorporated/established.

For the purpose of the Accountants’ Report, Ernst & Young have examined the audited combined financial statements of the Group for the Relevant Periods in accordance with SAS and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” issued by the HKICPA and Statement of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom.

For the purpose of the Accountants’ Report, Ernst & Young have performed a review of the financial information of the Group for the six-month period ended June 30, 2003 (the “June 30, 2003 Financial Information”), in accordance with SAS 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of

management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than an audit and accordingly, Ernst & Young do not express an opinion on the June 30, 2003 Financial Information.

G. Taxation of Holders of H Shares

The H Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Law of Hong Kong) (as amended) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of the H Shares.

The sale, purchase and transfer of the H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the Hong Kong branch register, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Share being sold or transferred.

H. Selling Shareholders' Particulars

CNAHC, an enterprise legal person established in the PRC, located at Air China Plaza, No. 36 Xiaoyun Road, Chaoyang District, Beijing, PRC, is offering 198,331,240 Sale Shares in the Global Offering. Up to an additional 29,749,686 Sale Shares will be sold by CNAHC if the Over-allotment Option is exercised in full.

CNACG, a limited liability company incorporated in Hong Kong, located at 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Hong Kong, is offering 56,730,578 Sale Shares in the Global Offering. Up to an additional 8,509,587 Sale Shares will be sold by CNACG if the Over-allotment Option is exercised in full.

I. No Material Adverse Change

Our Directors confirm that other than the items described in Notes 4(iii), (v) and (vi) to the Pro Forma Statement of Net Assets (see "Financial Information — Pro Forma Statement of Net Assets") there has been no material adverse change in our financial or trading position since June 30, 2004.

J. Significant Change

Other than the items described in Notes 4(i), (ii), (iii), (v) and (vi) to the Pro Forma Statement of Net Assets (see "Financial Information — Pro Forma Statement of Net Assets"), there has been no significant change in the financial or trading position of the Group since June 30, 2004, the date to which the Accountants' Report, set out in Appendix I to this Prospectus, has been prepared.

K. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

L. Miscellaneous

- (a) Save as disclosed in this Appendix, within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash.
- (b) Save as disclosed in this Prospectus, no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.
- (c) We have not issued nor agreed to issue any founder shares, management shares or deferred shares.
- (d) Save as disclosed in this Prospectus, none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) We have no outstanding convertible debt securities.
- (f) Our Company does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law.
- (g) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

M. Consents

Each of the Joint Sponsors, the London Sponsor, Ernst & Young, Sallmanns (Far East) Limited, Haiwen & Partners and Chinese Enterprise Appraisals has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included and have authorised the contents of their reports and/or letters and/or valuation certificates for the purposes of regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

N. Promoters

The promoters of our Company are CNAHC and CNACG. Within the two years immediately preceding the date of this Prospectus, no amount or benefit has been paid or given to the promoters named above in connection with the Global Offering or the related transactions described in the Prospectus.

O. Dividends

There are no arrangements in existence under which future dividends are to be waived or 6.E.14 agreed to be waived.

P. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).