



## BUSINESS OVERVIEW

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

Our leading position in the Chinese air transportation market is primarily attributed to our status as:

- China's largest commercial airline, accounting for approximately 29.2% of the total RTKs flown by all Chinese airlines in 2004, according to CAAC statistics;
- China's largest air cargo services provider, accounting for approximately 36.0% of the total RFTKs flown by all Chinese airlines in 2004, according to CAAC statistics;
- the Chinese airline with the highest brand value, according to World Brand Lab, which ranked "Air China" the 32nd most valuable brand name in China, the highest ranked Chinese airline brand.

We believe that by operating a well-balanced route network with complementary domestic and international routes, we can provide our passengers with convenient direct flights and transfer services. Our investments in Air Macau, Dragonair, Shenzhen Airline and Shandong Airline allow us to benefit from the growth in other aviation markets. We have formed

business partnerships with various leading international and regional airlines, which we believe will assist us in broadening our scope of service, expanding our international customer base and providing additional customized customer services.

As of December 31, 2004, the Company (including Air China Cargo) operated a fleet of 151 aircraft, serving 72 domestic and 36 international and regional destinations. For the 12 months ended December 31, 2004, we carried approximately 24.50 million passengers and approximately 665,253 tonnes of cargo, with passenger traffic of approximately 46,640 million RPKs and cargo traffic of approximately 2,580 million RFTKs. Passenger load factor and cargo and mail load factor for scheduled flights was 71.9% and 63.4% respectively.

In 2001, 2002, 2003 and 2004, our combined revenues totaled RMB22,736.5 million, RMB24,983.7 million, RMB24,641.4 million and RMB33,520.8 million, respectively, and our net profit attributable to shareholders totaled RMB948.3 million, RMB499.6 million, RMB159.6 million and RMB2,386.0 million, respectively.

