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AIR CHINA LIMITED
中國國際航空股份有限公司

*(A joint stock limited company incorporated
in the People's Republic of China with limited liability)*

(Stock Code: 753)



中航興業有限公司

CHINA NATIONAL AVIATION COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1110)

JOINT CLARIFICATORY ANNOUNCEMENT

Air China and CNAC have noted media reports speculating about possible changes in the controlling shareholding interests of Air China, Cathay Pacific and Dragonair. Whilst the Air China Group and Cathay Pacific continue to explore opportunities to develop a closer cooperation in various business and operational areas, there is currently no agreement or arrangement between the parties which is discloseable under the Listing Rules. In particular, Air China has no intention to acquire a controlling equity interest in Cathay Pacific whilst CNAHC has informed Air China that it intends to remain as Air China's controlling shareholder.

(1) STRATEGIC COOPERATION BETWEEN THE AIR CHINA GROUP AND CATHAY PACIFIC

This clarificatory announcement is made at the request of The Stock Exchange of Hong Kong Limited.

The boards of Air China and CNAC have noted various articles appearing in today's newspapers which speculate on Air China and Cathay Pacific being in discussion on a number of possible transactions, principally being that: (a) Air China may acquire a controlling equity interest in Cathay Pacific; (b) Swire Pacific may become the single largest shareholder of Air China; and (c) there may be further cooperation between Cathay Pacific and Dragonair which may or may not involve a change in the business operations of or shareholding interests in Dragonair.

As announced jointly by Air China and Cathay Pacific on 20 October 2004, Air China and Cathay Pacific agreed to develop a long-term strategic relationship, the key components of which involved an investment by Cathay Pacific in Air China pursuant to Air China's IPO as well as mutual cooperation between the two companies' aviation-related business in Hong Kong and mainland China.

Following completion of Air China's IPO in December 2004, in which Cathay Pacific took a 10% equity interest in Air China, the parties have explored further avenues of cooperation and to date the following initiatives have taken place:

- Cooperation on improving in-flight service;
- Joint research on financial risk control; and
- Co-ordination on engineering, ground handling and marketing.

The Air China Group and Cathay Pacific continue to explore opportunities to develop closer cooperation in various business and operational areas, including in relation to enhancing cooperation in the Hong Kong-China aviation market. The cooperation discussions, which are broad ranging and preliminary in nature, necessarily involved Dragonair. However, such discussions have not resulted in any definitive proposal. There is currently no agreement or arrangement between the Air China, CNAC and Cathay Pacific which is discloseable under the Listing Rules.

In particular, Air China has no intention to acquire a controlling equity interest in Cathay Pacific. Air China's controlling shareholder, CNAHC, has informed Air China that CNAHC intends to remain as Air China's controlling shareholder.

(2) EXCEPTIONAL MOVEMENTS IN THE PRICE AND TRADING VOLUME OF CNAC'S SHARES

The board of directors of CNAC note today's increase in the price and trading volume of the shares of CNAC and wish to state that, save as disclosed above, they are not aware of any reasons for such increase.

Save as disclosed in this announcement, the board of directors of CNAC also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23; neither is the board of directors of CNAC aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature. The statements by CNAC herein are made by order of CNAC the board of which individually and jointly accept responsibility for their accuracy.

In the meantime, shareholders of and potential investors in Air China and CNAC are recommended to exercise caution when dealing in the shares of Air China and CNAC.

DIRECTORS

As at the date of this announcement, the Directors of Air China are:

Li Jiexiang, Kong Dong, Wang Shixiang, Yao Weiting, Ma Xulun, Cai Jianjiang, Fan Cheng, Hu Hung Lick, Henry, Wu Zhipan and Zhang Ke.

As at the date of this announcement, the Directors of CNAC are:

Kong Dong, Chuang Shih Ping, Zhang Xianlin, Tsang Hing Kwong, Thomas, Gu Tiefei, Zhao Xiaohang, Lok Kung Nam, Hu Hung Lick, Henry, Ho Tsu Kwok, Charles, Li Kwok Heem, John and Chan Ching Har, Eliza.

DEFINITIONS

“Air China”	Air China Limited, a joint stock limited company incorporated in the People's Republic of China
“Air China Group”	Air China and its subsidiaries, including CNAC
“Cathay Pacific”	Cathay Pacific Airways Limited, a company incorporated in Hong Kong with approximately 46.5% of its share capital owned by Swire Pacific

“CNAC”	China National Aviation Company Limited, a company incorporated in Hong Kong with approximately 69% of its share capital owned by Air China
“CNAHC”	China National Aviation Holding Company, a state-owned enterprise incorporated in the People’s Republic of China, which currently owns approximately 65.80% of the share capital of Air China directly and indirectly
“Dragonair”	Hong Kong Dragon Airlines Limited, a company incorporated in Hong Kong with approximately 43.29% of its share capital owned by CNAC and approximately 17.79% of its share capital owned by Cathay Pacific
“IPO”	Initial public offering
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Swire Pacific”	Swire Pacific Limited, a company incorporated in Hong Kong

By Order of the Board
Air China Limited
Fan Cheng and Li Man Kit
Joint Company Secretaries

Beijing, 16 March 2005

By Order of the Board
China National Aviation Company Limited
Li Man Kit
Company Secretary

Hong Kong, 16 March 2005

“Please also refer to the published version of this announcement in the South China Morning Post”