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中國國際航空股份有限公司
AIR CHINA LIMITED

(incorporated in the PRC 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 ANNOUNCEMENT

PROPOSED PRIVATIZATION OF CHINA NATIONAL AVIATION COMPANY LIMITED BY AIR CHINA LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 166 OF THE COMPANIES ORDINANCE

DESPATCH OF THE SCHEME DOCUMENT AND THE OPTION LETTER

Financial adviser to China National Aviation Company Limited



Citigroup Global Markets Asia Limited

**Independent financial adviser to the Independent Board Committee
of China National Aviation Company Limited**



CLSA Equity Capital Markets Limited

Exclusive financial advisers to Air China Limited



CICC (H.K.)

China International Capital Corporation (Hong Kong) Limited



Merrill Lynch

Merrill Lynch (Asia Pacific) Limited

The Scheme Document will be despatched to the Minority Shareholders and Option holders on Thursday, 16 November 2006. The letter to Option holders in respect of the Option proposal will be despatched on the same day.

The respective notices of the Court Meeting and the Extraordinary General Meeting to be held on Friday, 15 December 2006 are set out in the Scheme Document.

Minority Shareholders and Option holders should consider carefully the recommendation of the Independent Board Committee and the factors, reasons and recommendation in relation to the Scheme and the Option proposal, respectively, as set out in the letter from CLSA, the independent financial adviser to the Independent Board Committee, before making a decision on the privatization proposal.

Minority Shareholders, holders of Options and/or potential investors in CNAC are reminded that the privatization proposal is subject to a number of Conditions being fulfilled or waived, as applicable, and therefore may or may not become effective. Subject to all the Conditions of the Scheme being fulfilled or waived, as applicable, the Scheme is expected to become effective on Wednesday, 10 January 2007. Details of these conditions are set out in the Scheme Document. The Scheme will lapse if it does not become effective on or before 10 April 2007 (or such later date as the Court may allow) and in such event, the Minority Shareholders will be notified by press announcement accordingly. The proposal made by Air China to the Option holders to cancel the outstanding Options is subject to and conditional upon the Scheme becoming effective.

Minority Shareholders, holders of Options and/or potential investors in CNAC are advised to exercise extreme caution when dealing in the Shares and/or Options.

INTRODUCTION

Reference is made to the two joint announcements dated 21 June 2006 and 28 September 2006 respectively made by CNAC and Air China, in which it was announced, inter alia, that the Scheme would be put forward to the shareholders of CNAC other than Air China (the “**Minority Shareholders**”) regarding a proposed privatization of CNAC by Air China by way of a scheme of arrangement under Section 166 of the Companies Ordinance (the “**Scheme**”). Terms defined in the Scheme Document shall have the same meanings when used in this announcement unless otherwise stated.

DESPATCH OF THE SCHEME DOCUMENT

The Scheme Document will be despatched to the Minority Shareholders and Option holders on Thursday, 16 November 2006.

The Scheme Document contains, inter alia, further details about the Scheme, the expected timetable, the explanatory statement required under the Companies Ordinance, information regarding the CNAC Group and the Air China Group, the letter from the Independent Board Committee, the letter from CLSA, the independent financial adviser to the Independent Board Committee, a notice of the Court Meeting and a notice of the Extraordinary General Meeting of CNAC.

DESPATCH OF LETTER TO OPTION HOLDERS

Air China will separately despatch to each of the Option holders a letter setting out the terms of the Option proposal on Thursday, 16 November 2006. A copy of the form of such letter will also be published on the website of the Stock Exchange on the same day.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND CLSA

The Independent Board Committee has been appointed by the CNAC Board to advise the Minority Shareholders in relation to the Scheme and Option holders in respect of Air China's proposal to cancel the outstanding Options. CLSA has been appointed by CNAC as the independent financial adviser to advise the Independent Board Committee in connection with the privatization proposal. The Scheme Document contains, inter alia, a letter from CLSA giving its advice and recommendation to the Independent Board Committee on the privatization proposal.

Minority Shareholders and Option holders should consider carefully the recommendation of the Independent Board Committee and the factors, reasons and recommendation in relation to the Scheme and the Option proposal, respectively, as set out in the letter from CLSA before making a decision on the privatization proposal.

Actions to be taken by the Minority Shareholders are set out in the Scheme Document. Actions to be taken by the Option holders are set out in the letter to Option holders from Air China.

FINANCIAL INFORMATION RELATING TO CNAC GROUP

Financial information relating to the CNAC Group are set out in Appendix I to the Scheme Document.

INDEBTEDNESS

The CNAC Group's indebtedness as at 30 September 2006 are set out in Appendix I to the Scheme Document.

Save as disclosed in the Scheme Document, as at 30 September 2006, the CNAC Group did not have any outstanding mortgages, bank overdrafts, loans, charges, guarantees, other similar indebtedness or other material contingent liabilities.

MEETINGS

The Court Meeting and the Extraordinary General Meeting (the "**Meetings**") will be held at 11:00 a.m. and 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively on Friday, 15 December 2006 in each case at Tianshan – Lushan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong. Notices of the Meetings are set out in the Scheme Document. For the purpose of the Meetings, dealings in the Shares are expected to be suspended from 9:30 a.m. on Friday, 15 December 2006 until the release of the results of the Meetings, which is expected to be on Monday, 18 December 2006.

A further announcement will be made by CNAC in relation to, inter alia, the voting results of the Meetings.

OVERSEAS SHAREHOLDERS

As a result of the Scheme, those Minority Shareholders who are not resident in Hong Kong may be subject to the laws of other jurisdictions. Such holders should observe and comply with any applicable legal or regulatory requirements. It is the responsibility of the overseas Minority Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection with the Scheme, including obtaining any governmental or exchange control or other consents which may be required, the compliance with other necessary formalities and payment of any transfer or other tax due in such jurisdictions.

CONDITIONS OF THE SCHEME

Minority Shareholders, holders of Options and/or potential investors in CNAC should be aware that the implementation of the privatization proposal is subject to satisfaction or waiver (as applicable) of the Conditions. Even if the privatization proposal is made, it may or may not become effective.

Subject to all the Conditions of the Scheme being fulfilled or waived, as applicable, the Scheme is expected to become effective on Wednesday, 10 January 2007. Details of these Conditions are set out in the Explanatory Statement contained in the Scheme Document. The Scheme will lapse if it does not become effective on or before 10 April 2007 (or such other date as the Court may direct) and in such event, Minority Shareholders will be notified by press announcement accordingly.

Minority Shareholders, holders of Options and/or potential investors in CNAC are advised to exercise caution when dealing in the Shares and/or Options.

EXPECTED TIMETABLE

Latest time for lodging transfers of the Shares in order to be entitled to attend and vote at the Court Meeting and the Extraordinary General Meeting	4:00 p.m. on Tuesday, 12 December 2006
Latest time for lodging forms of proxy in respect of:	
Court Meeting (<i>Note 1</i>)	11:00 a.m. on Wednesday, 13 December 2006
Extraordinary General Meeting (<i>Note 1</i>)	11:30 a.m. on Wednesday, 13 December 2006
Suspension of dealings in the Shares	9:30 a.m. on Friday, 15 December 2006
Court Meeting	11:00 a.m. on Friday, 15 December 2006
Extraordinary General Meeting	11:30 a.m. on Friday, 15 December 2006
Press announcement of results of the Court Meeting and the Extraordinary General Meeting	Monday, 18 December 2006
Resumption of dealings in the Shares	9:30 a.m. on Monday, 18 December 2006
Last day for dealing in the Shares	Thursday, 4 January 2007

Latest time for lodging transfers of the Shares in order to be registered as a member of CNAC at the Record Time	4:00 p.m. on Monday, 8 January 2007
Court hearing of petition to sanction the Scheme	Tuesday, 9 January 2007
Record Time	4:00 p.m. on Tuesday, 9 January 2007
Press announcement of the result of the Court hearing of the petition to sanction the Scheme	Wednesday, 10 January 2007
Effective Date (<i>Note 2</i>)	Wednesday, 10 January 2007
Withdrawal of the listing of the Shares on the Stock Exchange	9:30 a.m. on Thursday, 11 January 2007
Press announcement of the Effective Date and the withdrawal of the listing of the Shares	Thursday, 11 January 2007
Cheques for payments of monetary entitlements under the Scheme despatched on or before	Saturday, 20 January 2007

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

- Forms of proxy should be lodged with the share registrar of CNAC, Computershare Hong Kong Investor Services Limited, as soon as possible and by the times and dates stated above. The address of the share registrar is situate at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for the Extraordinary General Meeting must be lodged no later than the time and date stated above. Completion and return of a form of proxy for either of the Meetings will not preclude such shareholder from attending the Court Meeting or the Extraordinary General Meeting and voting in person if he so wishes. In such event, the returned form of proxy will be deemed to have been revoked.
- The Scheme will become effective when it is sanctioned (with or without modification) by the Court and an office copy of the order of the Court, together with the minute containing the particulars required by Section 61 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies. Registration is expected to take place on 10 January 2007. The Minority Shareholders should note the Conditions set out in the Explanatory Statement on pages 35 and 36 of the Scheme Document. If the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn on 11 January 2007.

CNAC and Air China hereby remind their respective associates of the dealing restrictions under the Takeovers Code, and to disclose their permitted dealings, if any, in any securities of CNAC.

By order of the Board
Air China Limited
Li Jiexiang
Chairman

By order of the Board
China National Aviation Company Limited
Kong Dong
Chairman

Hong Kong, 15 November 2006

The directors of Air China jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the CNAC Group) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by CNAC) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the CNAC Group) not contained in this announcement, the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the board of directors of Air China comprises Li Jiexiang, Kong Dong, Wang Shixiang, Yao Weiting, Christopher Pratt as non-executive directors, Ma Xulun, Cai Jianjiang, Fan Cheng as executive directors, and Hu Hung Lick, Henry, Wu Zhipan, Zhang Ke and Jia Kang as independent non-executive directors.

The directors of CNAC jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the CNAC Group and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement by CNAC have been arrived at after due and careful consideration and there are no other facts relating to the CNAC Group not contained in this announcement, the omission of which would make any statements in this announcement relating to the CNAC Group misleading.

As at the date of this announcement, the board of directors of CNAC comprises Kong Dong, Chuang Shih Ping, Zhang Xianlin, Zhao Xiaohang, Tsang Hing Kwong, Thomas, Gu Tiefei as executive directors, Lok Kung Nam, Hu Hung Lick, Henry, Ho Tsu Kwok, Charles, Li Kwok Heem, John, Chan Ching Har, Eliza as independent non-executive directors.

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