

2006
8.6.06

DATED 8 June 2006

SWIRE PACIFIC LIMITED

and

CITIC PACIFIC LIMITED

and

AIR CHINA LIMITED

and

CHINA NATIONAL AVIATION COMPANY LIMITED

**SHAREHOLDERS' AGREEMENT
IN RELATION TO
CATHAY PACIFIC AIRWAYS LIMITED**

Slaughter and May
47th Floor, Jardine House
One Connaught Place
Central
Hong Kong
STJF/CAQS/SCWL

HK061440171



Contents

	page
1. DEFINITIONS AND INTERPRETATION	1
2. CONDITIONALITY	5
3. THE BOARD	5
4. THE OPERATING AGREEMENT	8
5. OTHER AIRLINES	8
6. MANAGEMENT ARRANGEMENTS	9
7. EQUITY ACCOUNTING	9
8. GROUP TRANSFERS	9
9. TAKEOVER BID	9
10. ACQUISITIONS OF SHAREHOLDINGS	9
11. SHAREHOLDER UNDERTAKINGS	12
12. CONFIDENTIALITY	12
13. ANNOUNCEMENTS	13
14. TERMINATION	14
15. ASSIGNMENT	14
16. ENTIRE AGREEMENT	14
17. NOTICES	15
18. REMEDIES AND WAIVERS	16
19. NO PARTNERSHIP	17
20. COSTS AND EXPENSES	17
21. COUNTERPARTS	17
22. INVALIDITY	17

23.	CHOICE OF GOVERNING LAW	17
24.	JURISDICTION	18
	SCHEDULE 1 Deed of Adherence	19

THIS AGREEMENT is made on 8 June 2006

BETWEEN:

1. **SWIRE PACIFIC LIMITED**, a company incorporated in Hong Kong whose registered office is at 35th Floor, Two Pacific Place, 88 Queensway, Hong Kong ("**SPAC**");
2. **CITIC PACIFIC LIMITED**, a company incorporated in Hong Kong whose registered office is at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong ("**CITIC Pacific**");
3. **AIR CHINA LIMITED**, a company incorporated in the People's Republic of China whose registered office is at 9th Floor, Blue Sky Mansion, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing, China ("**Air China**"); and
4. **CHINA NATIONAL AVIATION COMPANY LIMITED**, a company incorporated in Hong Kong whose registered office is at 5th Floor, CNAC House, 12 Tung Fai Road, Hong Kong International Airport, Lantau, Hong Kong ("**CNAC Limited**").

WHEREAS:

- (A) Upon this Agreement becoming unconditional, the parties to it will all be shareholders in, or beneficial owners of, the Company.
- (B) The parties have agreed to enter into this agreement for the purpose of regulating their relationship with each other as shareholders of the Company and certain aspects of the affairs of, and their dealings in respect of the Company.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement:

- | | |
|-----------------------|---|
| "Board" | means the board of directors of the Company; |
| "Business Day" | means a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong; |
| "CNAHC" | means China National Aviation Holding Company, a state-owned enterprise incorporated under the laws of the PRC; |
| "Company" | means Cathay Pacific Airways Limited, a company incorporated in Hong Kong (Registered number 2672); |

“Connected Persons”	means persons who would be considered as connected persons of any Shareholder under Chapter 14A of the Listing Rules;
“Directors”	means the directors of the Company;
“Disposal”	<p>means disposing of a beneficial interest in Shares and includes, without limitation:</p> <ul style="list-style-type: none"> <li data-bbox="815 584 1294 640">(i) sale, assignment or transfer of a beneficial interest in Shares; <li data-bbox="815 696 1326 752">(ii) creating any trust or conferring any beneficial interest in Shares; <li data-bbox="815 808 1310 864">(iii) any agreement, arrangement or understanding in respect of votes; <li data-bbox="815 920 1366 1021">(iv) the renunciation or assignment of any right to subscribe or receive Shares or any beneficial interest in Shares; and <li data-bbox="815 1077 1366 1245">(v) any agreement to do any of the above, except an agreement to transfer Shares which is conditional on compliance with the terms of this agreement; <p>but does not include any arrangement using the Shares as security (including a charge or a pledge) in favour of a bank or such other bona fide lender for a bona fide commercial loan,</p> <p>and “Dispose” and “Disposes” shall be construed accordingly;</p>
“Dragonair”	means Hong Kong Dragon Airlines Limited, a company incorporated in Hong Kong (Registered number 151830);
“Executive”	means the Executive Director of the Corporate Finance Division of the Securities and Futures Commission;
“Group”	in relation to any Shareholder means the Shareholder and its Group Companies;

“Group Company”	in relation to any Shareholder means any subsidiary or holding company of that Shareholder and any subsidiary of any such holding company, “subsidiary” and “holding company” having for this purpose the meaning given to those terms by section 2 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong);
“Hong Kong”	means the Hong Kong Special Administrative Region of The People’s Republic of China;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mainland China”	means the People’s Republic of China excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Operating Agreement”	means the agreement between the Company and Air China entered into on the date of this Agreement regulating certain operational matters;
“Principal Shareholders”	means SPAC, CITIC Pacific and Air China;
“Proceedings”	has the meaning set out in <u>clause 24.1</u> (Jurisdiction of Hong Kong courts);
“Representative Number”	has the meaning set out in <u>clause 3.2</u> (Representative Number);
“Restructuring Agreement”	means the agreement between SPAC, CITIC Pacific, CNAC Limited, Air China and the Company entered into on the date of this agreement and relating to the restructuring of shareholdings in Dragonair and the Company;
“Services Agreement”	means the services agreement dated 1 December 2004 between John Swire & Sons (H.K.) Limited and the Company under which the former provides management services to the latter;

"Share Capital"	means the total number of Shares in issue from time to time;
"Shareholders"	means SPAC, CITIC Pacific, Air China and CNAC Limited, including in each case, where the context requires, each person to whom the relevant Shareholder has transferred any Shares under <u>clause 8</u> (Group transfers);
"Shares"	means ordinary shares of HK\$0.20 each in the capital of the Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Takeover Code"	means the Hong Kong Code on Takeovers and Mergers;
"Working Hours"	means 9.30 a.m. to 5.30 p.m. on a Business Day.

1.2 Interpretation

In construing this agreement, unless otherwise specified:

- (A) references to clauses are to clauses of this agreement;
- (B) use of any gender includes the other genders;
- (C) references to a "**person**" shall be construed so as to include any individual, firm, company or other body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);
- (D) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;
- (E) references to times are to Hong Kong times;
- (F) a reference to any other document referred to in this agreement is a reference to that other document as amended, varied, novated or supplemented (other than in breach of the provisions of this agreement) at any time;
- (G) headings and titles are for convenience only and do not affect the interpretation of this agreement;

- (H) a reference to any Hong Kong legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than Hong Kong be treated as a reference to any analogous term in that jurisdiction; and
- (I) a reference to a beneficial interest of a Shareholder in Share Capital or Shares is a reference to the beneficial interest of the Shareholder together with its Group in Share Capital or Shares (as the case may be).

2. CONDITIONALITY

2.1 Conditions

This agreement (except for the provisions referred to in clause 2.2 (Provisions not affected by conditionality)) is conditional upon the Restructuring Agreement becoming unconditional.

2.2 Provisions not affected by conditionality

The provisions of clause 1 (Definitions and interpretation), this clause 2, clause 12 (Confidentiality), clause 13 (Announcements), clause 15 (Assignment), clause 16 (Entire agreement), clause 17 (Notices), clause 18 (Remedies and waivers), clause 20 (Costs and expenses), clause 22 (Invalidity) and clause 23 (Choice of governing law) shall take effect on the date of this agreement and shall not be subject to any condition.

3. THE BOARD

3.1 Nomination of Directors

Each Principal Shareholder shall be entitled to nominate to the Company a number of non-executive Directors equal to or less than its Representative Number from time to time. For so long as SPAC is beneficially interested in 30 per cent. or more of the Share Capital or is (together with its Group Companies) the single largest holder of Share Capital, SPAC shall be entitled to nominate to the Company five executive Directors from time to time.

3.2 Representative Number

The "Representative Number" of each Principal Shareholder shall be the number as set out below:

<u>Principal Shareholder</u>	<u>Representative Number</u>
SPAC	Four
CITIC Pacific	Two
Air China	Two

3.3 Composition of the Board

- (A) The Board will consist of:-
- (i) the Representative Number of non-executive Directors nominated by SPAC;
 - (ii) the Representative Number of non-executive Directors nominated by CITIC Pacific;
 - (iii) the Representative Number of non-executive Directors nominated by Air China;
 - (iv) four independent non-executive directors; and
 - (v) subject to clause 3.1 (Nomination of Directors), five executive Directors nominated by SPAC.
- (B) If the Listing Rules (or any code thereunder) at any time require (and so that an expectation of compliance by the Stock Exchange will be deemed for this purpose to be a requirement) any proportion of the Board to consist of independent non-executive directors and compliance with this requirement would result in the number of Directors nominated by SPAC being less than a majority of the total number of Directors, SPAC shall be entitled to appoint such additional number of Directors as will result in those appointed by SPAC being a majority of the total number of Directors and clauses 3.1 (Nomination of Directors), 3.2 (Representative Number) and 3.3(A) (Composition of the Board) shall be adjusted accordingly.
- (C) If the Board determines to appoint a number of additional independent non-executive directors such that the number of Directors nominated by SPAC would be less than a majority of the total number of Directors, SPAC shall be entitled to appoint such additional number of Directors as will result in those appointed by SPAC being a majority of the total number of Directors and clauses 3.1 (Nomination of Directors), 3.2 (Representative Number) and 3.3(A) (Composition of the Board) shall be adjusted accordingly.
- (D) If:
- (i) SPAC (and/or its Group Companies) Disposes of Shares such that SPAC is beneficially interested in less than 30 per cent. of the Share Capital; and
 - (ii) Air China or CITIC Pacific is beneficially interested (whether or not as a result of such Disposal by SPAC and/or its Group Companies) in more Shares than SPAC

SPAC's Representative Number shall be two and it will cause two non-executive Directors nominated by it to resign their offices.

- (E) If CITIC Pacific (and/or its Group Companies) Disposes of Shares and Air China (and/or its Group Companies) acquires a beneficial interest in Shares such that CITIC Pacific is beneficially interested in less than 10 per cent. of the Share Capital and Air China is beneficially interested in more than 25 per cent. of the Share Capital, the Representative Number of CITIC Pacific shall be zero and the Representative Number of Air China shall be four. If this happens, CITIC Pacific will no longer be entitled to nominate a deputy chairman of the Board pursuant to clause 3.5 (Deputy Chairman) or any members of the committees referred to in clause 3.6 (Committees of the Board) and will cause each person so nominated by it to resign his relevant office(s).
- (F) If Air China (and/or its Group Companies) Disposes of Shares and CITIC Pacific (and/or its Group Companies) acquires a beneficial interest in Shares such that Air China is beneficially interested in less than 10 per cent. of the Share Capital and CITIC Pacific is beneficially interested in more than 25 per cent. of the Share Capital, the Representative Number of Air China shall be zero and the Representative Number of CITIC Pacific shall be four. If this happens Air China will no longer be entitled to nominate a deputy chairman of the Board pursuant to clause 3.5 (Deputy Chairman) below or any members of the committees referred to in clause 3.6 (Committees of the Board) below and will cause each person so nominated by it to resign his relevant office(s).

3.4 Chairman

SPAC shall be entitled to nominate a Director nominated by it pursuant to clause 3.1 (Nomination of Directors) above to act as the Chairman of the Board.

3.5 Deputy Chairmen

Each of CITIC Pacific and Air China shall be entitled to nominate a non-executive director nominated by it pursuant to clause 3.1 (Nomination of Directors) above to act as a Deputy Chairman of the Board.

3.6 Committees of the Board

Each of the Principal Shareholders shall be entitled to nominate two Directors nominated by it pursuant to clause 3.1 (Nomination of Directors) above to be members of the executive committee of the Board and one Director nominated by it pursuant to clause 3.1 (Nomination of Directors) above to be a member of the finance committee of the Board. SPAC shall be entitled to nominate one Director nominated by it pursuant to clause 3.1 (Nomination of Directors) above to be a member of the audit committee of the Board. The other Principal Shareholders shall be entitled to nominate one Director nominated by them pursuant to clause 3.1 (Nomination of Directors) above to be a member of the audit committee of the Board and one Director so nominated by them to be an observer to the audit committee of the Board, with the right alternating between

them every 12 months following the date of this Agreement and with Air China having the right to nominate the member of the audit committee for the first such 12 months.

3.7 Vacation of office

Without prejudice to clauses 3.3(E) and (F) (Composition of the Board), if at any time any Principal Shareholder is beneficially interested in less than 5 per cent. of the Share Capital, that Principal Shareholder will cease to have any rights of nomination under the foregoing provisions of this clause 3 and will cause each person so nominated by it to resign his relevant office(s).

3.8 Non-participation in operational management

Each of CITIC Pacific, Air China and CNAC Limited agrees with SPAC that they will not (except, in the case of Air China, as provided in the Operating Agreement) participate directly in the day to day operational management of the Company or Dragonair.

4. THE OPERATING AGREEMENT

The parties acknowledge the existence and terms of the Operating Agreement and agree to support its implementation, including (without limiting that generality) the mutual support provisions in Clause 10 of the Operating Agreement, and by exercise, to the extent permitted by law and the rules of the Exchange, of their respective voting rights as shareholders of the Company, its continuation and any periodic renewal of it. In addition, the parties will use all reasonable endeavours to promote and facilitate the development of the network and operations of the combined group of companies consisting of the Company, Dragonair and their subsidiaries (including obtaining additional traffic rights into Mainland China).

5. OTHER AIRLINES

- (A) Each of the Shareholders agree that it will not invest (directly or, whether through subsidiaries or otherwise, indirectly) in or in any other material way support any airline incorporated in or with its principal place of business in Hong Kong, other than the Company, Dragonair and their subsidiaries.
- (B) Air China agrees that it shall enforce the non-competition agreement entered into with CNAHC on 20 November 2004 so as to give effect to the intention of clause 5(A) and shall not agree to any action proposed by CNAHC which would be contrary to the intention of clause 5(A), but so that, where compliance by Air China with its obligations under this sub-clause (B) would require CNAHC to do something which it had been forbidden to do by the Central People's Government of the People's Republic of China (or not to do something which it had been required to do by such Government), Air China shall not be in breach of its obligations under this sub-clause (B) if it has used its best endeavours to comply with them.

6. MANAGEMENT ARRANGEMENTS

The parties agree to support, including by exercise, to the extent permitted by law and the rules of the Exchange, of their respective voting rights as shareholders of the Company, the continuation and any periodic renewal of the existing management arrangements for the Company and its subsidiaries (including the Services Agreement) and to support the extension of such arrangements to Dragonair and its subsidiaries substantially on their current terms. The parties further agree that the Company will be responsible for the management of the combined operations of the Company and Dragonair and their subsidiaries and for operational, financial and strategic issues of these combined operations.

7. EQUITY ACCOUNTING

- (A) The parties will cause the Company to write to the auditors of Air China and CITIC Pacific in terms which are intended to be sufficient to support the equity accounting of the Company in the accounts of Air China and CITIC Pacific, but so that this obligation shall not be construed as to require any change in the terms of this Agreement.
- (B) Air China will write to the auditors of the Company in terms which are intended to be sufficient to support the equity accounting of Air China in the accounts of the Company, but so that this obligation shall not be construed as to require any change in the terms of this Agreement.

8. GROUP TRANSFERS

Where a Shareholder proposes to Dispose of any of its Shares to a Group Company, it must first procure that such Group Company executes a deed adhering to this Agreement in substantially the form set out in Schedule 1 (Deed of Adherence).

9. TAKEOVER BID

Each Shareholder agrees that so long as that Shareholder is beneficially interested (together with its Group) (directly or indirectly) in 15 per cent. or more of the Share Capital, it will not make an offer for all the Shares and will not accept any offer from a third party to purchase all the Shares unless such latter offer is recommended by the Board ("**Recommended Offer**"). Nothing in this agreement shall prohibit any Shareholder from making a counter-bid in response to the Recommended Offer.

10. ACQUISITIONS OF SHAREHOLDINGS

10.1 Undertaking by SPAC

SPAC undertakes to each of CITIC Pacific, Air China and CNAC Limited that except with the prior written consent of each of CITIC Pacific, Air China and CNAC Limited, the beneficial interest of SPAC and its Group in the Share Capital will not exceed 44.90 per cent. unless either CITIC Pacific and its Group or Air China and its Group increase their

respective combined aggregate beneficial interest in the Share Capital to more than 22.45 per cent. in which case the beneficial interest of SPAC and its Group in the Share Capital will not exceed 49.90 per cent. except with the prior written consent of each of CITIC Pacific, Air China and CNAC Limited.

10.2 Undertaking by CITIC Pacific

CITIC Pacific undertakes to each of SPAC, Air China and CNAC Limited that the combined aggregate beneficial interest of CITIC Pacific and its Group in the Share Capital will not exceed 29.99 per cent. except with the prior written consent of each of SPAC, Air China and CNAC Limited, provided that this undertaking shall cease to apply if:

- (A) SPAC (and/or its Group Companies) Disposes of Shares and as a result is beneficially interested in less than 30 per cent. of the Share Capital; and
- (B) Air China or CITIC Pacific is beneficially interested (whether or not as a result of such Disposal by SPAC (and/or its Group Companies)) in more Shares than SPAC.

10.3 Undertaking by Air China and CNAC Limited

Each of Air China and CNAC Limited undertakes to each of SPAC and CITIC Pacific that the combined aggregate beneficial interest of Air China and CNAC Limited (and their respective Groups) in the Share Capital will not exceed 29.99 per cent. except with the prior written consent of each of SPAC and CITIC Pacific, provided that this undertaking shall cease to apply if:

- (A) SPAC (and/or its Group Companies) Disposes of Shares and as a result is beneficially interested in less than 30 per cent. of the Share Capital; and
- (B) Air China or CITIC Pacific is beneficially interested (whether or not as a result of such Disposal by SPAC and/or its Group Companies) in more Shares than SPAC.

10.4 Undertaking by CITIC Pacific, Air China and CNAC Limited

Each of CITIC Pacific, Air China and CNAC Limited undertakes to SPAC that except with the prior written consent of SPAC, their combined aggregate beneficial interest in the Share Capital (including those of their Groups) shall not exceed 40 per cent. of the Share Capital or the percentage beneficial interest of SPAC and its Group in the Share Capital (whichever is the lower), provided that:

- (A) this undertaking shall cease to apply if:
 - (i) (a) SPAC (and/or its Group Companies) Disposes of Shares and as a result is beneficially interested in less than 30 per cent. of the Share Capital; and

- (b) Air China or CITIC Pacific is beneficially interested (whether or not as a result of such Disposal by SPAC and/or its Group Companies) in more Shares than SPAC; or
- (ii) SPAC is beneficially interested in 44.50% or more of the Share Capital;
- (B) neither CITIC Pacific, Air China nor CNAC Limited shall be in breach of this undertaking if their combined aggregate beneficial interest in the Share Capital (including those of their Groups) is greater than that of SPAC and its Group solely by reason of a Disposal of Shares by SPAC (and/or its Group Companies) or because SPAC and its Group do not take up any scrip dividend or any offer of Shares by the Company; and
- (C) if this undertaking is breached, the Shareholder which is in breach for the purposes of clause 10.7 (Breaches) and clause 14(C) (Termination) shall be:
 - (i) CITIC Pacific, if CITIC Pacific is the person which, by acquiring (whether by itself or because a member of its Group does it) a beneficial interest in the Share Capital, causes the undertaking to be breached; and
 - (ii) Air China and/or CNAC Limited, if Air China or CNAC Limited is the person which, by acquiring (whether by itself or because a member of its Group does it) a beneficial interest in the Share Capital, causes the undertaking to be breached.
- (D) Each of CITIC Pacific, Air China and CNAC Limited shall notify each other of any acquisition of Cathay Shares at least one clear Business Day prior to such acquisition for the purposes of each of those parties monitoring compliance with this clause 10.4.

10.5 Undertakings not to apply

The foregoing undertakings set out in this clause 10 do not operate in favour of any Shareholder whose beneficial interest in the Share Capital (including that of its Group) is less than 15 per cent.

10.6 Public Float Requirements

No Shareholder will acquire any beneficial interest in Shares if this would cause the Company to be in breach of any requirement in the Listing Rules that a particular percentage of the Shares be held by the public.

10.7 Breaches

If any Shareholder breaches any of its obligations under the foregoing provisions of this clause 10, that Shareholder's rights under each of clause 9 (Takeover bid) and 10 (Acquisition of shareholdings) shall thereupon be terminated. For this purpose, a breach by Air China or CNAC Limited shall be treated as a breach by each of them.

11. SHAREHOLDER UNDERTAKINGS

Each Shareholder undertakes with each other Shareholder that it will:

- (A) comply with each of the provisions of this agreement;
- (B) exercise its voting rights and other rights as a member of the Company in order (insofar as it is able to do so through the exercise of such rights) to give full effect to the terms of this agreement and the rights and obligations of the parties as set out in this agreement; and
- (C) procure that any Director appointed by it from time to time shall (subject to their fiduciary duties to the Company) exercise his voting rights and other powers and authorities in order (insofar as they are able to do so through the exercise of such rights, powers and authorities) to give full effect to the terms of this agreement and the rights and obligations of the parties as set out in this agreement.

12. CONFIDENTIALITY

12.1 Confidential information

Each party shall treat as confidential all information obtained as a result of negotiating and entering into this agreement or through its interest in the Company or any of its business or assets and which relates to:

- (A) the provisions of this agreement;
- (B) the negotiations relating to this agreement;
- (C) the Company or its business or assets; or
- (D) any Shareholder or its business or assets.

12.2 Use of Confidential information

Each party shall:-

- (A) not disclose any such confidential information to any person other than a Director nominated by it pursuant to the provisions of this agreement, or any of its directors or employees whose duties include the management or monitoring of the business of the Company and who needs to know such information in order to discharge his duties;
- (B) not use any such confidential information other than for the purpose of managing or monitoring its investment in the Company; and

- (C) procure that any person to whom such confidential information is disclosed by it complies with the restrictions set out in this clause 12 as if such person were a party to this agreement.

12.3 Permitted disclosure

Notwithstanding the previous provisions of this clause 12, any party may disclose any such confidential information:-

- (A) if and to the extent required by law;
- (B) if and to the extent required by any securities exchange or regulatory or governmental body to which that party is subject, wherever situated, including (amongst other bodies) the Stock Exchange or the Executive, whether or not the requirement for information has the force of law;
- (C) to its professional advisers, auditors and bankers; or
- (D) if and to the extent the information has come into the public domain through no fault of that party.

12.4 Duration of obligations

The restrictions contained in this clause 12 shall continue to apply to each party (including any Shareholder who has ceased to be beneficially interested in Shares) without limit in time.

13. ANNOUNCEMENTS

13.1 Restriction on announcements

No announcement concerning this agreement or the business, assets or shares of the Company shall be made by any party without the prior written approval of the others, such approval not to be unreasonably withheld or delayed.

13.2 Permitted announcements

Notwithstanding the previous provisions of this clause 13, any party may, whenever practicable after consultation with the other parties, make an announcement concerning this agreement or the business or assets of the Company if required by:

- (A) law; or
- (B) any securities exchange or regulatory or governmental body to which that party is subject, wherever situated, including (amongst other bodies) the Stock Exchange or the Executive, whether or not the requirement has the force of law.

13.3 Duration of restrictions

The restrictions contained in this clause 13 shall continue to apply to each party (including any Shareholder who has ceased to be beneficially interested in Shares) without limit in time.

14. TERMINATION

This agreement shall terminate immediately (except for those provisions expressly stated to continue without limit in time and without prejudice to any rights or liabilities arising under this agreement prior to such termination to which clause 24 (Jurisdiction) will continue to apply):-

- (A) if only one Shareholder (together with members of its Group) remains beneficially interested in more than 10 per cent. of the Shares;
- (B) in respect of the rights and obligations of any Shareholder if it and all members of its Group cease to be beneficially interested in any Shares; and
- (C) subject to clause 10.4(C) (Undertaking by CITIC Pacific, Air China and CNAC Limited), in respect of the rights of any Shareholder if it is in material breach of its obligations under this Agreement and a termination notice is served on it by any other Shareholder, a material breach by Air China or CNAC Limited being treated for this purpose as a breach of each of them.

15. ASSIGNMENT

This agreement shall be binding on and enure for the benefit of each party's successors in title. No party shall assign, or declare any trust in favour of a third party over, all or any part of the benefit of, or its rights or benefits under, this agreement.

16. ENTIRE AGREEMENT

16.1 Whole and only agreement

This agreement constitutes the whole and only agreement between the parties relating to the subject matter of this agreement.

16.2 No reliance on pre-contractual statements

Each party acknowledges that in entering into this agreement it is not relying upon any pre-contractual statement which is not set out in this agreement.

16.3 Exclusion of other rights of action

Except in the case of fraud, no party shall have any right of action against any other party to this agreement arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in this agreement.

16.4 Meaning of pre-contractual statement

For the purposes of this clause, "pre-contractual statement" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this agreement made or given by any person at any time prior to the date of this agreement.

16.5 Variation

This agreement may only be varied in writing signed by each of the parties.

17. NOTICES**17.1 Notices to be in writing**

A notice under this agreement shall only be effective if it is in writing. Faxes are permitted.

17.2 Addresses

Notices under this agreement shall be sent to a party at its address or number and for the attention of the individual set out below:

<u>Party and title of individual</u>	<u>Address</u>	<u>Facsimile No.</u>
Swire Pacific Limited Attn: Company Secretary	35 th Floor Two Pacific Place 88 Queensway Hong Kong	+852 2845 5445
<u>Party and title of individual</u>	<u>Address</u>	<u>Facsimile No.</u>
CITIC Pacific Limited Attn: Company Secretary	32/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong	+852 2918 4838
<u>Party and title of individual</u>	<u>Address</u>	<u>Facsimile No.</u>
Air China Limited Attn: Company Secretary	Capital International Airport Beijing, 100621 P.R. China	+86 10 6458 5095

<u>Party and title of individual</u>	<u>Address</u>	<u>Facsimile No.</u>
China National Aviation Company Limited Attn: Company Secretary	Its registered office	+852 2865 5914

Provided that a party may change its notice details on giving notice to the other parties of the change in accordance with this clause 17.

17.3 Receipt of Notices

- (A) Any notice given under this agreement shall, in the absence of earlier receipt, be deemed to have been duly given as follows:
- (i) if delivered personally, on delivery;
 - (ii) if sent by inland post, two clear Business Days after the date of posting;
 - (iii) if sent by airmail, six clear Business Days after the date of posting; and
 - (iv) if sent by facsimile, when despatched with confirmed answerback.
- (B) Any notice given under this agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Working Hours in such place.

18. REMEDIES AND WAIVERS

18.1 Delay or omission

No delay or omission by any party to this agreement in exercising any right, power or remedy provided by law or under this agreement shall:

- (A) affect that right, power or remedy; or
- (B) operate as a waiver of it.

18.2 Single or partial exercise

The single or partial exercise of any right, power or remedy provided by law or under this agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

18.3 Cumulative rights

The rights, powers and remedies provided in this agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

18.4 Damages not an adequate remedy

Notwithstanding any express remedies provided under this agreement and without prejudice to any other right or remedy which any party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by it of the provisions of this agreement, so that in the event of a breach or anticipated breach of such provisions, the remedies of injunction and/or an order for specific performance would in appropriate circumstances be available.

19. NO PARTNERSHIP

Nothing in this agreement and no action taken by the parties under this agreement shall constitute a partnership, association or other co-operative entity between any of the parties or constitute any party the agent of any other party for any purpose.

20. COSTS AND EXPENSES

Each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this agreement.

21. COUNTERPARTS

This agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this agreement, but all the counterparts shall together constitute but one and the same instrument.

22. INVALIDITY

If at any time any provision of this agreement is or becomes illegal, invalid or unenforceable, in whole or in part, in any respect under the law of any jurisdiction, that shall not affect or impair:

- (A) the legality, validity or enforceability in that jurisdiction of the remainder of and/or any other provision of this agreement; or
- (B) the legality, validity or enforceability under the law of any other jurisdiction of the remainder of that and/or any other provision of this agreement.

23. CHOICE OF GOVERNING LAW

This agreement is to be governed by and construed in accordance with the laws of Hong Kong.

24. JURISDICTION

24.1 Jurisdiction of Hong Kong courts

Each party agrees that any proceeding, suit or action arising out of or in connection with this agreement ("**Proceedings**") may be brought in the courts of Hong Kong.

24.2 Waiver of objections

Each party waives (and agrees not to raise) any objection, on the ground of *forum non conveniens* or on any other ground, to the taking of Proceedings in any court in accordance with this clause. Each party also agrees that a judgment against it in Proceedings brought in any jurisdiction in accordance with this clause shall be conclusive and binding upon it and may be enforced in any other jurisdiction.

<u>Party and title of individual</u>	<u>Address</u>	<u>Facsimile No.</u>
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[Its registered office from time to time]

- 4 This Deed is to be governed by and construed in accordance with the laws of Hong Kong.
- 5 (A) Each party agrees that any proceeding, suit or action arising out of or in connection with this agreement ("**Proceedings**") may be brought in the courts of Hong Kong.
- (B) Each party waives (and agrees not to raise) any objection, on the ground of *forum non conveniens* or on any other ground, to the taking of Proceedings in any court in accordance with this clause. Each party also agrees that a judgment against it in Proceedings brought in any jurisdiction in accordance with this clause shall be conclusive and binding upon it and may be enforced in any other jurisdiction.

IN WITNESS of which this Deed has been executed and delivered by the New Shareholder on the date which first appears above.

The common seal of)
 [])
 was affixed in the presence of:)

.....
 Director

.....
 Director/Secretary

SIGNATURES

SWIRE PACIFIC LIMITED

By:



Director
Christopher Pratt

CITIC PACIFIC LIMITED

By:

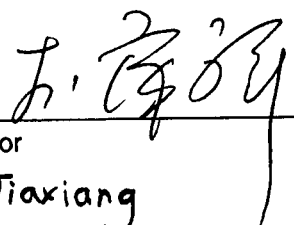


✓ LY

Director
Larry Yung

AIR CHINA LIMITED

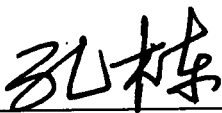
By:



Director
Ji Jiexiang

**CHINA NATIONAL AVIATION
COMPANY LIMITED**

By:



Director
Kong Dong