

# Air China IPO on way

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A hearing on Air China's listing will take place in Hong Kong and London with analysts expecting the initial public offering (IPO) to raise about \$800 million. The carrier plans to sell up to 28% of its enlarged capital base at between eight and 13 times its 2004 profits. Air China will list both in London and Hong Kong.

Air China will use the proceeds to finance its fleet expansion and repay existing debt.

Freshfields is advising the airline on London law.

Cathay Pacific Airways has confirmed an agreement to buy nearly 10% of Air China when China's flag carrier launches its IPO.

The two airlines say the proposed strategic investment could lead to an alignment of networks in the future. But the tie-up is an odd one for most market observers. ?In terms of route structure and hub systems, it doesn't seem like the best fit, although Cathay will be happy to improve its competitive position in the mainland market,? suggests one source.

Most analysts believe that the Star Alliance is the best home for Air China, not Oneworld, as the agreement with Oneworld member, Cathay Pacific, appears to imply.

Merrill Lynch and China International Capital are advising Air China on this proposed strategic investment and the IPO. N

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