

Confidential Memorandum of Understanding

The Civil Aviation Working Group, composed of the Delegation representing the Civil Aviation Administration of China (hereinafter referred to as the Chinese Delegation) and the Delegation representing the Ministry of Transport, the Federal Air Transport Agency of the Russian Federation (hereinafter referred to as the Russian Delegation) met in Sanya from 26 July to 28 July, 2011 for the 15th Meeting of China-Russia Transportation Cooperation Sub-Committee to discuss matters relating to further development of aviation relations between the two countries.

The name list of the two Delegations is attached hereto as Appendix 1.

The discussions were conducted in a very cordial and friendly atmosphere and the following understandings were reached:

I. Expansion of traffic rights arrangements and overflying

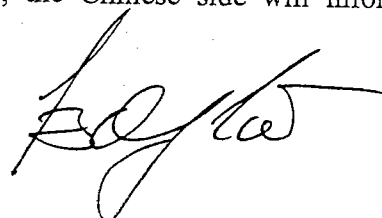
Both Delegations agreed to expand local air services, triangular air services as well as overflying arrangements for the designated airlines of both sides. With regard to capacity and frequency entitlements of local services as well as overflying frequencies both sides agreed to new arrangement as set out in Appendix 2 to this CMOU, which shall replace Appendix 2 to the Memorandum of Understanding signed on August 25, 2010.

II. Coterminalization of all-cargo services

Both Delegations agreed that subject to custom and border regulations as well as availability of infrastructure resources, the Russian designated airlines may coterminalize on any two points among Zhengzhou, Chengdu, Chongqing, Kunming, Urumqi, Dalian, Yantai and Wuhan for scheduled all-cargo services, while on the basis of reciprocity, the Chinese designated airlines may exercise similar coterminalization for scheduled all-cargo services on any two points among eight points as selected by the Chinese side in the Russian territory.

III. All-cargo operations on open-jaw routes

Both Delegations agreed that on the basis of reciprocity the Russian designated airlines may operate scheduled all-cargo services on the routes of Moscow-Beijing/Shanghai-Yekaterinburg/Krasnoyarsk/Khabarovsk provided that such services shall be counted against the frequency entitlements of the specified routes of Moscow-Beijing/Shanghai respectively as provided in paragraph 1 of part B of Appendix 2 to this CMOU. Should the Chinese designated airlines wish to operate similar routes for scheduled all-cargo services, the Chinese side will inform the Russian side in due course.



IV. Code-sharing arrangements

1. When operating or holding out agreed services on the specified routes, including to beyond points, designated airlines of either Contracting Parties shall be entitled to enter into cooperative arrangements, such as but not limited to code sharing, with:

- (a) an airline or airlines from China;
- (b) an airline or airlines from Russia.

2. When a designated airline performs services under cooperative marketing arrangement as the marketing carrier, the total capacity offered by the airline will not be counted against the capacity entitlement of the Contracting Party designating the airline.

3. All airlines operating or holding out the above services shall hold the appropriate authority including route rights and traffic rights and shall meet the requirements normally applied to such arrangements.

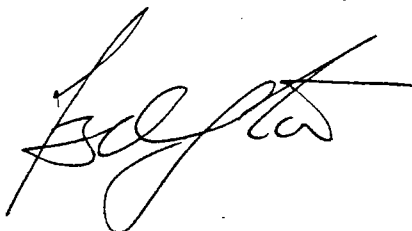
4. The designated airlines of both Contracting Parties shall, when holding services out for sale, in terms of code share, blocked-space or other joint venture arrangements, make it clear to the purchaser at the point of sale which airline will be the operating airline on each sector of the service and with which airline(s) the purchaser is entering into a contractual relationship.

5. The designated airline(s) of either Contracting Party may also, on a case-by-case basis, enter into domestic sector code-share arrangement with the airline(s) of the other Contracting Party. The domestic sector code-share services may be conducted only between points of entry and five other destination points as specified in the Route Schedule and such services should form part of a through international journey. The five destination points selected for domestic sector code-sharing should be informed to the aeronautical authorities of the other side in due course.

6. All code-share arrangements are subject to approval by the aeronautical authorities of both Contracting Parties.

V. Preparation for the Agreement on Civil Aircraft Search and Rescue

The two delegations discussed the draft of the Agreement on Civil Aircraft Search and Rescue between the two Governments and agreed to consult with their respective authorities on the outstanding paragraphs and wordings so as to finalize the text of the Agreement as early as possible. The draft text was attached hereto as Appendix III to this CMOU.



VI. Discussions relating to the establishment of a new entry/exit point near SIMLI

The Russian Delegation proposed once again to establish a new entry/exit point east of SIMLI and a connecting route for flights from China to North America, with SIMLI for those from North America to China. The Chinese Delegation elaborated in details that the current air traffic volume via SIMLI is still below the capacity limit, especially after Russia officially implements RVSM on November 17, 2011. However, both sides will monitor closely the air traffic volume via SIMLI, and will discuss this issue during the next meeting at China-Russia ATM Working Group in the beginning of 2012 in Russia.

VII. Flight delays at Shanghai Pudong International airport

1. Upon request of the Russian Delegation the Chinese Delegations analyzed extensively the causes for flight delays at Shanghai Pudong International airport and understood that flight delays of Russian airlines are to be attributed to various factors, including rapid air traffic volume increases as well as the limited Mongolian ATC capacity. The Chinese Delegation indicated that CAAC attaches high importance to the problem of flight delays and is making utmost efforts to reduce flight delays. Both delegations agreed to continue to exchange information and statistics in this regard. The Russian delegation proposed to hold a Russia, China, Mongolia tri-party ATC coordination meeting to help to resolve the flight delays at an appropriate time. The Chinese Delegation responded that it will favorably consider such a proposal.

2. The Russian Delegation further proposed that Aeroflot-Russian Airlines utilize the runway 16/34 in Pudong International Airport in order to reduce the time delays, the Chinese Delegation took note of such proposal and indicated that such request may be raised directly by the pilot to the ATC controller at operational level.

VIII. Coordination on the position towards EU ETS

Both Delegations held a candid and in-depth communication on EU's inclusion of aviation into EU Emission Trading Scheme (hereinafter EU ETS). Both Delegations have reached agreement on the nature of EU ETS, the position on EU ETS and the coordination and cooperation to address EU ETS. Based upon the agreement reached above, both Delegations have drafted together "The Joint Statement between the Civil Aviation Administration of China and the Ministry of Transport of the Russian Federation on European Union's Inclusion of Aviation into European Union Emission Trading Scheme". The two sides agree that the joint statement will be publicized to the international community once it is approved by the relevant government agencies of both the People's Republic of China and the Russian Federation and the two sides are willing to complete the national adoptions of this joint statement respectively as soon as possible. The two sides also agree that other states or institutions with similar position on EU ETS will be welcome to join this statement once it is enforced.

IX. Wet-leasing

Both Delegations agreed to permit the designated airlines of both sides to operate combination and all-cargo services on the specified routes with aircraft wet-leased from airlines of the same Party and the other Party.

X. Other issues

1. Both Delegations agreed to give favorable consideration and to facilitate the granting of operating permit and change of flight schedule of the designated carriers of the other Party in an expeditious manner. The Russian Delegation further requested to provide operational flexibility to Russian all-cargo carriers when they apply for temporary amendments to existing approval for scheduled operations issued by CAAC (up to 3 consecutive flights), such as adding or omitting a technical stop without changing the entry/exit point and air route within China. The Chinese delegation responded that the relevant department would give positive consideration to such requests and expedite the approval procedure.

2. The Russian Delegation requested to operate on the route of Moscow-Hong Kong-Sanya. The Chinese Delegation responded that this issue has to be handled in accordance with Article 132 of the Basic Law of Hong Kong SAR. The Chinese Delegation indicated that it will give positive consideration to such a request once the policy permits.

3. The Russian Delegation inquired about the possibility of entering into code-share arrangement between Aeroflot Russian Airlines as the marketing carrier and China Airlines via a point in Southeast Asian countries. The Chinese Delegation indicated that such a request should be raised through diplomatic channel.

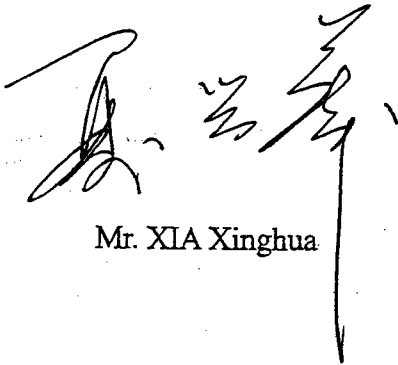
4. The Chinese delegation raised the difficulties of the staff of representative offices of the Chinese designated carriers in applying for working visas and working permits and hoped that such difficulties could be resolved as soon as possible so as to facilitate Chinese airlines' normal operation. The Russian Delegation stated that it will help to coordinate this matter with the relevant authorities.

This Confidential Memorandum of Understanding shall come into effect on the date of signature.

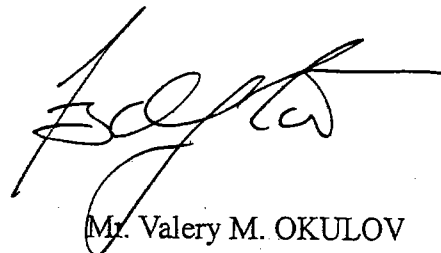
Done in Sanya on July 28, 2011 in English language.

For the Aeronautical Authority of
the People's Republic of China

For the Aeronautical Authority of
the Russian Federation



Mr. XIA Xinghua



Mr. Valery M. OKULOV

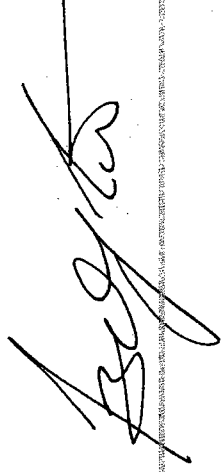


Route Schedule Specifications:

A. PASSENGER AIR SERVICES

1. Common frequencies entitlements for designated carriers of Russia and China (major city pairs):

Moscow – Beijing	21 flights per week (17+4)
Moscow – Shanghai	14 flights per week (7+7)
Saint-Petersburg – Beijing	7 flights per week (6+1)
Saint-Petersburg – Shanghai	7 flights per week (4+3)





2. For designated carriers of Russia:

Local services:

Points in Russia (except Moscow and Saint-Petersburg) – Beijing

70 flights per week, but not more than 7 flights per week for each route

Points in Russia (except Moscow and Saint-Petersburg) – Shanghai

14 flights per week, but not more than 7 flights per week for each route

Points in Russia – Harbin, Shenyang, Urumqi, Dalian, Tianjin, Guangzhou, Qindao, Sanya, Mudanjiang, Hailar, Yanji, Manzhouli and two other points (except Beijing and Shanghai) to choose by the Russian Side

7 flights per week for each route

Triangular routes:

Berlin – Moscow – Beijing

1 flight per week

Points of intermediate stops and/or points beyond

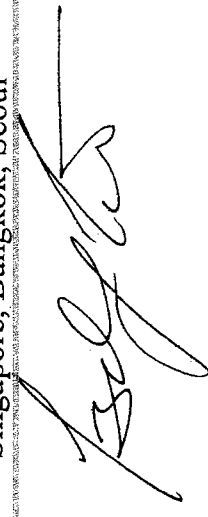
points in Asia, Africa, Middle East, Far East and Northern America, 1 point in CIS countries to choose by the Russian Side

Including with commercial landing in China (without 5th traffic rights):

14 flights per week, but not more than 5 flights per week via Beijing and 5 flights per week via Shanghai

Including with 5th traffic rights:

7 flights per week from points in Russia excluding Moscow and Saint-Petersburg but not more than 3 flights per week via Beijing and 3 flights per week via Shanghai via/to Singapore, Bangkok, Seoul



Overflying frequency entitlements (for passenger and cargo):

Currently 400 flights per week, of which the newly added 50 frequencies per week are subject to the ATC handling capability of China.

The selection of destination points to third countries are at the discretion of the Russian carriers

Over flights with technical stop in China shall not be counted against the total overflying frequencies of Russia

3. For designated carriers of China:

Local services:

Points in China (except Beijing and Shanghai) – Moscow

70 flights per week, but not more than 7 flights per week for each route

Points in China (except Beijing and Shanghai) – Saint-Petersburg

14 flights per week, but not more than 7 flights per week for each route

Points in China – Irkutsk, Vladivostok, Novosibirsk, Omsk, eight other points (except Moscow and Saint-Petersburg) to choose by the Chinese Side

7 flights per week for each route

Triangular routes:

Berlin – Moscow – Beijing

1 flight per week

Stockholm – Moscow – Beijing

2 flights per week

B. CARGO AIR SERVICES

1. Common frequencies entitlements for designated carriers of Russia and China (major city pairs):

- Moscow – Beijing **21 flights per week (12+9)**
- Moscow – Shanghai **28 flights per week (24+4)**
- Moscow – Tianjin **14 flights per week (11+3)**

2. For designated carriers of Russia:

Local services:

- Points in Russia (except Moscow)-Beijing **21 flights per week, but not more than 7 flights per week for each route**
- Points in Russia (except Moscow)-Shanghai **10 flights per week, but not more than 7 flights per week for each route**
- Points in Russia (except Moscow)-Tianjin **14 flights per week, but not more than 7 flights per week for each route**
- Points in Russia – Harbin, Shenyang, Urumqi, Dalian, Guangzhou, Qingdao, Sanya, Mudanjiang, Zhengzhou, Chengdu, Xiamen, Yantai and Chongqing **7 flights per week for each route**

Triangular air services:

Points of intermediate stops and/or points beyond

Almaty, points in Asia, Africa, Middle East, Far East and Northern America to choose by the Russian side

Including with commercial landing in China (without 5th freedom traffic rights):

7 flights per week, but not more than 3 flights per week via Beijing and 3 flights per week via Shanghai

Including with commercial landing in China (with 5th freedom traffic rights):

3 flights per week, from Moscow via one point in Asia to be freely selected by Russia to one point in China except Beijing and Shanghai

3. For designated carriers of China:

Local services:

Points in China (except Beijing, Shanghai, Tianjin) – Moscow

42 flights per week, but not more than 7 flights per week for each route

Points in China - Irkutsk, Vladivostok, Novosibirsk, Omsk, eight other points (except Moscow) to choose by the Chinese Side

7 flights per week for each route

Triangular air services:

Points of intermediate stops and/or points beyond

1 point in CIS countries and points in Asia, Africa, Europe and Northern America to choose by the Chinese Side

Including with commercial landing in Russia (without 5th freedom traffic rights):

7 flights per week, but not more than 3 flights per week via Moscow

Including with commercial landing in Russia (with 5th freedom traffic rights):

3 flights per week, from Beijing or Shanghai via one point in Asia to be freely selected by China to one point in Russia except Moscow

