2012
Interim Report

AIR CHINA
中国国际航空公司

A STAR ALLIANCE MEMBER

Air China Limited

Stock code: 753 HongKong 601111 Shanghai AIRC London

Contents

Corporate Information

REGISTERED CHINESE NAME:
中國國際航空股份有限公司

ENGLISH NAME:
Air China Limited

REGISTERED OFFICE:
9/F, Blue Sky Mansion
28 Tianzhu Road
Zone A, Tianzhu Airport Industrial Zone
Shunyi District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:
5th Floor, CNAC House
12 Tung Fai Road
Hong Kong International Airport
Hong Kong

WEBSITE ADDRESS:
www.airchina.com.cn

DIRECTORS:
Wang Changshun
Wang Yinxiang
Cao Jianxiong
Sun Yude
Christopher Dale Pratt
Ian Sai Cheung Shiu
Cai Jianjiang
Fan Cheng
Fu Yang
Li Shuang
Han Fangming
Yang Yuzhong

SUPERVISORS:
Li Qinglin
Zhang Xueren
Zhou Feng
Xiao Yanjun
Su Zhiyong

LEGAL REPRESENTATIVE OF THE COMPANY:
Wang Changshun

JOINT COMPANY SECRETARIES:
Rao Xinyu
Tam Shuit Mui

AUTHORISED REPRESENTATIVES:
Cai Jianjiang
Tam Shuit Mui

LEGAL ADVISERS TO THE COMPANY:
Haiwen & Partners *(as to PRC Law)*
Sullivan & Cromwell *(as to Hong Kong and English Law)*

INTERNATIONAL AUDITORS:
Ernst & Young

H SHARE REGISTRAR AND TRANSFER OFFICE:
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
183 Queen's Road East
Wanchai
Hong Kong

LISTING VENUES:
Hong Kong, London and Shanghai

Summary of Financial Information

(RMB'000)	**For the six months ended 30 June 2012**	For the six months ended 30 June 2011	Change (%)
Turnover	**47,326,634**	45,583,985	3.82
Profit from operations	**2,579,977**	4,014,455	(35.73)
Profit before tax	**1,291,140**	5,485,611	(76.46)
Profit after tax (including profit attributable to non-controlling interests)	**967,648**	4,271,596	(77.35)
Profit attributable to non-controlling interests	**23,133**	216,049	(89.29)
Profit attributable to equity holders of the Company	**944,515**	4,055,547	(76.71)
EBITDA[(1)]	**7,680,317**	8,620,318	(10.90)
EBITDAR[(2)]	**9,786,337**	10,920,762	(10.39)
Earnings per share attributable to equity holders of the Company (RMB)	**0.078**	0.333	(76.58)
Return on equity (%)[(3)]	**2.07**	9.28	(77.69)

(1) EBITDA represents earnings before finance revenue, finance costs, income taxes, share of profits and losses of associates, depreciation and amortization as computed under IFRSs.

(2) EBITDAR represents EBITDA before deducting operating lease expenses on aircraft and engines as well as other operating lease expenses.

(3) Return on equity represents profit for the period attributable to equity holders divided by equity attributable to equity holders of the Company at period end.

(RMB'000)	**30 June 2012**	31 December 2011	Change (%)
Total assets	**180,449,071**	175,850,072	2.62
Total liabilities	**132,501,924**	127,524,637	3.90
Non-controlling interests	**2,355,295**	2,209,636	6.59
Equity attributable to owners of the Company (excluding non-controlling interests)	**45,591,852**	46,115,799	(1.14)
Shareholder's equity per share (RMB)	**3.76**	3.79	(0.79)

Summary of Operating Data

The following summary includes the operating data of the Company, Air China Cargo, Shenzhen Airlines, Air Macau and Dalian Airlines. The statistic data of Shenzhen Airlines also includes those of Kunming Airlines.

	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Increase/(decrease)
Traffic			
RPK (in millions)	**62,336.00**	59,483.58	4.80%
International	**18,219.30**	16,989.31	7.24%
Domestic	**41,405.83**	40,123.05	3.20%
Hong Kong, Macau and Taiwan	**2,710.87**	2,371.22	14.32%
RFTK (in millions)	**2,260.93**	2,396.72	(5.67%)
International	**1,585.84**	1,710.50	(7.29%)
Domestic	**624.19**	640.41	(2.53%)
Hong Kong, Macau and Taiwan	**50.91**	45.81	11.13%
Passengers (in thousands)	**34,747.21**	33,649.29	3.26%
International	**3,649.63**	3,354.00	8.81%
Domestic	**29,375.82**	28,819.03	1.93%
Hong Kong, Macau and Taiwan	**1,721.76**	1,476.26	16.63%
Cargo and mail carried (tonnes)	**664,600.48**	704,216.39	(5.63%)
Kilometres flown (in millions)	**440.90**	426.37	3.41%
Block hours (in thousands)	**712.94**	676.25	5.43%
Number of flights	**247,855**	240,967	2.86%
International	**25,525**	24,246	5.28%
Domestic	**207,376**	203,650	1.83%
Hong Kong, Macau and Taiwan	**14,954**	13,071	14.41%
RTK (in millions)	**7,824.91**	7,711.59	1.47%
Capacity			
ASK (in millions)	**77,881.59**	73,667.90	5.72%
International	**23,166.44**	21,712.80	6.69%
Domestic	**50,980.53**	48,675.62	4.74%
Hong Kong, Macau and Taiwan	**3,734.63**	3,279.48	13.88%
AFTK (in millions)	**3,974.99**	4,026.92	(1.29%)
International	**2,574.32**	2,632.85	(2.22%)
Domestic	**1,267.11**	1,276.80	(0.76%)
Hong Kong, Macau and Taiwan	**133.56**	117.27	13.89%
ATK (in millions)	**10,998.84**	10,670.55	3.08%

Summary of Operating Data

	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Increase/(decrease)
Load factors			
Passenger load factor (RPK/ASK)	**80.04%**	80.75%	(0.71 ppts)
International	**78.65%**	78.25%	0.40 ppts
Domestic	**81.22%**	82.43%	(1.21 ppts)
Hong Kong, Macau and Taiwan	**72.59%**	72.30%	0.29 ppts
Cargo and mail load factor (RFTK/AFTK)	**56.88%**	59.52%	(2.64 ppts)
International	**61.60%**	64.97%	(3.37 ppts)
Domestic	**49.26%**	50.16%	(0.90 ppts)
Hong Kong, Macau and Taiwan	**38.12%**	39.06%	(0.94 ppts)
Yield			
Yield per RPK (RMB)	**0.66**	0.65	1.54%
International	**0.55**	0.55	0.00%
Domestic	**0.70**	0.68	2.94%
Hong Kong, Macau and Taiwan	**0.86**	0.89	(3.37%)
Yield per RFTK (RMB)	**1.70**	1.81	(6.08%)
International	**1.74**	1.82	(4.40%)
Domestic	**1.42**	1.50	(5.33%)
Hong Kong, Macau and Taiwan	**3.79**	5.13	(26.12%)
Daily utilization (block hours per day per aircraft)	**9.63**	9.76	(0.13 hour)
Unit cost			
Operating cost per ASK (RMB)	**0.57**	0.56	1.79%
Operating cost per ATK (RMB)	**4.07**	3.54	14.97%

Chairman's Statement

In the first half of 2012, global economic growth experienced a slowdown whilst fuel price remained high. At the same time, weakening market demand, escalating operating costs and intense competition all resulted in the aviation industry being placed under great pressure. Notwithstanding the complex operating environment, the Group meticulously assessed the situation and responded effectively to the market changes. We maintained stable developments in various areas including operational efficiency, products and services as well as strategic collaboration. During the reporting period, the Group recorded a turnover of RMB47,327 million, representing an increase of 3.82% over the same period last year, while profits attributable to shareholders amounted to RMB945 million, representing a decrease of 76.71% from the corresponding period last year. With such results, the Group has retained our leading position in the industry.

We recorded steady growth in our passenger services. In the first six months of 2012, the Group deployed 77,882 million available seat kilometres and realized 62,336 million revenue passenger kilometres, representing an increase of 5.72% and 4.80%, respectively, over the same period last year. During the period, we carried 34,747,200 passengers with a passenger load factor of 80.04%, representing an increase of 3.26% and a decrease of 0.71 percentage points, respectively, over the corresponding period last year. Our passenger yield was RMB0.66 which represented an increase of 1.54% from the same period last year.

In response to the changes in the international and domestic passenger markets, the Group optimized its capacity allocation structure and provided a dynamic response to market demands in the first half of 2012. We adjusted our international and domestic capacity allocation, slowed down our capacity increase on certain European, Japanese and Asia Pacific destinations and shifted the capacity from certain domestic routes to more dominant markets. At the same time, we deployed more flights on profitable international routes and maintained advantageous market share in our key markets, such as Beijing and Chengdu. We allocated more wide-body aircraft on domestic trunk routes, and optimized aircraft allocation on our long-haul international routes, by operating B777-300ER aircraft for our European and American routes and A340 aircraft for our international flights from Shanghai. In doing so, we achieved a better alignment between our choice of aircraft model and routes they are put in service.

We continued to develop our hub and network strategy. We added 198 landing slots per week to our Beijing hub thereby increasing the frequency of our domestic and international routes as well as widening and deepening our network coverage. We also added 44 landing slots per week to our Chengdu hub. With the recent launch of our Chengdu-Kathmandu and Chengdu-Mumbai routes, our Chengdu hub destinations now reach 61 cities. In addition, we adjusted the international departing route structure at the Shanghai international gateway and increased the capacity on profitable routes.

In the first six months of 2012, we continued to improve our service quality with a view to enriching customer experience, which resulted in enhanced service categories and service system and a broader range of services and products. We upgraded our aircraft facility, refurbished our business class cabins on B777-200 and certain narrow-body aircraft and optimized our onboard entertainment system and programs. Interactive services, such as SMS ticketing and seat reservation, were formally launched. We were also the first airline in China to introduce an iPad user platform which provided various online services, such as hotel reservation, thereby offering our travellers greater convenience.

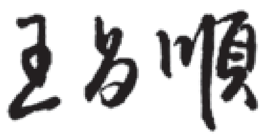
Chairman's Statement

The recession affecting the air cargo market continued in the first half of 2012. The cargo capacity (available Freight Tonne Kilometres) and actual output (Revenue Freight Tonne Kilometres) of Air China Cargo declined by 1.62% and 6.26%, respectively, compared to the same period last year whilst load factor also decreased by 2.76 percentage points from the corresponding period last year. Despite of the challenging operating environment, Air China Cargo managed to maintain a good rhythm in terms of capacity allocation and adjusted the route structure while tightening up the supervision of sales in overseas markets, cargo under transfer and newly-opened cargo destinations. In the meanwhile, we also fortified the linkage between passenger and cargo by strengthening the sales of our bellyhold cargo spaces with the increased capacity deployment in the passenger market. We also introduced new sales channels and cargo sources thereby improving the dynamics between cargo carried and aircraft deployed. Having taken all of the above measures, we significantly reduced our operating losses from the cargo division.

We continued to strengthen our collaboration with our strategic partners. For example, we expanded our comprehensive cooperation with Cathay Pacific in the passenger and cargo business and entered into an agreement with Cathay Pacific and Shanghai International Airport to establish a ground-handling joint venture. We also deepened our cooperation with Shenzhen Airlines in various business aspects, including sales and marketing, frequent flyer program, maintenance, information technology and central procurement, with the business synergies gradually emerging. In addition, we took the initiative to expand bilateral and multilateral cooperation. We entered into code-sharing agreements with South African Airways and LOT Polish Airlines and we strengthened our cooperation with our Star Alliance partners with revenue attributable to the alliance member airlines continuing to climb.

In the first half of the year, we added 23 new aircraft, namely five B777-300ER and A330 wide-body aircraft and 18 B737-800 and A320 narrow-body aircraft, and phased out 14 aging aircraft, mainly B737-300, from our fleet. As at 30 June 2012, the Group's fleet consisted of 441 aircraft with an average age of 6.58 years. With such a young average fleet age, we continue to optimize our fleet structure for both passenger and cargo aircraft.

In the second half of this year, we foresee that the operating environment for the global aviation industry will remain both challenging and complex. The future movement of jet fuel prices will continue to have a considerable impact on the aviation industry's performance. At the same time, interest rate and exchange rate fluctuations will cast uncertainties on our operations. In view of such challenges, our Group will aim at growing steadily while grasping market opportunities and pursuing strategic developments so as to achieve better performance and results.



Wang Changshun
Chairman

Beijing, PRC
28 August 2012

Business Overview

In the first half of 2012, the Group's ATKs and RTKs reached 10,999 million and 7,825 million, representing an increase of 3.08% and 1.47%, respectively, over the same period last year, with an overall load factor of 71.14%, representing a decrease of 1.13 ppts over the same period last year.

DEVELOPMENT OF FLEET

In the first half of the year, the Group acquired 23 aircraft, including A320, A330, B737-800 and B777-300ER, and phased out 14 old aircraft, such as B737-300, B767 and A300F. As at 30 June 2012, the Group had a total of 441 aircraft, with an average age of 6.58 years (excluding aircraft under wet leases).

Details of the fleet of the Group are set out in the table below:

	30 June 2012					Introduction Plan		
	Subtotal	Self-owned	Finance Leased	Operating Leased	Average Age	2012	2013	2014
Passenger aircraft	**421**	**212**	**101**	**108**	**6.41**	**51**	**56**	**55**
Among which:								
Airbus series	**196**	**83**	**75**	**38**	**4.49**	**28**	**24**	**18**
A319	41	24	9	8	7.25	0	0	0
A320/A321	119	47	48	24	3.26	22	17	10
A330	30	6	18	6	3.71	6	7	8
A340	6	6	0	0	14.06	0	0	0
Boeing series	**225**	**129**	**26**	**70**	**8.12**	**23**	**32**	**37**
B737	186	96	20	70	7.17	17	26	32
B747	9	9	0	0	15.24	0	0	2
B757	10	10	0	0	17.49	0	0	0
B767	3	3	0	0	15.88	0	0	0
B777	17	11	6	0	7.53	6	6	3
Freighters	**10**	**8**	**0**	**2**	**17.67**	**2**	**0**	**0**
B747F	10	8	0	2	17.67	2	0	0
Business jets	**10**	**1**	**0**	**9**	**2.48**	**2**	**0**	**0**
Total	**441**	**221**	**101**	**119**	**6.58**	**55**	**56**	**55**

Among the aircraft set out above, the Company operated a fleet of 289 aircraft, with an average age of 6.9 years (excluding aircraft under wet leases). During the first six months of 2012, the Company acquired 12 aircraft and phased out 11 aircraft.

Business Overview

In the first half of the year, the Company made new progress in hub construction, sales and marketing, product innovation and service enhancement.

HUB NETWORK

In the first half of the year, the Company widened its network coverage in the Beijing hub by introducing the Beijing-Gatwick, Beijing-Okinawa, Beijing-Ganzhou and Beijing-Yangzhou routes and deepened its network coverage through increasing the flight frequency on the Beijing-Wuhan, Beijing-Hangzhou and Beijing-Chongqing routes. We adjusted flight schedules to improve transit and connection quality and optimised flight frequency to increase flight connection efficiency. The baggage tag through service for domestic transfers of international flights arriving in Beijing has made progress with trial operation already begun in Frankfort, Milan and Stockholm. We also added 44 landing slots per week to our Chengdu hub. With the recent launch of our Chengdu-Kathmandu and Chengdu-Mumbai routes, our Chengdu hub destinations now reach 61 cities. We optimised the capacity allocation at the Shanghai international gateway and put A340 wide-body aircraft into operation there together with increased capacity on profitable routes.

As at 30 June 2012, the number of air passenger routes operated by the Company reached 285, among which 75 were international routes, 15 were regional routes, 195 were domestic routes, covering 30 countries and regions and 146 cities, including 46 international cities, 4 regional cities and 96 domestic cities.

MARKETING

In response to changing market conditions, the Company proactively adjusted marketing strategies and managed to maintain our fare level while further improving our marketing capability. In the first half of the year, sales mix continued to improve with direct sales increasing steadily accounting for 37.5% of total sales revenue, among which, sales from websites overseas increased by 38%. Our frequent flyers increased by 1.18 million reaching a total of 18.62 million. The revenue derived from our frequent flyers amounted to RMB9.98 billion, representing an increase of 12% from the same period last year. In addition, the Company focused on improving management efficiency of its key customers and achieved remarkable results in building and maintaining relationships with them, consequently, the revenue from our key customers reached RMB6.27 billion, representing an increase of 13% from the same period last year. Further, we upgraded our service and facility and refined our profit management, which led to an 8% revenue growth in our first and business class cabins compared to the same period last year.

STRATEGIC COLLABORATION AND ALLIANCE COOPERATION

In the first six months of the year, the Company entered into an agreement with Hong Kong Airport Services, a wholly owned subsidiary of Cathay Pacific, Shanghai Airport Authority and Shanghai International Airport Co., Ltd. to establish a ground-handling joint venture. We also deepened our cooperation with Shenzhen Airlines through establishing a cooperation mechanism and sharing platform in various business aspects, including maintenance, central procurement, information technology and finance, with the business synergies gradually emerging. Beijing Airlines acquired its first self-owned business jet and put it into service to cater for the increasing demand in the business aviation market.

Fully leveraging on the Star Alliance platform while exploring customer resources, our revenue attributable to the alliance increased by 6%, as compared with the same period of last year. We continued with the construction of a lounge in Shanghai Pudong International Airport and took the lead to reach Star Alliance's benchmark of 90% successful through service, which is relatively high among the alliance member airlines. The Automatic Document Check (ADC) system of Star Alliance is working smoothly and is expected to effectively reduce the chance of error in documents checking.

Business Overview

PRODUCTS AND SERVICES

We continued to improve our service quality with a view to enriching passenger experience. We upgraded our aircraft facility and refurbished our business class cabins on B777-200 and certain narrow-body aircraft. We also installed portable recreational equipment in first and business class cabins on B777-200 aircraft and optimized our on-board entertainment system and programs. Our website and call center services also improved. Online check-in service was launched in a total of 68 domestic and 26 international airports and real time customer support was rolled out under the Customer Service tab in our domestic website. We officially launched eight interactive services, including SMS booking, flight schedule inquiry, ticket authentication, real time flight information, seat reservation, city weather, gate inquiry and PhoenixMiles service. Our PhoenixMiles website has been upgraded with 13 new functions, enabling a number of automatic services for VIP members, e.g. automatic mileage registration, password management and mail service. We also launched the Global Flight Manager Program (全球飛行管家計劃) to offer high-end traveller services, including private car service zone at T3 Terminal, Green Passage, gateway upgrade and value-added transfer service, with which our customers' general satisfaction continued to increase.

COST CONTROL

We continued to optimize our cost structure, improve cost management and align our choice of aircraft model and routes dynamically to reduce structural cost. Through various measures, such as the implementation of computerised flight planning system, control over the use of APU, despatch optimisation and increase in load amount as much as possible at airports with load limits, we saved 582 tonnes of jet fuel and increased load capacity by 395 tonnes. We also fortified the collaboration with invested enterprises and established a collaboration mechanism and sharing platform and reduced expenses incurred in aircraft maintenance, information technology and central procurement. With our effort in expanding financing channels while adjusting debt structure, funding cost was also reduced.

MAJOR SUBSIDIARIES AND THEIR OPERATING RESULTS

(1) Air China Cargo

In the first half of 2012, the AFTKs and RFTKs of Air China Cargo reached 3,680 million and 2,052 million, respectively, representing a decrease of 1.62% and 6.26%, respectively, from the same period last year. The amount of cargo and mail carried decreased by 6.81% to 531,600 tonnes and the cargo and mail load factor decreased by 2.76 ppts to 55.77% as compared with the corresponding period last year.

In the first half of 2012, Air China Cargo's turnover was RMB3,652 million, representing a decrease of 8.49% from the same period last year. Among which, cargo and mail transportation revenue was RMB3,508 million, representing a decrease of 8.38% as compared with the corresponding period last year, with a net loss of RMB434 million, representing an increase of 120.30% from the same period last year.

(2) Shenzhen Airlines

In the first half of 2012, the ASKs and RPKs of Shenzhen Airlines reached 18.40 billion and 14.94 billion, respectively, representing an increase of 13.19% and 12.50%, respectively, from the same period last year. A total of 10,298,800 passengers were carried, with an average load factor of 81.20%, representing an increase of 11.27% and a decrease of 0.50 ppts, respectively, as compared with the corresponding period of the previous year.

The AFTKs and RFTKs of Shenzhen Airlines reached 263 million and 199 million, respectively, representing an increase of 4.86% and 2.46%, respectively, from the same period last year. The amount of cargo and mail carried by Shenzhen Airlines was 126,100 tonnes in 2011, representing an increase of 1.55% from the same period last year, and the cargo and mail load factor was 75.53%, representing a decrease of 1.77 ppts as compared to the same period last year.

In the first half of 2012, Shenzhen Airlines recorded a turnover of RMB10,399 million, representing an increase of 4.98% from the same period last year. Among which, air traffic revenue was RMB9,997 million, representing an increase of 5.98% from the same period last year. The net profit attributable to parent company for the period was RMB370 million, representing a decrease of 22.85% as compared to the same period last year.

(3) Air Macau

In the first half of 2012, the ASKs and RPKs of Air Macau reached 1,821 million and 1,202 million, respectively, representing an increase of 8.20% and 14.75%, respectively, from the same period last year. A total of 742,100 passengers were carried, with an average load factor of 65.99%, representing an increase of 14.23% and 3.76 ppts, respectively, as compared with the corresponding period of the previous year.

In terms of air cargo, the AFTKs and RFTKs of Air Macau reached 27,292,400 and 7,806,300, respectively, representing a decrease of 22.59% and 41.59%, respectively, from the same period last year. During the period, it carried 5,105.19 tonnes of cargo and mail, representing a decrease of 46.74% from the same period last year, and the cargo and mail load factor was 28.60%, representing a decrease of 9.30 ppts as compared with the corresponding period last year.

In the first half of 2012, Air Macau recorded a turnover of MOP1,534 million, representing an increase of 10.12% over the same period last year. Among which, air traffic revenue was MOP1,118 million, representing an increase of 13.85% from the same period last year, with a net profit of MOP120 million, representing an increase of 11.11% over the same period last year.

(4) Dalian Airlines

In the first half of 2012, the ASKs and RPKs of Dalian Airlines reached 384 million and 292 million, respectively. A total of 228,300 passengers were carried, with an average passenger load factor of 76.03%.

In terms of air cargo, the AFTKs and RFTKs of Dalian Airlines reached 4,587,300 and 1,957,100, respectively. During the period, a total of 1,764.20 tonnes of cargo and mail were carried, with a cargo and mail load factor of 42.66%.

In the first half of 2012, Dalian Airlines recorded a turnover of RMB199 million. Among which, air traffic revenue was RMB196 million, with a net profit of RMB2 million.

(5) Beijing Airlines

In the first half of 2012, Beijing Airlines completed 293 flights with 1,635.5 flying hours, carrying a total of 2,145 passengers.

A turnover of RMB78 million was recorded by Beijing Airlines in the first half of 2012. Among which, air traffic revenue was RMB77 million, with a net profit of RMB24 million.

EMPLOYEES

As at 30 June 2012, we had a total of 24,478 employees, and our subsidiaries and joint ventures had a total of 31,285 employees.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis are based on the Group's interim condensed consolidated financial statements and its notes prepared in accordance with IFRSs and are designed to assist the readers in understanding the information provided in this report further so as to better understand the financial conditions and results of operations of the Group as a whole.

PROFIT ANALYSIS

For the six months ended 30 June 2012, the Group responded to market changes actively. Notwithstanding weak market demand, high international jet fuel prices and intense competition, we recorded profit before tax of RMB1,291 million, profit attributable to equity holders of RMB945 million and an earning-per-share of RMB0.078 by adopting various measures, such as optimizing production arrangement, adjusting sales and marketing strategy, strengthening cost control and deepening strategic collaboration.

TURNOVER

For the six months ended 30 June 2012, the Group's total turnover (net of business taxes and surcharges of RMB1,102 million) was RMB47,327 million, representing an increase of RMB1,743 million or 3.82% as compared with that of the same period of the previous year. Revenue from our air traffic operations contributed RMB45,274 million to our total turnover, representing an increase of RMB1,772 million or 4.07% over the corresponding period last year, primarily due to increases in market demand and capacity of the Company during the current reporting period compared with the corresponding period last year. Our other operating revenue was RMB2,053 million, remaining largely unchanged as compared with that of the same period last year.

REVENUE CONTRIBUTION BY GEOGRAPHICAL SEGMENTS

	For the six months ended 30 June				
	2012		2011		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**12,705,691**	**26.85%**	13,056,470	28.64%	(2.69)
Domestic	**32,101,294**	**67.83%**	30,150,208	66.14%	6.47
Hong Kong, Macau and Taiwan	**2,519,649**	**5.32%**	2,377,307	5.22%	5.99
Total	**47,326,634**	**100.00%**	45,583,985	100.00%	3.82

AIR PASSENGER REVENUE

For the six months ended 30 June 2012, the Group recorded an air passenger revenue of RMB41,432 million, representing an increase of RMB2,901 million or 7.53% over the same period of 2011. Among the Group's air passenger revenue, the increase in capacity and passenger yield contributed to an increase of RMB2,282 million and RMB975 million in revenue, respectively, while the decrease in passenger load factor caused a RMB356 million decrease in revenue. The Group's capacity, passenger load factor and passenger yield of our passenger operations for the six months ended 30 June 2012 are as follows:

	For the six months ended 30 June		
	2012	2011	Change
ASK (million)	**77,881.59**	73,667.90	5.72%
Passenger load factor (%)	**80.04**	80.75	(0.71 ppts)
Yield per RPK (RMB)	**0.66**	0.65	1.54%

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June				
	2012		2011		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**9,943,992**	**24.00%**	9,306,360	24.15%	6.85
Domestic	**29,161,090**	**70.38%**	27,110,125	70.36%	7.57
Hong Kong, Macau and Taiwan	**2,326,509**	**5.62%**	2,113,762	5.49%	10.06
Total	**41,431,591**	**100.00%**	38,530,247	100.00%	7.53

AIR CARGO REVENUE

For the six months ended 30 June 2012, the Group's air cargo and mail revenue was RMB3,842 million, representing a decrease of RMB1,129 million or 22.72% from the same period in 2011. Among the Group's air cargo and mail revenue, the decrease in capacity and cargo and mail load factor caused a decrease in revenue of RMB294 million and RMB594 million, respectively, while the decrease in cargo yield resulted in a decrease in revenue of RMB241 million. The capacity, cargo and mail load factor and yield of our cargo and mail operations for the six months ended 30 June 2012 are as follows:

	For the six months ended 30 June		
	2012	2011	Change
AFTK (million)	**3,974.99**	4,026.92	(1.29%)
Cargo and mail load factor (%)	**56.88**	59.52	(2.64 ppts)
Yield per RFTK (RMB)	**1.70**	1.81	(6.08%)

AIR CARGO REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June				
	2012		2011		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**2,761,698**	**71.88%**	3,750,110	75.43%	(26.36)
Domestic	**887,211**	**23.09%**	957,659	19.27%	(7.36)
Hong Kong, Macau and Taiwan	**193,140**	**5.03%**	263,545	5.30%	(26.71)
Total	**3,842,049**	**100.00%**	4,971,314	100.00%	(22.72)

OPERATING EXPENSES

For the six months ended 30 June 2012, the Group's operating expenses were RMB44,747 million, representing an increase of 7.64% as compared with RMB41,570 million recorded in the same period of 2011. The breakdown of the operating expenses is set out below:

	For the six months ended 30 June				
	2012		2011		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
Jet fuel costs	**17,812,755**	**39.81%**	16,251,151	39.09%	9.61
Movements in fair value of fuel derivative contracts	**–**	**–**	(80,386)	(0.19%)	(100.00)
Take-off, landing and depot charges	**4,329,750**	**9.68%**	4,274,858	10.28%	1.28
Depreciation	**5,062,437**	**11.31%**	4,578,365	11.01%	10.57
Aircraft maintenance, repair and overhaul costs	**1,315,971**	**2.94%**	1,466,398	3.53%	(10.26)
Employee compensation costs	**6,398,492**	**14.30%**	5,528,179	13.30%	15.74
Air catering charges	**1,368,905**	**3.06%**	1,185,540	2.85%	15.47
Selling expenses	**2,688,364**	**6.01%**	2,558,298	6.16%	5.08
General and administrative expenses	**467,021**	**1.04%**	605,031	1.46%	(22.81)
Others	**5,302,962**	**11.85%**	5,202,096	12.51%	1.94
Total	**44,746,657**	**100.00%**	41,569,530	100.00%	7.64

In particular:

- Jet fuel costs increased by RMB1,561 million or 9.61% from the corresponding period in the previous year, accounting for 39.81% of operating expenses, compared to 39.09% for the same period last year. The increase is mainly due to higher oil prices generally than the corresponding period in the previous year.

- All fuel-related derivatives expired during 2011 and no related profits or losses were recorded in the current reporting period.

- As the number of self-owned and leased aircraft has increased, depreciation expenses for the current reporting period were higher.

- During the current reporting period, the Group strengthened flight resource allocation. As a result of better scheduling of aircraft maintenance, repairs and overhaul, the Group's aircraft maintenance, repairs and overhaul expenses reduced by RMB150 million from the corresponding period last year.

- Employee compensation costs increased by RMB870 million from the corresponding period of the previous year, mainly driven by adjustments in benchmark salaries and increase in the number of staff headcounts.

- Air catering expenses increased by RMB183 million or 15.47%, mainly due to improved quality of in-flight meals and higher passenger load.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

FINANCIAL REVENUE AND FINANCIAL COSTS

For the six months ended 30 June 2012, the Group's net exchange loss was RMB339 million as compared with a net exchange gain of RMB1,508 million for the same period in 2011, which was mainly due to the rise of the exchange rate of U.S. dollars and the depreciation of Renminbi against U.S. dollars. For the current reporting period, the Group recorded interest expenses (including capitalized interest) of RMB1,372 million, representing an increase of RMB338 million from the same period in 2011, primarily due to the growth in interest-bearing liabilities and finance costs of the Group.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

For the six months ended 30 June 2012, the Group's share in the losses of its associates was RMB75 million, representing a decrease of RMB722 million as compared with a share in the profits of associates of RMB647 million for the same period in 2011, mainly due to the recognition of losses on investment in Cathay Pacific of RMB177 million in the current reporting period, representing a decrease in gain on investment of RMB660 million recognized under the equity method for the same period in 2011.

ANALYSIS OF ASSETS STRUCTURE

As at 30 June 2012, the total assets of the Group amounted to RMB180,449 million, representing an increase of 2.62% as compared with 31 December 2011, among which current assets accounted for RMB21,484 million or 11.91% of the total assets, while non-current assets accounted for RMB158,965 million or 88.09% of the total assets.

Among the current assets, cash and cash equivalents were RMB11,653 million, representing a decrease of 24.61% from 31 December 2011. Accounts receivable amounted to RMB3,173 million, representing an increase of 17.49% as compared with 31 December 2011. Among the non-current assets, the net book value of property, plant and equipment as at 30 June 2012 was RMB118,534 million, representing an increase of 5.46% from 31 December 2011.

ASSETS MORTGAGE

As at 30 June 2012, the Group, pursuant to certain bank loans and finance leasing agreements, mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB74,629 million (approximately RMB72,244 million as at 31 December 2011), a number of shares in its associates with a market value of approximately RMB4,056 million (approximately RMB4,312 million as at 31 December 2011) and land use rights with a net book value of approximately RMB39 million (approximately RMB40 million as at 31 December 2011). At the same time, the Group had approximately RMB788 million (approximately RMB133 million as at 31 December 2011) in bank deposits pledged as security for certain bank loans, operating leases and financial derivatives of the Group.

CAPITAL EXPENDITURE

For the six months ended 30 June 2012, the Company's capital expenditure amounted to RMB8,030 million, of which the total investment in aircraft and engine was RMB7,259 million.

Other capital expenditure amounted to RMB771 million, which was mainly spent on high-cost rotables, aircraft additions and modifications, flight simulators, infrastructure construction, information system building, equipment purchase and cash component of long-term investments.

EQUITY INVESTMENT

As at 30 June 2012, the Group's equity investment in its associates was RMB12,971 million, representing a decrease of 3.36% as compared with 31 December 2011, of which the equity investment in Cathay Pacific, Shandong Aviation Group and Shandong Airlines was approximately RMB11,341 million, RMB788 million and RMB467 million, respectively. Cathay Pacific, Shandong Aviation Group and Shandong Airlines recorded a loss of RMB760 million and a profit of RMB81 million and RMB177 million, respectively, for the six months ended 30 June 2012.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

DEBT STRUCTURE ANALYSIS

As at 30 June 2012, the total liabilities of the Group amounted to RMB132,502 million, representing an increase of 3.9% as compared with 31 December 2011. Among the Group's total liabilities, total current liabilities were RMB64,612 million, which accounted for 48.76% of the total liabilities, and total non-current liabilities were RMB67,890 million, which accounted for 51.24% of the total liabilities.

Current liabilities on interest-bearing liabilities (including bank and other loans, obligations under finance leases and bills payable) amounted to RMB34,563 million, representing an increase of 12.13% as compared with 31 December 2011. Other payables and accruals amounted to RMB12,105 million, representing a decrease of 5.54% as compared with 31 December 2011.

Non-current liabilities on interest-bearing liabilities (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB59,446 million, representing an increase of 1.46% as compared with 31 December 2011.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2012, capital commitments of the Group amounted to RMB87,219 million, representing a decrease of 9.33% from RMB96,199 million as at 31 December 2011, which was primarily used in purchasing certain aircraft and related equipment to be delivered in the coming years and constructing certain properties. The Group had operating lease commitments of RMB17,449 million, representing an increase of 3.21% as compared with RMB16,906 million as at 31 December 2011, which was primarily used in leasing aircraft, office premises and related equipment. Investment commitments of the Group was RMB208 million, representing an increase of RMB173 million from RMB35 million as at 31 December 2011, which was primarily used on equity transfer agreements and joint venture agreements already entered into.

Details of contingent liabilities of the Group are set out in note 22 to the condensed consolidated interim financial statements set out in this Interim Report.

GEARING RATIO

As at 30 June 2012, the Group's gearing ratio (total liabilities divided by total assets) was 73.43%, representing an increase of 0.91 ppts as compared with that of 72.52% as at 31 December 2011. The change was mainly attributable to the Group's profit decline during the current reporting period and the declaration of dividends which led to a decline in shareholders' equity as compared with the beginning of the year, while the Group's assets and liabilities both expanded in line with our fleet expansion. Considering that the prevailing gearing ratios of air carriers in the aviation industry were at a relatively high level, the current gearing ratio of the Group continues to be relatively better in the domestic aviation industry and long-term insolvency risks are within control.

WORKING CAPITAL AND ITS SOURCES

As at 30 June 2012, net current liabilities of the Group (current liabilities minus current assets) amounted to RMB43,129 million, representing an increase of RMB5,151 million as compared with 31 December 2011. The Group's current ratio (current assets divided by current liabilities) was 0.33, representing a decrease of 5 ppts from 0.38 as at 31 December 2011. The increase in net current liabilities was primarily due to the significant increase in the Group's current liabilities.

The Group mainly met its working capital needs through proceeds from its operating activities and external financing activities. During the first half of 2012, the Group recorded a net cash inflow from operating activities of RMB3,979 million, representing a decrease of 57.26% from RMB9,310 million for the same period in 2011, primarily due to rising jet fuel prices compared with the same period last year, increase of labour cost and payment of annuity. Net cash outflow from investment activities was RMB4,052 million, representing a decrease of 56.07% from RMB9,224 million from the same period in 2011, primarily due to a decrease in cash paid for aircraft acquisition and prepayment during the reporting period as compared to the same period last year. The Group recorded a net cash outflow from financing activities of RMB926 million, representing a decrease of RMB1,219 million from a cash inflow of RMB293 million from the same period of 2011, primarily due to the repayment of debts with our own funds and a decrease in net borrowings during the reporting period.

The Group's cash and cash equivalent decreased by RMB1,036 million in the first half of 2012 (as opposed to the increase of RMB287 million in the same period of 2011). The Company obtained bank facilities with an aggregate maximum amount of RMB126,300 million from a number of banks in the PRC, of which approximately RMB35,900 million was utilized, sufficient to meet our working capital demands and future capital commitments.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to fluctuations in jet fuel prices in our daily operation. International jet fuel prices are subject to market volatility and fluctuation in supply and demand. The Group's strategy in managing jet fuel price risk aims at controlling the risk arising from the rise in fuel prices. The Group has engaged in fuel hedging transactions since March 2001. The hedging instruments used were mainly derivatives of Singapore kerosene together with Brent crude oil and New York crude oil, which are closely linked to the price of jet fuel. As at 30 November 2011, the fuel derivative contracts of the Company all expired, and no new position has been established so far. Considering the volatility of international prices and cost sensitivity, the Company will continue to develop its fuel hedging business in compliance with the regulatory requirements so as to cope with changes in the jet fuel market.

As at 30 June 2012, the total amount of interest-bearing debts of the Group was RMB94,009 million, which accounted for 70.95% of the Group's total liabilities. Most of such debts were foreign debts and mainly denominated in U.S. dollars, Hong Kong dollars and Euros. In addition, the Group also had sales revenues and expenses denominated in foreign currencies. The Group endeavoured to minimize any risks relating to the fluctuations in foreign exchange rates and interest rates by adjusting the structure of the interest rates and currency denomination of its debts and by making use of financial derivatives.

ANTITRUST INVESTIGATION

On 26 February 2007, the Eastern District Court of New York of the US Federal Courts issued summons to the Company and Air China Cargo in connection with the antitrust civil case relating to the air cargo services. Pursuant to such summons, various airlines, including the Company and Air China Cargo, were sued for breaching the US Antitrust Law on the ground that these airlines were acting in concert in imposing excessive surcharges so as to impede the offering of discount that would be made available for the prices charged for air cargo services and that these airlines had reached an agreement on the allocation of revenues and consumers so as to achieve such purposes as setting, increasing, maintaining or stabilizing the air cargo prices. As the litigation is in the process of collecting evidence, our Directors believe that they are unable to make a reasonable and reliable estimate of the outcome of the case at this stage, and therefore, no provision has been made for such litigation for the time being.

Shareholdings of Directors, Supervisors and Chief Executives and Substantial Shareholders of the Company

(I) DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2012, the Company's Directors, Supervisors or chief executives had following interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which shall be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

	Number of Shares				
Name of corporation and relevant shareholder	**Personal Interest**	**Interest of children under the age of 18 or spouse**	**Corporate Interest**	**Total**	**Shareholding percentage as at 30 June 2012**
Cathay Pacific Airways Limited Sai Cheung Shiu, Ian	1,000	–	–	1,000	0.00%
Air China Limited Zhou Feng	10,000 (A Shares)	–	–	10,000	0.00%

Save as disclosed above, as at 30 June 2012, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Mr. Christopher Dale Pratt is a non-executive Director of the Company and is concurrently the chairman and executive director of Cathay Pacific. Mr. Sai Cheung Shiu, Ian is a non-executive Director of the Company and is concurrently the non-executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,517,385,455 H shares in the Company as at 30 June 2012, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and it wholly owns Hong Kong Dragonair Airlines Limited ("Dragonair"). Mr. Wang Changshun, the chairman and a non-executive Director of the Company, and Mr. Cai Jianjiang and Mr. Fan Cheng, both executive Directors of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and Dragonair compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations, which are also served by the Company.

Save as above, none of the Directors or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

(II) SUBSTANTIAL SHAREHOLDERS' SIGNIFICANT INTERESTS IN THE COMPANY

As at 30 June 2012, to the best knowledge of the Directors, Supervisors and chief executives of the Company, the interests and short positions of the following persons (other than a Director, Supervisor or chief executive of the Company) who have an interest and short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to the SFO were as follows:

Name	Type of interests	Type and number of shares of the Company concerned	Percentage of the total issued shares of the Company	Percentage of the total issued A shares of the Company	Percentage of the total issued H shares of the Company	Short position
CNAHC	Beneficial owner	5,154,163,886 A Shares	39.98%	61.88%	–	–
CNAHC [1]	Attributable interests	1,332,482,920 A Shares	10.34%	16.00%	–	–
CNAHC [1]	Attributable interests	223,852,000 H Shares	1.74%	–	4.91%	–
China National Aviation Corporation (Group) Limited	Beneficial owner	1,332,482,920 A Shares	10.34%	16.00%	–	–
China National Aviation Corporation (Group) Limited	Beneficial owner	223,852,000 H Shares	1.74%	–	4.91%	–
Cathay Pacific	Beneficial owner	2,517,385,455 H Shares	19.53%	–	55.17%	–
Swire Pacific Limited [2]	Attributable interests	2,517,385,455 H Shares	19.53%	–	55.17%	–
John Swire & Sons Limited [2]	Attributable interests	2,517,385,455 H Shares	19.53%	–	55.17%	–
John Swire & Sons (H.K.) Limited [2]	Attributable interests	2,517,385,455 H Shares	19.53%	–	55.17%	–

Notes:

Based on the information available to the Directors, Supervisors and chief executives of the Company (including such information as was available on the website of the Hong Kong Stock Exchange) and so far as the Directors, Supervisors and chief executives are aware, as at 30 June 2012:

1. By virtue of CNAHC's 100% interest in China National Aviation Corporation (Group) Limited, CNAHC was deemed to be interested in the 1,332,482,920 A shares and 223,852,000 H shares of the Company directly held by China National Aviation Corporation (Group) Limited.

2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 44.16% equity interest and 58.98% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at 30 June 2012, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,517,385,455 H shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as at 30 June 2012, to the knowledge of the Directors, the Supervisors and chief executives of the Company, no other person (other than a Director, Supervisor or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to the SFO.

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2012, the Company complied with all Code Provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, which is applicable to financial reports covering a period after 1 April 2012).

2. COMPLIANCE WITH THE MODEL CODE

The Company has adopted and formulated a code of conduct on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor of the Company have complied with the required standards of the Model Code and the Company's code of conduct throughout the six months ended 30 June 2012.

Miscellaneous

1. PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company in the first half of 2012 (the term "securities" has the meaning ascribed to it under Paragraph 1 of Appendix 16 to the Listing Rules).

2. INTERIM DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2012.

3. REVIEW BY AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the interim report for the six months ended 30 June 2012 and the Company's unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

4. OTHER INFORMATION

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirms that the current information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2011 Annual Report.

Independent Auditors' Report

ERNST & YOUNG
安 永

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com/china

To the shareholders of Air China Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Air China Limited (the "Company"), its subsidiaries and joint ventures (collectively the "Group") set out on pages 25 to 53 which comprises the Group's interim condensed consolidated statement of financial position as at 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The Directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2012

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2012
(Prepared under International Financial Reporting Standards)

	Notes	For the six months ended 30 June 2012 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Unaudited)
TURNOVER			
Air traffic revenue	4	**45,273,640**	43,501,561
Other operating revenue	5	**2,052,994**	2,082,424
		47,326,634	45,583,985
OPERATING EXPENSES			
Jet fuel costs		**(17,812,755)**	(16,251,151)
Movements in fair value of fuel derivative contracts		**–**	80,386
Take-off, landing and depot charges		**(4,329,750)**	(4,274,858)
Depreciation		**(5,062,437)**	(4,578,365)
Aircraft maintenance, repair and overhaul costs		**(1,315,971)**	(1,466,398)
Employee compensation costs		**(6,398,492)**	(5,528,179)
Air catering charges		**(1,368,905)**	(1,185,540)
Aircraft and engine operating lease expenses		**(1,748,358)**	(1,929,207)
Other operating lease expenses		**(357,662)**	(371,237)
Other flight operation expenses		**(3,196,942)**	(2,901,652)
Selling and marketing expenses		**(2,688,364)**	(2,558,298)
General and administrative expenses		**(467,021)**	(605,031)
		(44,746,657)	(41,569,530)
PROFIT FROM OPERATIONS	6	**2,579,977**	4,014,455
Finance revenue	7	**146,235**	1,595,898
Finance costs	7	**(1,359,585)**	(771,100)
Share of profits and losses of associates		**(75,487)**	646,358
PROFIT BEFORE TAX		**1,291,140**	5,485,611
Tax	8	**(323,492)**	(1,214,015)
PROFIT FOR THE PERIOD		**967,648**	4,271,596
Attributable to:			
Owners of the parent		**944,515**	4,055,547
Non-controlling interests		**23,133**	216,049
		967,648	4,271,596
Earnings per share attributable to equity holders of the parent:	10		
Basic and diluted		**7.79 cents**	33.30 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012
(Prepared under International Financial Reporting Standards)

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**967,648**	4,271,596
OTHER COMPREHENSIVE INCOME/(LOSSES)		
Share of other comprehensive income/(losses) of associates	**(48,999)**	199,389
Exchange realignment	**104,314**	(419,227)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX	**55,315**	(219,838)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,022,963**	4,051,758
Attributable to:		
Owners of the parent	**997,304**	3,836,828
Non-controlling interests	**25,659**	214,930
	1,022,963	4,051,758

Interim Condensed Consolidated Statement of Financial Position

30 June 2012
(Prepared under International Financial Reporting Standards)

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	118,534,087	112,399,431
Lease prepayments	12	2,165,783	2,142,684
Investment properties		235,352	240,879
Intangible asset		35,679	37,221
Goodwill		1,310,830	1,310,830
Interests in associates		13,242,540	13,397,031
Advance payments for aircraft and flight equipment		19,792,366	19,443,291
Deposits for aircraft under operating leases		427,954	420,854
Available-for-sale investments		27,182	27,182
Deferred tax assets		3,193,588	3,077,502
		158,965,361	152,496,905
CURRENT ASSETS			
Aircraft and flight equipment held for sale		–	92,487
Inventories		1,827,303	1,810,320
Accounts receivable	13	3,173,120	2,700,731
Bills receivable		418	1,601
Prepayments, deposits and other receivables	14	3,263,646	2,697,192
Held for trading financial instruments	15	14,392	12,144
Due from the ultimate holding company		637,173	428,561
Due from other related companies		18,862	20,194
Pledged deposits	16	788,116	132,565
Cash and cash equivalents	16	11,652,680	15,457,372
Other current assets		108,000	–
		21,483,710	23,353,167
TOTAL ASSETS		180,449,071	175,850,072
CURRENT LIABILITIES			
Air traffic liabilities		(4,287,178)	(4,562,773)
Accounts payable	17	(11,131,480)	(10,417,186)
Bills payable		(332,557)	–
Other payables and accruals	18	(12,105,211)	(12,815,775)
Held for trading financial instruments	15	(168,713)	(223,137)
Dividends payable		(1,521,251)	–
Due to other related companies		(218,788)	(190,775)
Tax payable		(205,526)	(1,707,553)
Obligations under finance leases		(3,117,392)	(2,687,925)
Interest-bearing bank loans and other borrowings		(31,113,281)	(28,137,313)
Provision for major overhauls		(410,975)	(589,123)
		(64,612,352)	(61,331,560)
NET CURRENT LIABILITIES		(43,128,642)	(37,978,393)
TOTAL ASSETS LESS CURRENT LIABILITIES		115,836,719	114,518,512

Interim Condensed Consolidated Statement of Financial Position

30 June 2012
(Prepared under International Financial Reporting Standards)

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases		**(22,679,638)**	(19,191,860)
Interest-bearing bank loans and other borrowings		**(36,766,019)**	(39,398,481)
Provision for major overhauls		**(2,775,896)**	(2,496,294)
Provision for early retirement benefit obligations		**(268,303)**	(203,213)
Long term payables		**(206,903)**	(231,061)
Deferred income		**(3,788,491)**	(3,459,138)
Deferred tax liabilities		**(1,404,322)**	(1,213,030)
		(67,889,572)	(66,193,077)
NET ASSETS		**47,947,147**	48,325,435
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital	*19*	**12,891,955**	12,891,955
Treasury shares	*20*	**(2,889,399)**	(2,889,399)
Reserves		**35,589,296**	36,113,243
		45,591,852	46,115,799
NON-CONTROLLING INTERESTS		**2,355,295**	2,209,636
TOTAL EQUITY		**47,947,147**	48,325,435

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012
(Prepared under International Financial Reporting Standards)

	Attributable to owners of the parent									
	Issued capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	Foreign exchange translation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)										
At 1 January 2012	12,891,955	(2,889,399)	18,575,313*	3,523,598*	(3,048,743)*	15,541,824*	1,521,251*	46,115,799	2,209,636	48,325,435
Profit for the period	–	–	–	–	–	944,515	–	944,515	23,133	967,648
Other comprehensive income/(losses) for the period	–	–	(48,999)	–	101,788	–	–	52,789	2,526	55,315
Total comprehensive income/(losses) for the period	–	–	(48,999)	–	101,788	944,515	–	997,304	25,659	1,022,963
Capital contribution by non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	120,000	120,000
Transfer to reserve funds	–	–	–	679,126	–	(679,126)	–	–	–	–
Final dividend declared	–	–	–	–	–	–	(1,521,251)	(1,521,251)	–	(1,521,251)
At 30 June 2012	12,891,955	(2,889,399)	18,526,314*	4,202,724*	(2,946,955)*	15,807,213*	–*	45,591,852	2,355,295	47,947,147
(Unaudited)										
At 1 January 2011	12,891,955	(2,613,232)	18,256,092	2,230,086	(2,168,360)	11,317,584	1,523,829	41,437,954	(66,717)	41,371,237
Profit for the period	–	–	–	–	–	4,055,547	–	4,055,547	216,049	4,271,596
Other comprehensive income/(losses) for the period	–	–	199,389	–	(418,108)	–	–	(218,719)	(1,119)	(219,838)
Total comprehensive income/(losses) for the period	–	–	199,389	–	(418,108)	4,055,547	–	3,836,828	214,930	4,051,758
Capital contribution by non-controlling interest of a subsidiary	–	–	189,227	–	–	–	–	189,227	1,309,996	1,499,223
Elimination of reciprocal shareholding	–	(187,122)	–	–	–	–	–	(187,122)	–	(187,122)
Set up of a new subsidiary	–	–	–	–	–	–	–	–	490,000	490,000
Transfer to reserve funds and others	–	–	–	614,386	–	(656,092)	–	(41,706)	–	(41,706)
Final dividend declared	–	–	–	–	–	–	(1,523,829)	(1,523,829)	(907)	(1,524,736)
At 30 June 2011	12,891,955	(2,800,354)	18,644,708	2,844,472	(2,586,468)	14,717,039	–	43,711,352	1,947,302	45,658,654

* The aggregate of these reserve accounts represents the consolidated reserves of RMB35,589,296,000 (31 December 2011: RMB36,113,243,000) on the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012
(Prepared under International Financial Reporting Standards)

	Note	For the six months ended 30 June 2012 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Unaudited)
Net cash inflow from operating activities		**3,979,230**	9,309,910
Net cash outflow from investing activities		**(4,052,148)**	(9,224,263)
Net cash inflow/(outflow) from financing activities		**(925,700)**	293,132
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(998,618)**	378,779
Cash and cash equivalents at beginning of period		**10,783,473**	14,376,050
Effect of exchange rate changes on cash and cash equivalents		**(37,752)**	(91,656)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,747,103**	14,663,173
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*16*	**4,897,271**	6,297,241
Non-pledged time deposits with original maturity of less than three months when acquired	*16*	**4,849,832**	8,365,932
		9,747,103	14,663,173

1. CORPORATE INFORMATION

Air China Limited (the "Company") was incorporated as a joint stock limited company in Beijing, the People's Republic of China (the "PRC"), on 30 September 2004. The Company's H shares are listed on the Hong Kong Stock Exchange (the "HKSE") and the London Stock Exchange while the Company's A shares are listed on the Shanghai Stock Exchange. In the opinion of the Directors, the Company's parent and ultimate holding company is China National Aviation Holding Company ("CNAHC"), a PRC state-owned enterprise under the supervision of the State Council.

At the Board meeting of the Company held on 26 April 2012, CNAHC entered into an agreement with the Company (the "Share Subscription Agreement"), pursuant to which, CNAHC committed to subscribe for 188,642,729 new A Shares with approximately RMB1,050.74 million in cash at the subscription price of RMB5.57 per A Share. If any ex-right or ex-dividend event, such as entitlement distribution or capitalisation issue, occurs during the period from the pricing base day to the date of issuance of the new A Shares, the issue price and the number of A Shares to be issued will be adjusted accordingly by reference to the relevant rules of the Rules Governing the Trading of Stocks on the Shanghai Stock Exchange (the "SSE Rules"). The non-public A share issue was considered and approved by the shareholders at the extraordinary general meeting of the Company held on 26 June 2012. Pursuant to the SSE Rules, upon completion of the distribution of the 2011 final dividend on 23 July 2012, the number of A Shares to be issued under the non-public A share issue will be adjusted to 192,796,331 A Shares, and the issue price will be adjusted to RMB5.45 per share. Should there be any other ex-right or ex-dividend events during the period from the pricing base day to the date of issuance, the issue price and the number of A Shares to be issued will be further adjusted in accordance with the applicable rules. The non-public A share issue is still subject to the approval of China Securities Regulatory Commission as at the date when these interim condensed consolidated financial statements were approved.

The principal activities of the Company, its subsidiaries and joint ventures (collectively the "Group") and associates consist of the provision of airline, airline-related services, including aircraft engineering services, air catering services and airport ground handling services, mainly in Mainland China, Hong Kong and Macau.

The registered office of the Company is located at 9th Floor, Blue Sky Mansion, 28 Tianzhu Road, Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing 101312, the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2012, the Group's net current liabilities amounted to approximately RMB43,129 million, which comprised current assets of approximately RMB21,484 million and current liabilities of approximately RMB64,612 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the interim condensed consolidated financial statements for the six months ended 30 June 2012, the Directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the interim condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Impact of new and revised IFRSs

The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 31 December 2011, except for the adoption of the following new and revised International Financial Reporting Standards("IFRSs"):

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised IFRSs has had no significant financial impact on these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in these interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. The Group has the following reportable operating segments:

(a) the "airline operations" segment which comprises the provision of air passenger and air cargo services; and

(b) the "other operations" segment which comprises the provision of aircraft engineering, ground services and other airline-related services.

In determining the Group's geographical information, revenue is attributed to the segments based on the origin and destination of each flight. Assets, which consist principally of aircraft and ground equipment supporting the Group's worldwide transportation network, are mainly located in Mainland China. An analysis of assets of the Group by geographical distribution has therefore not been included in the interim condensed consolidated financial statements.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (Continued)

Operating segments

The following tables present the Group's consolidated revenue and profit before tax regarding the Group's operating segments in accordance with China Accounting Standards for Business Enterprises ("CASs") for the six months ended 30 June 2012 and 2011 and the reconciliations of reportable segment revenue and profit before tax to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2012

(Unaudited)	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	47,519,450	40,903	–	47,560,353
Intersegment sales	–	969,187	(969,187)	–
Total revenue for reportable segments under CASs	47,519,450	1,010,090	(969,187)	47,560,353
Business tax set off against segment revenue				(1,101,843)
Other income not included in segment revenue				641,373
Effects of differences between IFRSs and CASs				226,751
Revenue for the period under IFRSs				47,326,634
SEGMENT PROFIT BEFORE TAX				
Profit before tax for reportable segments under CASs	1,515,492	(12,207)	–	1,503,285
Effects of differences between IFRSs and CASs				(212,145)
Profit before tax for the period under IFRSs				1,291,140

3. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2011

(Unaudited)	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	45,093,508	36,850	–	45,130,358
Intersegment sales	–	531,284	(531,284)	–
Total revenue for reportable segments under CASs	45,093,508	568,134	(531,284)	45,130,358
Business tax set off against segment revenue				(1,039,955)
Other income not included in segment revenue				384,292
Effects of differences between IFRSs and CASs				1,109,290
Revenue for the period under IFRSs				45,583,985
SEGMENT PROFIT BEFORE TAX				
Profit before tax for reportable segments under CASs	5,421,315	105,567	–	5,526,882
Effects of differences between IFRSs and CASs				(41,271)
Profit before tax for the period under IFRSs				5,485,611

3. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

The following tables present the segment assets of the Group's operating segments under CASs as at 30 June 2012 and 31 December 2011 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT ASSETS				
Total assets for reportable segments as at 30 June 2012 under CASs (Unaudited)	**177,526,384**	**4,074,065**	**(3,537,945)**	**178,062,504**
Effects of differences between IFRSs and CASs				**2,386,567**
Total assets under IFRSs (Unaudited)				**180,449,071**
Total assets for reportable segments as at 31 December 2011 under CASs (Audited)	172,951,576	4,961,357	(4,589,365)	173,323,568
Effects of differences between IFRSs and CASs				2,526,504
Total assets under IFRSs (Audited)				175,850,072

Geographical information

The following tables present the geographical information of the Group's consolidated revenue under IFRSs for the six months ended 30 June 2012 and 2011:

For the six months ended 30 June 2012

(Unaudited)	**Mainland China** *RMB'000*	**Hong Kong, Macau and Taiwan** *RMB'000*	**Europe** *RMB'000*	**North America** *RMB'000*	**Japan and Korea** *RMB'000*	**Asia Pacific and others** *RMB'000*	**Total** *RMB'000*
Sales to external customers and total revenue	**32,101,294**	**2,519,649**	**4,229,728**	**3,334,303**	**3,050,557**	**2,091,103**	**47,326,634**

For the six months ended 30 June 2011

(Unaudited)	Mainland China *RMB'000*	Hong Kong, Macau and Taiwan *RMB'000*	Europe *RMB'000*	North America *RMB'000*	Japan and Korea *RMB'000*	Asia Pacific and others *RMB'000*	Total *RMB'000*
Sales to external customers and total revenue	30,150,208	2,377,307	4,848,947	3,194,551	2,819,117	2,193,855	45,583,985

4. AIR TRAFFIC REVENUE

Air traffic revenue represents revenue from the Group's airline operation business and is stated net of business tax. An analysis of the Group's air traffic revenue during the period is as follows:

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Passenger	**41,431,591**	38,530,247
Cargo and mail	**3,842,049**	4,971,314
	45,273,640	43,501,561

Air traffic revenue for all domestic flights were subject to a business tax rate of 3%. Pursuant to the relevant business tax rules and regulations in Mainland China, all international, Hong Kong, Macau and Taiwan regional flights are exempted from business tax with effect from 1 January 2010. Business tax incurred and set off against air traffic revenue for the period ended 30 June 2012 amounted to approximately RMB1,055 million (six months ended 30 June 2011: RMB968 million).

5. OTHER OPERATING REVENUE

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Aircraft engineering income	**304,499**	376,506
Ground service income	**351,582**	353,799
Government grants and subsidies:		
Recognition of deferred income	**112,816**	120,559
Others	**358,767**	233,506
Service charges on return of unused flight tickets	**299,363**	283,136
Cargo handling service income	**38,393**	71,652
Training service income	**31,591**	36,839
Sale of materials	**7,160**	7,142
Import and export service income	**15,495**	8,713
Others	**533,328**	590,572
	2,052,994	2,082,424

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	**(76,257)**	(780)
Loss on derecognition of property, plant and equipment	**7,799**	19,989
Minimum lease payments under operating leases:		
Aircraft and related equipment	**1,748,358**	1,929,207
Land and buildings	**313,518**	296,239
Amortisation of lease prepayments *(note 12)*	**37,903**	27,498
Depreciation *(note 11)*	**5,062,437**	4,578,365
Accrual/(reversal) of bad debt provision, net	**(257,907)**	2,442

7. FINANCE REVENUE AND FINANCE COSTS

An analysis of the Group's finance revenue and finance costs during the period is as follows:

Finance revenue

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange gains, net	**–**	1,508,288
Gain on interest rate derivative contracts	**2,025**	–
Interest income	**144,210**	87,610
	146,235	1,595,898

Finance costs

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank loans and other borrowings	**1,115,186**	866,193
Interest on finance leases	**256,383**	167,710
Loss on interest rate derivative contracts and forward foreign exchange contracts, net	**–**	37,499
Exchange loss, net	**339,259**	–
	1,710,828	1,071,402
Less: Interest capitalized	**(351,243)**	(300,302)
	1,359,585	771,100

The interest capitalisation rates during the period ranges from 1.19% to 7.92% (six months ended 30 June 2011: 0.8% to 5.9%) per annum relating to the costs of related borrowings during the period.

8. TAX

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches which are taxed at a preferential rate of 15% (six months ended 30 June 2011: 25%) and two joint ventures which are taxed at the preferential rates from 12.5% to 15% (six months ended 30 June 2011: a subsidiary and certain joint ventures were taxed at the rate of 24%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2011: 25%) during the period. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% (six months ended 30 June 2011:16.5%) and 12% (six months ended 30 June 2011: 12%), respectively.

The determination of current and deferred income taxes was based on the enacted tax rates. Major components of income tax charge are as follows:

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
Mainland China	**247,908**	1,362,049
Hong Kong and Macau	**378**	542
Deferred income tax	**75,206**	(148,576)
Income tax charge for the period	**323,492**	1,214,015

The Group's share of tax charge attributable to associates amounting to RMB36,985,000 (six months ended 30 June 2011: RMB112,273,000) is included in the "share of profits and losses of associates" on the face of the interim condensed consolidated income statement for the six months ended 30 June 2012.

9. DIVIDEND

In accordance with the Company's articles of association, the profit after tax of the Company for the purpose of dividend distribution is based on the lesser of (i) the profit determined in accordance with CASs; and (ii) the profit determined in accordance with IFRSs.

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the six months ended 30 June 2012 was based on the profit attributable to equity holders of the Company for the six months ended 30 June 2012 of approximately RMB945 million and the weighted average of 12,136,990,775 ordinary shares in issue during the period, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific through reciprocal shareholding (note 20).

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of approximately RMB4,056 million and the weighted average of 12,177,025,905 ordinary shares in issue during that period, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific through reciprocal shareholding.

The Group had no potentially dilutive ordinary shares in issue during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Aircraft and flight equipment *RMB'000* (Unaudited)	Buildings *RMB'000* (Unaudited)	Machinery *RMB'000* (Unaudited)	Transportation equipment *RMB'000* (Unaudited)	Office equipment *RMB'000* (Unaudited)	Construction in progress *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 January 2012, net of accumulated depreciation and impairment	95,631,220	5,573,157	1,891,662	782,777	332,334	8,188,281	112,399,431
Additions	1,458,794	49,572	80,247	54,671	36,859	10,036,611	11,716,754
Disposals	(408,358)	(11,447)	(58,189)	(1,222)	(1,511)	–	(480,727)
Transfer from construction in progress	9,783,999	165,461	180,062	34,591	1,056	(10,165,169)	–
Impairment	(39,794)	–	–	–	–	–	(39,794)
Depreciation charge for the period	(4,637,871)	(125,153)	(148,211)	(89,666)	(61,536)	–	(5,062,437)
Exchange realignment	775	–	8	77	–	–	860
At 30 June 2012, net of accumulated depreciation and impairment	101,788,765	5,651,590	1,945,579	781,228	307,202	8,059,723	118,534,087
At 1 January 2012							
Cost	159,995,048	7,742,054	4,445,902	2,254,321	911,758	8,188,281	183,537,364
Accumulated depreciation and impairment	(64,363,828)	(2,168,897)	(2,554,240)	(1,471,544)	(579,424)	–	(71,137,933)
Net book value	95,631,220	5,573,157	1,891,662	782,777	332,334	8,188,281	112,399,431
At 30 June 2012							
Cost	169,808,941	7,939,427	4,528,873	2,329,893	934,734	8,059,723	193,601,591
Accumulated depreciation and impairment	(68,020,176)	(2,287,837)	(2,583,294)	(1,548,665)	(627,532)	–	(75,067,504)
Net book value	101,788,765	5,651,590	1,945,579	781,228	307,202	8,059,723	118,534,087

As at 30 June 2012, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB33,823 million (31 December 2011: RMB37,482 million) were pledged to secure certain bank loans of the Group.

The aggregate net book value of aircraft held under finance leases included in the property, plant and equipment of the Group amounted to approximately RMB40,806 million (31 December 2011: RMB34,762 million).

As at 30 June 2012, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB2,488 million (31 December 2011: RMB2,729 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2012.

12. LEASE PREPAYMENTS

	30 June 2012
	RMB'000
	(Unaudited)
Cost	
As at 1 January 2012	**2,414,697**
Additions	**61,002**
As at 30 June 2012	**2,475,699**
Accumulated amortization	
As at 1 January 2012	**(272,013)**
Amortisation for the period *(note 6)*	**(37,903)**
As at 30 June 2012	**(309,916)**
Net carrying amount	
As at 30 June 2012	**2,165,783**

The Group's lease prepayments in respect of land are held under long term leases and located in Mainland China.

As at 30 June 2012, the Group's land use rights with an aggregate net book value of approximately RMB39 million (31 December 2011: RMB40 million) were pledged to secure certain bank loans of the Group.

As at 30 June 2012, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate net book value of approximately RMB619 million (31 December 2011: RMB626 million). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2012.

13. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 7 to 90 days to its sales agents and other customers while some major customers are granted a credit period up to six months or above. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, net of provision for impairment, is as follows:

	30 June 2012 ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within 30 days	**2,694,993**	2,276,040
31 to 60 days	**224,425**	240,359
61 to 90 days	**108,675**	70,293
Over 90 days	**145,027**	114,039
	3,173,120	2,700,731

Included in accounts receivable as at the end of the reporting period is the following amount due from joint ventures:

	30 June 2012 ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Joint ventures	**2,394**	2,171

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of prepayments, deposits and other receivables as at the end of the reporting period, net of provision for impairment, is as follows:

	30 June 2012 ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Prepayments		
Advances and others	**449,787**	352,116
Manufacturers' credits	**1,131,422**	827,013
Prepaid aircraft operating lease rentals	**280,271**	283,012
	1,861,480	1,462,141
Deposits and other receivables	**1,402,166**	1,235,051
	3,263,646	2,697,192

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Included in prepayments, deposits and other receivable as at the end of the reporting period is the following amount due from joint ventures:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Joint ventures	**23,721**	31,879

At the end of each reporting period, the Group would assess the collectability of the receivables and provision will be made if necessary. For those receivables which are individually significant and the possibility of recoverable is remote, full impairment will be provided. Should further information obtained in subsequent periods indicate the receivables could be collected partially or entirely, the provision would be partially or entirely reversed accordingly.

As at 30 June 2012, the gross amount due from Shenzhen Airlines Property Development Co., Ltd. ("Shenzhen Property"), an associate of Shenzhen Airlines Company Limited ("Shenzhen Airlines", a subsidiary of the Group), and its subsidiaries was RMB995,819,000 (31 December 2011: RMB995,819,000). On 30 November 2009, all bank accounts of Shenzhen Property and one of its subsidiaries were frozen.

Full provisions for the above receivables were made in 2010. After assessing the collectability of the receivables as at 30 June 2012, the provision for receivables due from one subsidiary of Shenzhen Property of RMB300,000,000 was reversed. As at 30 June 2012, the provision for receivables from Shenzhen Property and its subsidiaries was RMB695,819,000 (31 December 2011: RMB995,819,000). Should the bank accounts be unfrozen and Shenzhen Property and its subsidiaries be able to repay the receivables partially or entirely, the provision for the receivables from Shenzhen Property and its subsidiaries might be partially or wholly reversed in future accounting periods.

15. HELD FOR TRADING FINANCIAL INSTRUMENTS

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Interest rate swaps	**4,278**	**168,713**	3,549	223,137
Listed equity securities	**10,114**	**–**	8,595	–
	14,392	**168,713**	12,144	223,137

The above financial assets and liabilities are accounted for as held-for-trading financial instruments and any fair value change is recognised in the income statement.

The fair value of interest rate swaps as at the end of the reporting period was estimated by using the Rendlemen-Barter model, taking into account the terms and conditions of the derivative contracts. The major inputs used in the estimation process include volatility of short term interest rate and the LIBOR curve, which can be obtained from observable markets.

16. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Cash and bank balances	4,783,033	4,963,512
Cash placed with CNAF (China National Aviation Finance Co., Ltd.)	114,238	116,374
Total cash and bank balances	4,897,271	5,079,886
Time deposits placed with banks	6,018,525	7,080,051
Time deposits placed with CNAF	1,525,000	3,430,000
Total time deposits	7,543,525	10,510,051
Less: Pledged deposits against:		
Aircraft operating leases and financial derivatives	(124,215)	(130,133)
Bank loans	(663,317)	–
Others	(584)	(2,432)
Total pledged deposits	(788,116)	(132,565)
Non-pledged deposits	6,755,409	10,377,486
Cash and cash equivalents	11,652,680	15,457,372

An analysis of non-pledged time deposits placed with banks is as follows:

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Non-pledged time deposits with original maturity of:		
Less than 3 months when acquired	4,849,832	5,703,587
Over 3 months when acquired	1,905,577	4,673,899
	6,755,409	10,377,486

17. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 30 days	7,456,471	7,560,307
31 to 60 days	989,878	889,164
61 to 90 days	456,100	459,248
Over 90 days	2,229,031	1,508,467
	11,131,480	10,417,186

Included in the accounts payable as at the end of the reporting period is the following amount due to joint ventures:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Joint ventures	181,066	230,618

18. OTHER PAYABLES AND ACCRUALS

An analysis of other payables and accruals as at the end of the reporting period is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Accrued salaries, wages and benefits	2,263,272	2,976,406
Accrued operating expenses	1,939,739	1,719,619
Receipts in advance for employee residence	1,893,701	1,862,804
Deposits received from sales agents	1,000,470	1,050,290
Business tax, customs duties and levies tax payable	773,246	1,232,824
Due to a non-controlling shareholder of a subsidiary	707,787	707,787
Interest payable	435,439	414,891
Land lease payable	256,538	256,538
Current portion of deferred income related to frequent-flyer programme	247,820	310,675
Current portion of deferred income related to government grants	174,633	223,759
Current portion of long term payables	89,415	14,663
Provision for staff housing benefits	29,816	31,670
Others	2,293,335	2,013,849
	12,105,211	12,815,775

19. SHARE CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2012 and 31 December 2011 are as follows:

	Number of shares	Nominal value *RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each:		
Tradable	4,562,683,364	4,562,683
A shares of RMB1.00 each:		
Tradable	8,199,737,630	8,199,738
Trade-restricted	129,533,679	129,534
	12,891,954,673	12,891,955

The H shares and A shares rank pari passu, in all material respects, with the state legal person shares and non-H foreign shares of the Company.

20. TREASURY SHARES

As at 30 June 2012, the Group owned a 29.99% (31 December 2011: 29.99%) equity interest in Cathay Pacific, which in turn owned a 19.53% (31 December 2011: 19.53%) equity interest in the Company. Accordingly, the 29.99% of Cathay Pacific's shareholding in the Company was recorded in the Group's consolidated financial statements as treasury shares through deduction from equity.

21. SHARE APPRECIATION RIGHTS

The Company has adopted a share appreciation rights ("SARs") arrangement (the "Plan") which was approved by the shareholders on 18 October 2004 for the purpose of motivating its employees. The Plan provides for the grant of SARs to eligible participants, including the Company's Directors (excluding independent non-executive Directors), president, vice presidents, heads of key departments in the Company's headquarters, general managers and general deputy managers of principal branches and subsidiaries as well as selected senior professionals and key specialists. In any event, no more than 200 individuals will be granted SARs.

Under the Plan, the holders of SARs are entitled to the rights to receive an amount in respect of the appreciation in market value of the Company's H shares from the date of grant of SARs to the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 2% of the Company's H shares in issue at any time during each year. The maximum number of SARs granted to eligible participants under the Plan within any 12-month period is, upon their exercise, limited to 0.4% of the Company's H shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant is limited to 10% of the total number of unexercised SARs in issue at any time during each year. Any further grant of SARs in excess of the above limits is subject to shareholders' approval in general meetings.

The exercise period of all SARs commences after a vesting period and ends on a date which is not later than five years from the date of grant of the SARs. The exercise price of SARs will be equal to the average closing price of the Company's H shares on the HKSE for the five consecutive trading days immediately preceding the date of the grant. On 15 June 2007, 14,939,900 SARs were granted to a total of 109 individuals at an exercise price of HK$2.98 per share. As at each of the last days of the second, third and fourth anniversaries of the date of grant, the total numbers of SARs exercisable will not exceed 30%, 70% and 100%, respectively, of the total SARs granted to the respective eligible participants.

On 25 August 2009, a board resolution was passed to suspend the Plan and to amend certain terms of the Plan in response to the requirements of related government policies. On 26 May 2011, a resolution was passed by the shareholders at the annual general meeting of the Company to approve the "Report on the Resumption of Share Appreciation Rights Plan", to revise the "Share Appreciation Rights Management Rules of Air China Limited", and to resume the Plan and to authorize the exercise of 70% of the SARs already vested during a special window period within 60 trading days after the annual general meeting. According to the revised plan, the exercise price was adjusted to the fair value at the date of the grant, which was HK$5.97 per share. While dividends have been declared for three times after the grant date, the exercise price was adjusted to HK$5.70 per share.

Based on a board resolution the special window period for the exercise of the 70% vested SARs was from 19 July 2011 to 22 July and the date of 25 July. 70% of SARs were vested and settled at the price of HK$7.85 per share. As the average prices during the two window periods were HK$5.50 and HK$5.70, neither of which exceeded the exercise price of HK$5.70, the remaining 30% of SARs were not exercised and lapsed. As at 30 June 2012, none SARs granted remained unexercised.

22. CONTINGENT LIABILITIES

As at 30 June 2012, the Group had the following contingent liabilities:

(a) Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the HKSE and the LSE, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

(b) On 26 February 2007, the Eastern District Court of New York of the Federal Judiciary of the United States filed a civil summon against the Company and Air China Cargo Limited ("Air China Cargo", a subsidiary of the Company), claiming that they, together with a number of other airlines, have violated certain anti-trust regulations in respect of their air cargo operations in the United States by acting in concert in imposing excessive surcharges to impede the offering of discounts and allocating revenue and customers so as to increase, maintain and stabilise air cargo prices. The status of the proceedings is still in the preliminary stage and therefore the Directors of the Company are of the view that it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. The Directors of the Company are also of the view that there would be valid defence against this claim and consider that no provision for this claim is needed accordingly.

(c) On 17 November 2009, Airport City Development Co., Ltd. ("Airport City Development") commenced proceedings involving approximately RMB224 million against the Company, Air China Cargo, Air China International Corporation and a third party, for the unlawful use of land owned by Airport City Development. The status of the proceedings is still in the mediation stage and the Directors of the Company are of the view that it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. The Directors of the Company are also of the view that there would be valid defence against this claim and consider that no provision for this claim is needed accordingly.

(d) In May 2011, Shenzhen Airlines received a summon issued by the Higher People's Court of Guangdong Province in respect of a guarantee provided by Shenzhen Airlines on loans borrowed by Shenzhen Huirun Investment Co., Ltd ("Huirun", a non-controlling shareholder of Shenzhen Airlines) from a third party amounting to RMB390,000,000. It was alleged that Shenzhen Airlines had entered into several guarantee agreements with Huirun and the third party, pursuant to which Shenzhen Airlines acted as a guarantor in favor of the third party for the loans borrowed by Huirun. The proceeding is still in the preliminary stage and therefore the Directors consider that the provision of RMB130,000,000 which was provided in October 2011 in respect of this legal claim is adequate, and has been included in these interim condensed consolidated statement.

(e) Shenzhen Airlines provided guarantees to banks for certain employees in respect of their residential loans as well as for certain pilot trainees in respect of their tuition loans. As at 30 June 2012, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB573,136,530 (31 December 2011: RMB559,992,568) and for pilot trainees' tuition loans amounting to RMB323,277,406 (31 December 2011: RMB341,945,016).

(f) Shenzhen Airlines is a co-lessee under certain aircraft operating lease contracts (the "Lease Contracts") entered into by an investee company of Shenzhen Airlines. Under the Lease Contracts, Shenzhen Airlines is obligated to bear the lease payments if the other co-obligor fails to fulfil its obligations. According to the Lease Contracts, the monthly operating lease payment is US$823,147(approximately RMB5,206,322). The Lease Contracts will expire before June 2021.

23. OPERATING LEASE ARRANGEMENTS

As lessee:

The Group leases certain office premises, aircraft and flight equipment under operating lease arrangements. Leases for these assets are negotiated for terms ranging from 1 to 20 years.

At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases:

	30 June 2012 **RMB'000** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within one year	**3,940,068**	3,757,269
In the second to fifth years, inclusive	**9,292,317**	8,928,590
Over five years	**4,216,473**	4,219,950
	17,448,858	16,905,809

Included in the above commitments, the Group has the following minimum lease payments under non-cancellable operating leases towards associates and related companies:

Associates	**245,224**	570,132
Related companies	**102**	255

As lessor:

Operating lease of investment properties

Air China Cargo, a subsidiary of the Group, leases its building and lease prepayment in Beijing Capital Airport to a third party. The leasing period is from 8 December 2011 to 7 September 2022.

24. COMMITMENTS

(a) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of plant, property and equipment as at the end of the reporting period:

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Contracted, but not provided for:		
Aircraft and flight equipment	83,783,817	93,157,457
Buildings	1,339,930	2,030,556
Others	104,957	59,052
	85,228,704	95,247,065
Authorised, but not contracted for:		
Buildings	1,842,808	788,805
Others	147,014	163,224
	1,989,822	952,029
Total capital commitments	87,218,526	96,199,094

Included in the above commitments, the Group had the following amounts of contractual commitments for the acquisition and construction of plant, property and equipment toward an associate and a related company:

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Contracted, but not provided for:		
Associate	252,054	293,000
Related company	847,502	1,088,413
	1,099,556	1,381,413
Authorised, but not contracted for:		
Related company	610,372	612,268
	1,709,928	1,993,681

24. COMMITMENTS (Continued)

(b) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for:		
Associate and joint venture	35,000	35,000
Others	173,200	–
	208,200	35,000

25. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; and (iii) its associates:

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	 30 June 2011 RMB'000 (Unaudited)
(a) Included in air traffic revenue		
Sale of cargo space:		
CNAHC Group	53,764	47,716
Associate	33,165	39,390
	86,929	87,106
Government charter flights:		
CNAHC Group	376,081	275,679

25. RELATED PARTY TRANSACTIONS (Continued)

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Unaudited)
(b) Included in other operating revenue		
Equipment leasing income:		
CNAHC Group	**72**	–
Associate	**15**	1,206
	87	1,206
Aircraft engineering income:		
Joint venture	**418**	436
Associates	**14,227**	5,196
	14,645	5,632
Ground services income:		
CNAHC Group	**1,465**	218
Joint venture	**67**	66
Associates	**33,551**	34,138
	35,083	34,422
Others:		
CNAHC Group	**24,540**	25,239
Joint ventures	**3,634**	5,962
Associates	**8,029**	9,436
	36,203	40,637
(c) Included in finance revenue and finance costs		
Interest income:		
Joint venture	**–**	3,318
Associate	**38,402**	29,757
	38,402	33,075
Interest expense:		
Associate	**32,669**	25,924

25. RELATED PARTY TRANSACTIONS (Continued)

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(d) Included in operating expenses		
Airport ground services, take-off, landing and depot expenses:		
CNAHC Group	**296,560**	284,097
Joint venture	**18,913**	24,802
Associates	**52,243**	58,036
	367,716	366,935
Air catering charges:		
CNAHC Group	**366,960**	358,711
Associates	**6,358**	5,571
	373,318	364,282
Repair and maintenance costs:		
CNAHC Group	**–**	25
Joint venture	**469,598**	453,649
Associates	**31,372**	255
	500,970	453,929
Sales commission expenses:		
CNAHC Group	**1,552**	2,264
Joint venture	**10,181**	9,542
Associates	**977**	1,075
	12,710	12,881
Management fees:		
CNAHC Group	**3,908**	4,077
Aircraft and flight equipment leasing fees:		
Joint venture	**173**	–
Associates	**329,431**	337,381
	329,604	337,381
Others:		
CNAHC Group	**141,461**	90,539
Joint venture	**4,292**	1,981
Associates	**8,767**	29,019
	154,520	121,539

25. RELATED PARTY TRANSACTIONS (Continued)

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	For the six months ended 30 June 2011 RMB'000 (Unaudited)
(e) Sales of office equipment and motor vehicle to:		
Joint venture	–	1,536
(f) Purchase of aircrafts and engines		
Associate	–	710,111

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
(g) Deposits, loans and bills payable		
Deposits placed with an associate *(note 16)*	1,639,238	3,546,374
Loans from an associate	1,396,975	1,226,903
Entrusted loans to a joint venture	–	25,235
(h) Outstanding balances with related parties		
Due from the ultimate holding company	637,173	428,561
Due from other related companies	18,862	20,194
Due from associates	320,590	16,022
Due from joint ventures	26,115	34,050
Due to other related companies	(218,788)	(190,775)
Due to associates	(142,555)	(134,230)
Due to joint ventures	(185,359)	(235,929)

The outstanding balances with related parties are unsecured, interest-free and repayable within one year or have no fixed terms of repayment.

(i) An analysis of the compensation of key management personnel of the Group is as follows:

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	For the six months ended 30 June 2011 RMB'000 (Unaudited)
Compensation of key management personnel of the Group:		
Short term employee benefits	3,557	5,282
Cash-settled share option expense	(237)	(1,419)
Post-employment benefits	410	188
	3,730	4,051

26. EVENTS AFTER THE REPORTING PERIOD

There is no events after the reporting period which should be disclosed till the date these interim condensed consolidated financial statements were approved.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2012.

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2012
(Prepared under China Accounting Standards for Business Enterprises)

	For the six months ended	
	30 June 2012	30 June 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from operations	**47,560,353**	45,130,358
Less: Cost of operations	**39,385,193**	35,803,960
Business taxes and surcharges	**1,092,045**	1,028,098
Selling expenses	**3,280,207**	3,080,587
General and administrative expenses	**1,414,931**	1,286,222
Finance cost/(revenue)	**1,307,906**	(730,494)
Impairment losses/(reversals) in assets	**(230,199)**	20,043
Add: Gains from movements in fair value	**3,544**	39,326
Investment income/(loss)	**(192,177)**	640,101
Including: Share of profits/(losses) of associates and joint ventures	**(148,193)**	638,599
Profit from operations	**1,121,637**	5,321,369
Add: Non-operating income	**471,123**	255,555
Less: Non-operating expenses	**89,475**	50,042
Including: Loss on disposal of non-current assets	**11,382**	4,955
Profit before tax	**1,503,285**	5,526,882
Less: Tax	**304,760**	1,174,769
Net profit	**1,198,525**	4,352,113
Net profit attributable to owners of the parent	**1,061,885**	4,063,214
Non-controlling interests	**136,640**	288,899
Earnings per share (RMB)		
Basic and diluted	**0.09**	0.33
Other comprehensive income/(losses)	**57,094**	(219,808)
Total comprehensive income	**1,255,619**	4,132,305
Attributable to:		
Owners of the parent	**1,116,364**	3,844,546
Non-controlling interests	**139,255**	287,759

Unaudited Interim Consolidated Balance Sheet

30 June 2012
(Prepared under China Accounting Standards for Business Enterprises)

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and bank balances	**12,207,835**	15,420,242
Financial assets held for trading	**14,392**	12,144
Bills receivable	**418**	1,601
Accounts receivable	**3,441,216**	2,652,439
Other receivables	**2,574,027**	1,662,087
Prepayments	**606,548**	584,983
Inventories	**1,079,389**	1,128,164
Other current assets	**108,000**	–
Total current assets	**20,031,825**	21,461,660
Non-current assets:		
Long term receivables	**430,401**	424,618
Long term equity investments	**14,251,673**	14,804,420
Investment property	**235,352**	240,879
Fixed assets	**108,102,228**	101,737,456
Construction in progress	**27,787,327**	27,566,439
Intangible assets	**2,802,582**	2,805,249
Goodwill	**1,102,185**	1,102,185
Long term deferred expenses	**199,286**	187,893
Deferred tax assets	**3,119,645**	2,992,769
Total non-current assets	**158,030,679**	151,861,908
Total assets	**178,062,504**	173,323,568

Unaudited Interim Consolidated Balance Sheet

30 June 2012
(Prepared under China Accounting Standards for Business Enterprises)

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short term loans	**13,972,278**	11,507,317
Financial liabilities held for trading	**168,713**	223,137
Bills payable	**332,557**	–
Accounts payable	**12,903,597**	12,081,912
Domestic air traffic liabilities	**1,356,280**	2,052,297
International air traffic liabilities	**2,930,900**	2,510,478
Receipts in advance	**96,653**	121,503
Employee compensations payable	**2,004,210**	2,703,428
Taxes payable	**810,823**	2,756,215
Interest payable	**337,320**	360,578
Dividends payable	**1,521,251**	–
Other payables	**6,392,965**	6,309,825
Non-current liabilities repayable within one year	**18,166,041**	17,240,694
Total current liabilities	**60,993,588**	57,867,384
Non-current liabilities:		
Long term loans	**30,766,019**	33,398,481
Corporate bonds	**6,000,000**	6,000,000
Long term payables	**2,898,901**	2,643,472
Obligations under finance leases	**22,679,638**	19,191,860
Accrued liabilities	**407,282**	346,284
Deferred income	**3,556,865**	3,161,536
Deferred tax liabilities	**1,404,322**	1,213,030
Total non-current liabilities	**67,713,027**	65,954,663
Total liabilities	**128,706,615**	123,822,047
Shareholders' equity:		
Issued capital	**12,891,955**	12,891,955
Capital reserve	**16,239,910**	16,288,523
Reserve funds	**4,150,938**	3,471,812
Retained earnings	**15,996,490**	17,134,982
Foreign exchange translation reserve	**(2,946,162)**	(3,049,254)
Equity attributable to owners of the parent	**46,333,131**	46,738,018
Non-controlling interests	**3,022,758**	2,763,503
Total shareholders' equity	**49,355,889**	49,501,521
Total liabilities and shareholders' equity	**178,062,504**	173,323,568

EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRSs AND CASs

The effects of the significant differences between the consolidated financial statements of the Group prepared under CASs and IFRSs are as follows:

	Notes	For the six months ended **30 June 2012** ***RMB'000*** **(Unaudited)**	30 June 2011 *RMB'000* (Unaudited)
Net profit attributable to owners of the parent under CASs		**1,061,885**	4,063,214
Deferred tax	*(i)*	**(3,905)**	(25,995)
Differences in value of fixed assets	*(ii)*	**(66,848)**	31,979
Government grants	*(iii)*	**79,895**	71,595
Others		**(126,512)**	(85,246)
Net profit attributable to owners of the parent under IFRSs		**944,515**	4,055,547

	Notes	**30 June 2012** ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Equity attributable to owners of the parent under CASs		**46,333,131**	46,738,018
Deferred tax	*(i)*	**93,585**	97,490
Differences in value of fixed assets	*(ii)*	**(300,474)**	(233,626)
Government grants	*(iii)*	**(203,523)**	(283,418)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	*(iv)*	**139,919**	139,919
Others		**(470,786)**	(342,584)
Equity attributable to owners of the parent under IFRSs		**45,591,852**	46,115,799

Notes:

(i) The differences in deferred tax were mainly caused by the other differences under CASs and IFRSs as explained below.

(ii) The differences in the value of fixed assets mainly consist of the following three types: (1) fixed assets acquired in foreign currencies prior to 1 January 1994 and translated at the equivalent amount of RMB at the then prevailing exchange rates prescribed by the government (i.e., the government-prescribed rates) under CASs. Under IFRSs, the costs of fixed assets acquired in currencies prior to 1 January 1994 should be translated at the then prevailing market rate (i.e., the swap rate) and therefore resulted in differences in the costs of fixed assets in the financial statements prepared under CASs and IFRSs. Such differences are expected to be eliminated gradually through depreciation or disposal of the related fixed assets in future; (2) in accordance with the accounting policies under IFRSs, all assets are recorded at historical cost. Therefore, the revaluation surplus or deficit (and the related depreciation/amortisation or impairment) recorded under CASs should be reversed in the financial statements prepared under IFRSs. Such differences are expected to be eliminated gradually through depreciation or disposal of the related fixed assets in future; (3) the differences were caused by the adoption of component accounting in different years under CASs and IFRSs. Component accounting was adopted by the Group on a prospective basis under IFRSs in 2005 and under CASs in 2007. Such differences are expected to be eliminated through depreciation or disposal of fixed assets in future.

(iii) Under both CASs and IFRSs, government grants or government subsidies should be debited as government grants/subsidies receivable or the relevant assets and credited as deferred income, which will then be charged to the income statement on a straight-line basis over the useful lives of the relevant assets. As the accounting for government grants or government subsidies have had no significant impact on the Group's financial statements, no adjustment has been made to unify the accounting treatments of government grants or government subsidies under CASs and IFRSs. Therefore, in the Group's financial statements prepared in accordance with CASs, government grants received were debited as the relevant assets and credited as capital reserve; government subsidies were debited as cash and bank balances and credited as subsidy income in the income statement. Such differences are expected to be eliminated gradually through amortisation of deferred income to the income statement in future.

(iv) The difference was mainly caused by the disposal of Hong Kong Dragon Airlines Limited to Cathay Pacific and is expected to be eliminated when the Group's interest in Cathay Pacific is disposed of.

Glossary of Technical Terms

CAPACITY MEASUREMENTS

"available seat kilometres" or "ASK(s)"	the number of seats available for sale multiplied by the kilometres flown
"available freight tonne kilometres" or "AFTK(s)"	the number of tonnes of capacity available for the carriage of cargo and mail multiplied by the kilometres flown
"available tonne kilometres" or "ATK(s)"	the number of tonnes of capacity available for the transportation of revenue load (passengers and cargo) multiplied by the kilometres flown
"tonne"	a metric ton, equivalent to 2,204.6 pounds

TRAFFIC MEASUREMENTS

"revenue passenger kilometres" or "RPK(s)"	the number of revenue passengers carried multiplied by the kilometres flown
"revenue freight tonne kilometres" or "RFTK(s)"	the revenue cargo and mail load in tonnes multiplied by the kilometres flown
"revenue tonne kilometres" or "RTK(s)"	the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown

YIELD MEASUREMENTS

"passenger yield"	revenues from passenger operations divided by RPKs
"cargo yield"	revenues from cargo operations divided by RFTKs

LOAD FACTORS

"passenger load factor"	RPKs expressed as a percentage of ASKs
"cargo and mail load factor"	RFTKs expressed as a percentage of AFTKs
"overall load factor"	RTKs expressed as a percentage of ATKs

UTILISATION

"block hour(s)"	each whole or partial hour elapsing from the moment the chocks are removed from the wheels of the aircraft for flights until the chocks are next again returned to the wheels of the aircraft

Definitions

In this report, the following expressions shall have the following meanings unless the context requires otherwise:

"Air China Cargo"	Air China Cargo Co., Ltd
"Air Macau"	Air Macau Company Limited
"Beijing Airlines"	Beijing Airlines Company Limited
"CASs"	China Accounting Standards for Business Enterprises
"Cathay Pacific"	Cathay Pacific Airways Limited
"CNACG"	China National Aviation Corporation (Group) Limited
"CNAHC"	China National Aviation Holding Company
"Company" or "Air China"	中國國際航空股份有限公司 (Air China Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange, and whose principal business is the operation of scheduled airline services
"Dalian Airlines"	Dalian Airlines Company Limited
"Director(s)"	the director(s) of the Company
"Group"	the Company, its subsidiaries and joint ventures
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IASs"	International Accounting Standards
"IFRSs"	International Financial Reporting Standards
"Kunming Airlines"	Kunming Airlines Company Limited
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LOT Polish Airlines"	LOT Polish Airlines S.A.
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers
"MOP"	Macau Pataca, the lawful currency of Macau
"ppts"	percentage points
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shandong Airlines"	Shandong Airlines Co., Ltd.
"Shandong Aviation Group"	Shandong Aviation Group Co., Ltd.
"Shenzhen Airlines"	Shenzhen Airlines Company Limited
"South African Airways"	South African Airways (Proprietary) Limited
"Supervisor(s)"	the supervisor(s) of the Company