AIR CHINA
中國國際航空公司

北京2008 年奧運會航空客運合作夥伴
AIRLINE PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

Interim Report 2008

Air China Limited

stock code: 753 HongKong
601111 Shanghai
AIRC London

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Air China Limited • Interim Report 2008

Important Notice

The board of directors (the "Board") and directors ("Directors") of the Company hereby confirm that there are no false representations, misleading statements or material omissions in this report, and the Directors severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

The Chairman Mr. Kong Dong, the Chief Financial Officer Mr. Fan Cheng and the General Manager of the Finance Department Mr. Li Youqiang of the Company hereby jointly declare that the unaudited interim condensed consolidated financial statements set out in this interim report is true and complete.

Corporate Information

CHINESE REGISTERED NAME

中國國際航空股份有限公司

ENGLISH NAME

Air China Limited

REGISTERED OFFICE

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28 Tianzhu Road
Zone A, Tianzhu Airport Industrial Zone
Shunyi District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong International Airport
Hong Kong

WEBSITE ADDRESS

www.airchina.com.cn

DIRECTORS

Kong Dong
Wang Shixiang
Ma Xulun
Christopher Dale Pratt
Chen Nan Lok, Philip
Cai Jianjiang
Fan Cheng
Hu Hung Lick, Henry
Wu Zhipan
Zhang Ke
Jia Kang

SUPERVISORS

Sun Yude
Liao Wei
Zhou Guoyou
Liu Feng
Liu Guoqing

LEGAL REPRESENTATIVE OF THE COMPANY

Kong Dong

JOINT COMPANY SECRETARIES

Huang Bin
Li Man Kit *(ACIS, ACS)*

QUALIFIED ACCOUNTANT

Tze-kin Ng, David *(FCCA, CPA)*

AUTHORISED REPRESENTATIVES

Cai Jianjiang
Li Man Kit

LEGAL ADVISER TO THE COMPANY

Haiwen & Partners (as to PRC Law)
Freshfields Bruckhaus Deringer
(as to Hong Kong and English Law)

INDEPENDENT AUDITORS

Ernst & Young

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
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Wanchai
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LISTING VENUES

Hong Kong, London and Shanghai

Summary of Financial Information

	For the six months ended 30 June 2008 RMB'000	For the six months ended 30 June 2007 RMB'000	Change (%)
Operating revenue[(1)]	**25,646,460**	23,352,820	9.82
Profit from operations	**-335,884**	1,366,652	-124.58
Profit before tax	**1,406,985**	2,072,407	-32.11
Profit after tax (including profit attributable to equity holders of the Company and minority interests)	**1,183,348**	1,476,035	-19.83
Profit attributable to minority interests	**-60,725**	-92,544	34.38
Profit attributable to equity holders of the Company	**1,244,073**	1,568,579	-20.69
EBITDA[(2)]	**2,571,537**	4,063,013	-36.71
EBITDAR[(3)]	**3,992,293**	5,387,864	-25.90
Earnings per share attributable to equity holders of the Company (RMB)	**0.105**	0.132	-20.45
Return on equity (%)[(4)]	**3.99**	5.39	-1.40ppt

(1) Operating revenue include air traffic revenue and other operating revenue.

(2) EBITDA represents earnings before finance revenue (including interest income, net exchange gains and net gains on fuel derivative instruments), finance costs, income taxes, share of profits less losses of associates and depreciation as computed under the International Financial Reporting Standards.

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

(4) Return on equity represents profit for the period attributable to the equity holders divided by the Group's equity at period end.

	30 June 2008 RMB'000	31 December 2007 RMB'000	Change (%)
Total assets	**97,138,694**	91,056,277	6.68
Total liabilities	**65,487,841**	59,548,924	9.97
Minority interests	**484,310**	150,216	222.41
Equity attributable to equity holders of the Company	**31,166,543**	31,357,137	-0.61
Equity per share (RMB)	**2.63**	2.64	-0.38

Summary of Operating Data

	For the six months ended 30 June 2008	For the six months ended 30 June 2007	Change (%)
Traffic			
RPK (in millions)	**33,914.00**	33,286.32	1.89
International	**14,673.49**	14,154.97	3.66
Domestic	**17,795.30**	17,594.30	1.14
Hong Kong and Macau	**1,445.11**	1,537.05	-5.98
RFTK (in millions)	**1,843.12**	1,866.92	-1.27
International	**1,405.38**	1,417.89	-0.88
Domestic	**378.70**	381.90	-0.84
Hong Kong and Macau	**59.03**	67.12	-12.05
Passengers (in thousands)	**17,603.32**	17,870.13	-1.49
International	**3,371.65**	3,510.78	-3.96
Domestic	**13,403.10**	13,430.80	-0.21
Hong Kong and Macau	**828.67**	928.55	-10.76
Cargo and mail carried (tonnes)	**505,236.49**	535,716.64	-5.69
Kilometres flown (in millions)	**256.66**	257.12	-0.18
Block hours (in thousands)	**404.27**	405.43	-0.29
Number of flights	**140,797**	146,752	-4.06
International	**27,178**	27,503	-1.18
Domestic	**105,188**	109,633	-4.05
Hong Kong and Macau	**8,431**	9,616	-12.32
RTK (in millions)	**4,891.64**	4,861.89	0.61
Capacity			
ASK (in millions)	**45,170.58**	43,891.33	2.91
International	**20,028.32**	19,057.40	5.09
Domestic	**23,044.30**	22,622.90	1.86
Hong Kong and Macau	**2,097.96**	2,211.03	-5.11
AFTK (in millions)	**3,140.64**	3,515.47	-10.66
International	**2,285.35**	2,611.64	-12.49
Domestic	**761.40**	789.50	-3.56
Hong Kong and Macau	**93.80**	114.33	-17.96
ATK (in millions)	**7,225.57**	7,485.27	-3.47

Summary of Operating Data

	For the six months ended 30 June 2008	For the six months ended 30 June 2007	Change (%)
Load			
Passenger load factor (RPK/ASK)	**75.08%**	75.84%	-0.76ppt
International	**73.26%**	74.28%	-1.02ppt
Domestic	**77.22%**	77.77%	-0.55ppt
Hong Kong and Macau	**68.88%**	69.52%	-0.64ppt
Cargo and mail load factor (RFTK/AFTK)	**58.69%**	53.11%	5.58ppt
International	**61.50%**	54.29%	7.21ppt
Domestic	**49.74%**	48.37%	1.37ppt
Hong Kong and Macau	**62.94%**	58.71%	4.23ppt
Yield			
Yield per RPK (RMB)	**0.6135**	0.5939	3.30
International	**0.5832**	0.5747	1.48
Domestic	**0.6258**	0.5991	4.46
Hong Kong and Macau	**0.7686**	0.7107	8.14
Yield per RTFK (RMB)	**1.9831**	1.8377	7.91
International	**1.9073**	1.8196	4.82
Domestic	**1.8165**	1.4790	22.82
Hong Kong and Macau	**4.8573**	4.2618	13.97
Fleet			
Total aircraft in service at period end	**243**	230	5.65
Daily utilization (block hours per day per aircraft)	**9.44**	9.99	-5.51

Chairman's Statement

Dear Shareholders,

In the first half of 2008, due to the global economic downturn, increased inflationary pressure, soaring fuel prices and damaging natural disasters such as earthquakes, the global aviation industry, in particular, the Chinese aviation industry, experienced an unprecedented challenge.

In the first half of 2008, the Group's passenger capacity measured by available seat kilometres increased by 2.91% over the same period last year, with increase in revenue passenger kilometres by 1.89%, while the passenger load factor decreased by 0.76 percentage points and revenue increased by 5.24%. The cargo capacity measured by available freight tonne kilometres decreased by 10.66% over the same period of last year, with decrease in revenue freight tonne kilometres of 1.27% while the freight and mail load factor increased by 5.58 percentage points and revenue increased by 6.54%.

The Company has continued to strengthen the Beijing Hub construction coupled with measures taken to respond to the earthquakes, and plan the organization of market and production as a whole. After the earthquake, our transport capacity was adjusted accordingly to increase the transport capacity input in the Beijing hub. In the meantime, the excess of transport capacity of the Chengdu hub was alleviated and thus the Company's operating efficiency was improved as a whole.

In the first half of the year, the Company successfully completed the relocation to the new terminals of Beijing, Pudong, Shanghai and Tianjin, which demonstrated the Company's strong abilities of coordination and execution. After the relocation, the ability to access the service resources in these three areas is substantially augmented. In particular, following the relocation to Terminal 3 of the Beijing international airport, by the end of June, the flight schedule availability of the Company at the Beijing hub amounted to 40.8% and the passenger kilometre share amounted to 55.3%, which further consolidated the base of the Company's development in our strategic markets.

Eight routes including international and domestic routes such as those connecting Beijing and Pyongyang were newly launched in the first half of this year and the average number of flights to every provincial city reached three flights a day.

The Group has enriched its joint route services, leveraged on the advantages of the Beijing hub and relieved the pressure caused by the market downturn. During the first half of the year, the sales of international joint routes increased by 2.86% as compared with the same period of last year.

The Group continued to boost income through sales of the first class and business class and contractual customers. Notwithstanding the decrease of the overall demand in May and June, in the first half of the year, the sales of the first class and business class and contractual customers had increased by 17.25% and 48.27% respectively, compared to the same period of last year.

Our alliance cooperation achieved great success. We have newly signed alliance agreements with 16 customers, and 400,000 passengers were transported for us by members of Star Alliance which brought us an income of RMB423 million.

The soaring fuel costs forced the Company to change the mode of cost control and improve our ability to reduce costs. The Company strengthened structural cost control, improved operating efficiency and reduced fuel consumption through adjustment of the transport capacity allocation model and optimization of air routes. The Company continued to enhance the control of controllable costs by launching the program named "Increasing Income and Reducing Cost Management Points" ("IIRC Management Points"). We have identified 11 IIRC Management Points and have put in effect the requisite management responsibility.

The Company streamlined and optimized the fleet plan for the coming years, and managed and controlled the introduction and retirement of the fleet in a systematic manner. In the first half of the year, the Company introduced 10 aircraft; and concurrently speeded up the plan to sell and terminate the leases of old passenger aircrafts and freighters. The Company improved the operating efficiency and flexibility of the fleet through adjustment of the fleet structure so as to better adapt to market changes.

Chairman's Statement

As the sole airline partner of the Beijing 2008 Olympic Games, in the first half of the year, the Company overcame a number of difficulties and successfully completed charter flight services for the overseas Olympic torch relay which lasted for 33 days and traveled over 97,000 kilometres. The activity promoted the Olympics and China to the world and raised the Company's influence in the global market.

The Company initiated its internal emergency measures in response to the snowstorm earlier this year and the Wenchuan earthquake in May in a timely manner. The Company arranged more than 1,000 flights for disaster relief, which was not only a demonstration of the Company's devoted commitment to the society, but also a test of the Company's ability to cope with emergencies.

There was a significant improvement in the cargo services of Air China Cargo in the first half of the year. Through adjusting the allocation of traffic capacity and improving the linkage between the passenger and cargo aircraft, the Company has essentially maintained its output performance even when the transport capacity input decreased by 9.95%. This was especially attributable to the 10.12 percentage points increase in the overall load factor of its cargo aircraft and the significant improvement in the utilisation rate of cabin space. With the provision of comprehensive services and the increase in the relevance of our services to market demands, the sales from ordinary and express mail services increased by 21.5% and 7.4% respectively. The Company took efforts to expand its sales channels and increase the proportion of sales to contracted customers, which resulted in a year-on-year increase of 13.3% in the first half of this year.

Looking forward, although there are uncertainties in the development of the aviation industry, the PRC economy is still experiencing continued and steady growth, and the post-Olympics economy and the direct cross-strait flights will bring new opportunities to the PRC aviation industry. Concurrently, the changes which may be made to the industrial business landscape will also create new opportunities for us. Accordingly, the Company will timely follow and be guided by its strategies to proactively promote the establishment of Beijing as an aviation hub and build up the relevant network development. The Company will also forge its core competitive advantages, strengthen its marketing ability in the market, in particular the high-end market, and strengthen the innovation of products and services to better satisfy market demands. In addition, through management's IIRC Management Points, the Company will also strive to reduce its energy consumption to improve its costs efficiency. I believe that, with the Company's clear strategic objectives, accurate judgement of the situations and active response measures, we will definitely be able to grasp opportunities, overcome the transient difficulties and maintain our leading position in the industry.

Kong Dong
Chairman

Beijing, PRC
26 August 2008

Operating Results Review

REVIEW OF OPERATIONS OF THE COMPANY AND AIR CHINA CARGO

With respect to passenger traffic, the revenue passenger kilometres of the Company for the first half of 2008 was 32.53 billion, representing an increase of 2.27% as compared with the same period of last year; the number of passengers carried decreased by 0.75% to 16.561 million compared with the same period of last year; the average passenger load factor decreased by 0.5 percentage points from the same period of last year to 75.3%.

With respect to cargo traffic, the revenue freight tonne kilometres for the first half of 2008 decreased by 0.1% to 1.78 billion as compared with the same period of last year; cargo and mail carried decreased by 0.5% to 452,000 tonnes; cargo and mail load factor increased by 5.8 percentage points from the same period of last year to 58.3%.

BUSINESS REVIEW OF AIR MACAU

For the first half of 2008, the revenue passenger kilometres of Air Macau was 1.38 billion, representing a decrease of 6.4% as compared with the same period of last year; while passenger carried decreased by 11.9% from the same period of last year to 1.042 million; passenger load factor decreased by 5.3 percentage points from the same period of last year to 70.5%.

With respect to cargo business, due to the retirement of four freighters, revenue freight tonne kilometres decreased by 26.3 percentage points from the same period of last year to 62.316 million; cargo and mail carried decreased by 34.9% from the same period of last year to 53,000 tonnes; cargo and mail load factor increased by 4.4 percentage points from the same period of last year to 73.9%.

FLEET

For the first half of 2008, there was a net increase of 9 aircraft (10 aircraft were introduced and 1 aircraft was retired) for the Company and Air China Cargo. As at 30 June 2008, the Company and Air China Cargo operated a fleet of 229 aircraft in total with an average age of 7.6 years. Details of the fleet are set out in the table below:

	Number of Aircraft			
Type of aircraft	**Owned**	**Finance Leased**	**Operating Leased**	**Sub-total**
Passenger Aircraft	**98**	**66**	**56**	**220**
Boeing	73	32	51	156
Airbus	25	34	5	64
Freighters	**5**	**–**	**3**	**8**
Business Jet	**–**	**–**	**1**	**1**
Total	**103**	**66**	**60**	**229**

As at 30 June 2008, Air Macau operated a total of 14 aircraft, which comprised 13 passenger aircraft and 1 freighter.

DEVELOPMENT OF ROUTE NETWORK

The Company continued with the development of its route network in the first half of the year. In response to the market changes brought about by severe snowstorm and Wenchuan earthquake, the Company further increased the operation capacity of Beijing Hub by making timely adjustment to its overall capacity allocation. As a result, the market power of Beijing Hub as well as fleet efficiency were improved.

During the first half of the year, the Company launched the Beijing-Pyongyang international route and seven domestic routes covering second-tier cities including Wuxi. The Company currently runs more than three daily scheduled flights from Beijing to the major provincial cities. The number of effective connecting flights increased 20.84% to over 20,000 per week, thus further strengthening the network of Beijing Hub. In the first half of 2008, the Company accounted for 55.3% of the total passenger kilometres of Beijing Hub. As a result of the effects from the earthquake disaster, the market share of Chengdu Hub shrank significantly. For the Shanghai Hub, its passenger kilometre market share by and large remained stable with slight increase in both the volume of transit passengers and the revenue from connecting flights.

As at 30 June 2008, the Company and Air China Cargo together operated 239 routes, of which 166 were domestic routes, 66 were international routes and 7 were regional routes. The regular flights of the Company have been connecting 32 countries and regions around the world, including 47 international cities, 81 domestic cities and 2 regions.

MARKET EXPANSION AND SALES

In response to the abrupt market change in the first half of 2008, the Company strengthened the synthesis between sales and revenue. Firstly, measures were taken to improve the flexibility of the product sales policies, adjust the life cycle of the products and strengthen the initiative policy and competitiveness. Secondly, the Company adjusted the policy on connecting flight operations in order to strengthen the coordination of the connecting flights and enrich the relevant products. Thirdly, the marketing efforts of the "First and Business Class Cabins" were further increased to broaden the customer base, contributing an increase in revenue of 17.25% as compared with the same period of last year. Fourthly, marketing strategies targeted at contracted clients were formulated based on the geographical locations and needs of such clients, resulting in a 48.27% increase of revenue from contracted clients as compared with the same period of last year.

Sales through e-commerce was further expanded. The Company made an early move to implement IATA's 100% electronic ticketing under BSP and implemented the electronic ticketing in respect of connecting flights with 81 companies. Following the Company's full launch of its international website, the business volume generated by the call centres increased by 100% and the sales increased by 500%.

BUSINESS COOPERATION

The Company actively pressed on with the work that follows its entry into the Star Alliance and strengthened sales cooperation with its members. 16 new global clients from the Star Alliance were secured and member airlines carried 367,000 passengers for the Company. The Company's services and prices were added to the Star Alliance's system of services and prices. The Company also actively participated in the promotion of cross-strait direct flights. The weekend chartered flights for the Beijing-Taipei and Shanghai-Taipei routes will become the next target for market growth for the Company.

SERVICES

The Company has been dedicated towards improving its service quality and increasing its competitiveness in a sustained manner. The responsibility of each operating unit was defined clearly with respect to the dissemination of information in case of irregular flight arrangements and contingency plans were refined and strengthened. The luggage handling management system was enhanced. The Company also made better use of its terminal building to provide more services to its high-end travelers. In addition, integration of services with members of the Star Alliance with respect to check-in counters, lounges, boarding areas and luggage information counters were completed, thus achieving the goal of "operating under the same roof". The Company also accelerated the pace of restructuring its overseas departure system, improved its flight transit monitoring function and actively explored its one-stop boarding business. In addition, ground services training were strengthened to improve transit capabilities.

IT DEVELOPMENT

The Company focused on the consolidation of its internal IT resources by establishing a unified information platform and promoting electronic commerce. In the first half of the year, an IT strategic plan was introduced and implemented in response to the overall business development strategies of the Company. Greater effort was devoted to core system maintenance to ensure information security during the Olympic Games. The Company also continued with the development of ten major projects involving flight supplies, office automation, alliance system and data base II in order to lay the foundation for the formation of the six major information platforms covering operation, safe management system, sales and marketing, services, engineering and corporate management.

EMPLOYEES

As at 30 June 2008, the Company has 19,867 employees and its subsidiaries and joint ventures has 17,534 employees.

POST BALANCE SHEET EVENT

On 8 July 2008, the Company received the Official Reply Concerning the Approval of Offering New Shares by Air China Limited issued by China Securities Regulatory Commission (Zheng Jian Xu Ke 2008 No. 891) approving the Company to offer new A shares of not more than 400 million shares to the public. The approval shall be valid for a period of six months since the date of the Official Reply.

On 15 July 2008, the execution of an aircraft purchase agreement by the Company and Air China Import and Export Co. with Boeing Company for the purchase of 15 Boeing 777 and 30 Boeing 737 aircraft was approved at the fourteenth meeting of the second session of the board of directors of the Company.

On 13 August 2008, Ms. Wang Yinxiang was nominated as a candidate for the non-executive director of the Company at the sixteenth meeting of the second session of the board of directors of the Company and the nomination was proposed to be considered and approved at the shareholders' meeting. Mr. Yao Weiting resigned from his positions as a non-executive director and a member of the Audit and Risk Control Committee of the Company due to retirement.

The interim condensed consolidated financial statements of the Group set out from pages 22 to 48 of this Interim Report, comprising the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and notes to the financial statements, were prepared in accordance with International Financial Reporting Standards (IFRSs). The following discussion and analysis are designed to assist the reader in understanding the statutory information provided in this Interim Report so as to better comprehend the financial position of the Group as a whole.

ANALYSIS OF THE PROFITABILITY

For the six months ended 30 June 2008, the Group realized profit before tax of RMB1.407 billion, representing a decrease of RMB665 million or 32.1% from RMB2.072 billion in the same period in 2007. Profit attributable to shareholders was RMB1.244 billion, down RMB325 million or 20.7% from RMB1.569 billion in the same period in 2007 while earning per share was RMB0.105, representing a decrease of RMB0.027 or 20.5%.

The decrease in profit in the first half of the year was mainly due to an abrupt increase in jet fuel price, thus resulting in a loss in both operating revenue and share of profits of associates, representing a decrease of RMB1.703 billion and RMB574 million respectively as compared with the same period of last year. Among which, jet fuel cost increased RMB2.566 billion or 31.9% as compared with the same period of last year. On the other hand, benefiting from the appreciation of Renminbi against US dollar, an exchange gain of RMB1.923 billion was recorded for the first half of the year, representing an increase of RMB1.056 billion or 121.7% over the same period of 2007.

TURNOVER

For the six months ended 30 June 2008, the turnover of the Group was RMB25.646 billion, representing an increase of 9.82% as compared with the same period of 2007.

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

	For the six months ended 30 June		
	2008	2007	Change
	RMB'000	*RMB'000*	(%)
Airline operations	**24,854,308**	22,734,273	9.33
Engineering and maintenance services	**325,659**	229,641	41.81
Airport terminal services	**297,994**	256,808	16.04
Others	**168,499**	132,098	27.56
Total	**25,646,460**	23,352,820	9.82

For the six months ended 30 June 2008, the Group's revenue from airline operations increased 9.33%, mainly attributable to increase in yield per revenue tonne kilometre. Revenue from engineering services increased by 41.81%, mainly due to increase of engineering services provided to external parties.

REVENUE CONTRIBUTION BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June 2008 RMB'000	2007 RMB'000	Change (%)
Domestic	**13,011,138**	12,497,397	4.11
Hong Kong and Macau	**1,397,400**	1,317,013	6.10
Europe	**4,423,972**	3,224,386	37.20
North America	**2,773,692**	2,153,863	28.78
Japan and Korea	**2,054,010**	2,198,633	-6.58
Asia Pacific and others	**1,986,248**	1,961,528	1.26
Total	**25,646,460**	23,352,820	9.82

OPERATING EXPENSES

For the six months ended 30 June 2008, the Group recorded operating expenses of RMB25.982 billion, representing an increase of RMB3.996 billion, or 18.18%, as compared with the same period of last year. The elements comprising the operating expenses are set out as follows:

(RMB'000)	For the six months ended 30 June 2008		2007		Change
Items	**Amount**	**Percentage**	Amount	Percentage	(%)
Jet fuel costs	**10,608,221**	**40.83%**	8,042,121	36.58%	31.91
Take-off, landing and depot charges	**2,785,661**	**10.72%**	2,714,364	12.35%	2.63
Depreciation	**2,907,421**	**11.19%**	2,696,361	12.26%	7.83
Aircraft maintenance, repair and overhaul expenses	**984,264**	**3.79%**	946,615	4.31%	3.98
Employee compensation costs	**2,555,265**	**9.83%**	1,989,282	9.05%	28.45
Air catering expenses	**739,434**	**2.85%**	711,389	3.24%	3.94
Operating lease expenses on aircraft and engines	**1,214,134**	**4.67%**	1,172,875	5.33%	3.52

- Jet fuel costs

During the first half of this year, the average purchase price of the jet fuel of the Group was RMB7,053 per tonne, representing an increase of RMB1,793 per tonne as compared with the same period of 2007, thereby resulting in an increase of jet fuel costs of RMB2.566 billion. In the first half of this year, the Group continued to adopt various fuel-saving measures, thus saving jet fuel costs of RMB245 million. The net income from fuel hedging was RMB313 million in the first six months, of which RMB215 million was realised. In addition, the Group recorded fuel surcharge income of RMB1.392 billion and RMB2.497 billion respectively in relation to domestic and international routes, representing an increase of RMB1.004 billion in aggregate as compared with the same period of last year, which partly offset the increased cost pressure from the increasing jet fuel price.

- Employee Compensation Costs

During the first half of this year, the employee compensation costs of the Group was RMB2.555 billion, an increase of RMB566 million or 28.5% as compared with the same period of 2007. The main reason for the increase was the inclusion of corporate annuity and the increase in compensation pursuant to the employee compensation reform for the current reporting period and such costs were not included in last year's presentation.

ANALYSIS OF ASSETS

As at 30 June 2008, the Group had total assets of RMB97.139 billion, representing an increase of 6.68% from 31 December 2007, in which current assets accounted for 11.32% of the total assets, or RMB10.996 billion, representing an increase of 11.85% from 31 December 2007; while non-current assets accounted for 88.68% of the total assets, or RMB86.143 billion, representing an increase of 6.05% from 31 December 2007.

Of the current assets, cash and cash equivalents constituted RMB4.592 billion, representing an increase of 17.54% from 31 December 2007; accounts receivable was RMB2.664 billion, similar with that as at 31 December 2007. Of the non-current assets, properties, plant and equipment amounted to RMB66.227 billion, representing an increase of 7.35% from 31 December 2007.

PLEDGED ASSETS

As at 30 June 2008, the Group pledged certain assets with an aggregate carrying amount of approximately RMB42.099 billion (compared with RMB41.968 billion as at 31 December 2007) pursuant to certain loan and lease agreements, among which the book value of aircraft and building construction accounted for RMB36.776 billion, bank deposits accounted for RMB108 million and certain number of shares in an associated company with an aggregate market value of accounted for approximately RMB5.215 billion.

DEBT STRUCTURE OF THE GROUP

	Bank loans, other loans and corporate bonds		**Obligations under financial leases**	
(RMB'000)	**30 June 2008**	31 December 2007	**30 June 2008**	31 December 2007
Repayable within one year	**13,602,765**	10,978,835	**2,841,739**	2,216,680
Repayable after one year	**17,403,931**	16,615,291	**14,117,596**	13,328,193
Total	**31,006,696**	27,594,126	**16,959,335**	15,544,873

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2008, capital commitments of the Group, primarily used for the purchase of certain aircraft and relevant flight equipment to be delivered in the coming years and the construction of certain properties, was approximately RMB74.351 billion, which is an increase of 26.28% from RMB58.878 billion as at 31 December 2007.

As at 30 June 2008, details of the capital commitments and contingent liabilities of the Group in respect of bank loans and other guarantees and other matters arising in the ordinary course of business are set out in note 24 and 25 to the Group's audited interim consolidated financial statements prepared under IFRS.

CAPITAL EXPENDITURE

For the six months ended 30 June 2008, the capital expenditure of the Company amounted to RMB5.76 billion in total. Of the capital expenditure of the Company, the total investment in aircraft was RMB3.807 billion, including prepayments of RMB1.347 billion for the purchases of aircraft for the second half of 2008 and onwards.

Other capital expenditure amounted to RMB1.953 billion, which were mainly for the purposes of construction of infrastructure, construction of information system, purchase of ground facilities, as well as the cash portion of long-term investment projects.

CASH FLOW ANALYSIS

For the six months ended 30 June 2008, the Group's net cash inflow from operating activities decreased by RMB713 million or 23.18% from the same period of 2007 to RMB2.361 billion, primarily due to the substantial rise in operating costs. Net cash outflow from investment activities of the Group during the period decreased from the same period of 2007 by RMB4.948 billion or 66.91% to RMB2.448 billion. The reason for the substantial cash outflow in the same period in 2007 was primarily due to the expenses of the Group arising from the privatization of CNAC. The Group recorded a net cash inflow from financing activities of RMB2.192 billion, representing a decrease from the same period of 2007 of RMB1.193 billion or 35.24%, primarily due to more loans due for repayment during the current accounting period.

RISKS ANALYSIS

- Risk associated with the fluctuation in the jet fuel price

  For the six months ended 30 June 2008, the aviation industry worldwide was hit hard as a result of rising international crude oil price and increasing jet fuel price. Since March 2001, the Group has been engaging in fuel hedging transactions in order to hedge substantial increases in jet fuel prices. The hedging instruments used were mainly Singapore Kerosene and derivatives of Brent crude oil and New York crude oil which are closely linked to the price of jet fuel. In the first six months, the Group applied hedging to 17.6% of the spot jet fuel procured during the period. The Group will continue to adopt hedging in future in order to monitor its risk exposure to fluctuation in jet fuel price.

- Risk associated with capital structure

  As at 30 June 2008, the Group's gearing ratio, which represents total liabilities divided by total assets, was 67.4%, representing an increase of 2 percentage points from 65.4% as at 31 December 2007, primarily due to the introduction of additional aircraft and the increase of debt financing activities. Although the gearing ratio of the Group for the current period moved slightly upwards, its solvency position in the long term was relatively strong and it continued to dominate a leading position in the industry while the prevailing gearing ratios of other air carriers stood at a relatively high level.

- Risk associated with liquidity

  As at 30 June 2008, the Group's current ratio, which represents current assets divided by current liabilities, was 0.3605, representing a decrease of 0.51 percentage point from 0.3656 as at 31 December 2007, while its EBITDA interest cover was 2.87 times, representing a decrease of 39.96% from 4.78 times as at 31 December 2007. The Company is in the process of optimizing both its long-term and short-term debt structures step by step to align them with the changes in the financial market. The Group has already obtained bank facilities with an aggregate amount of up to RMB80.172 billion from a number of banks in the PRC and is therefore in a position to fully meet its own demand on current capital. Meanwhile, the Company has also strengthened its financial centralization management system and increased the utilisation of Renminbi and other foreign currencies deposit.

- Risk associated with foreign exchange and interest rate

  As at 30 June 2008, foreign currency denominated loans, mainly those denominated in US dollars, Hong Kong dollars and Japanese Yen, constitute a large proportion of the Group's loans. The Group basically maintained a balance of its foreign currency denominated incomes and expenditures. The movement of exchange rate of Renminbi to US dollar may greatly affect the exchange gain of the Company. The Company will continue to effectively eliminate any foreign exchange risk by means of financial derivative products based on the major trend of foreign exchange and in accordance with its forecast on its overall incomes and expenditures.

  To manage risks associated with interest rates, the Group entered into certain standard contracts with counterparties in relation to interest rate hedging in the first half of the year. The Company will continue to attempt to make use of the swap transactions and other derivative products coupled with the use of fixed and floating interest rates relating to the interest-bearing debts so as to eliminate any risks arising from interest rate.

- Investment risk

  As at 30 June 2008, the Group recorded losses for all air carriers that the Group had invested in, except Shandong Airlines. Despite the repurchase of 25% equity interests in Air China Cargo and the disposal of certain non-aviation interests held by CNAC in the first half of the year, there is still room for further consolidation and streamlining of the business of the investee companies and improve their financial situation and operating results.

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 their breach of 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. Insofar as the case is in the course of initial examination, our directors believe that at the present stage, they are unable to make a reasonable and reliable estimation on the ultimate results of the case and therefore no provisions has been made for such litigation for the time being.

(I) DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2008, none of the Directors, supervisors or chief executive of the Company has interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notifiable to the Company and the Hong Kong Stock Exchange pursuant to SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notifiable to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Mr. Christopher Dale Pratt is a non-executive director of the Company and is concurrently the chairman and executive director of Cathay Pacific, which is a substantial shareholder of the Company and wholly owns Dragonair. Mr. Kong Dong is the chairman and a non-executive director of the Company and is concurrently a non-executive director 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 if each of them were a controlling shareholder of the Company.

(II) SUBSTANTIAL SHAREHOLDERS

SIGNIFICANT INTERESTS IN THE COMPANY

Pursuant to the record of the register kept in the Company under Section 336 of the SFO, as at 30 June 2008, to the knowledge of the Directors, supervisors and chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group as follows:

Name	Type of Interests	Type and number of shares held in the Company	Percentage of the total issued shares of the Company	Percentage of the total issued A shares of the Company	Percentage of the total issued foreign shares (excluding H shares) of the Company	Percentage of the total issued H shares of the Company	Short position
CNAHC	Beneficial owner	4,949,066,567 A shares	40.40%	63.08%	–	–	–
CNAHC(1)	Attributable interests	1,380,482,920 A shares	11.26%	17.60%	–	–	–
China National Aviation Corporation (Group) Limited	Beneficial owner	1,380,482,920 A shares	11.26%	17.60%	–	–	–
Cathay Pacific	Beneficial owner	2,217,617,455 H shares	18.10%	–	–	50.34%	–
Swire Pacific Limited(2)	Attributable interests	2,217,617,455 H shares	18.10%	–	–	50.34%	–
John Swire & Sons Limited(2)	Attributable interests	2,217,617,455 H shares	18.10%	–	–	50.34%	–
John Swire & Sons (H.K.) Limited(2)	Attributable interests	2,217,617,455 H shares	18.10%	–	–	50.34%	–

Note:

Based on the information available to the Directors, chief executive and supervisors of the Company (including such information as was available on the website of the Stock Exchange) and so far as the Directors, chief executive and supervisors are aware, as at the latest practicable date (i.e. 30 June 2008):

1. By virtue of CNAHC's 100% interest in China National Aviation Corporation (Group) Limited, CNAHC is deemed to be interested in the 1,380,482,920 foreign shares (excluding 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 36.50% equity interest and 55.74% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 39.99% interest in Cathay Pacific as at 30th June 2008, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited are deemed to be interested in the 2,217,617,455 H shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as at 30 June 2008, to the knowledge of the Directors, chief executive and supervisors of the Company, no other person (other than a Director, supervisor or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the SFO, or otherwise was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

1. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the first half of 2008.

2. COMPLIANCE WITH THE MODEL CODE

The Company adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in the Model Code. After having made the specific enquiry, the Company confirms that all of its Directors and supervisors have complied with the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules throughout the first half of 2008.

The Company's own code also applies to its supervisors and relevant employees.

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 2008.

2. PUBLIC FLOAT

Pursuant to public information available to the Company and to the best knowledge of the Directors of the Company, during the reporting period, the Company has maintained a public float as required by the Listing Rules and agreed by the Hong Kong Stock Exchange throughout the period under review.

3. INTERIM DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2008. The undistributed profit will be accumulated for a one-off payment by year end. It is currently expected that the distribution ratio will range from 15% to 30% of the distributable profit.

4. REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim report for the six months ended 30 June 2008 and the Company's interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

Independent Auditors' Report

ERNST & YOUNG
安 永

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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 22 to 48 which comprises the Group's interim condensed consolidated balance sheet as at 30 June 2008 and the related interim condensed consolidated income statement, statement of changes in equity and cash flow statement 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 this 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
26 August 2008

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2008
(Prepared under International Financial Reporting Standards)

	Notes	For the six months ended 30 June 2008 RMB'000 (Unaudited)	30 June 2007 RMB'000 (Unaudited)
TURNOVER			
Air traffic revenue	4	**24,460,083**	21,684,442
Other operating revenue	5	**1,186,377**	1,668,378
		25,646,460	23,352,820
OPERATING EXPENSES			
Jet fuel costs		**(10,608,221)**	(8,042,121)
Take-off, landing and depot charges		**(2,785,661)**	(2,714,364)
Depreciation		**(2,907,421)**	(2,696,361)
Aircraft maintenance, repairs and overhaul costs		**(984,264)**	(946,615)
Employee compensation costs		**(2,555,265)**	(1,989,282)
Air catering charges		**(739,434)**	(711,389)
Aircraft and engine operating lease expenses		**(1,214,134)**	(1,172,875)
Other operating lease expenses		**(206,622)**	(151,976)
Other flight operation expenses		**(2,169,924)**	(1,996,063)
Selling and marketing expenses		**(1,316,809)**	(1,163,530)
General and administrative expenses		**(494,589)**	(401,592)
		(25,982,344)	(21,986,168)
PROFIT/(LOSS) FROM OPERATIONS	6	**(335,884)**	1,366,652
Finance revenue	7	**2,256,835**	1,226,399
Finance costs	7	**(896,719)**	(999,572)
Gain on disposal of subsidiaries and an associate	8	**477,680**	–
Share of profits and losses of associates		**(94,927)**	478,928
PROFIT BEFORE TAX		**1,406,985**	2,072,407
Tax	9	**(223,637)**	(596,372)
PROFIT FOR THE PERIOD		**1,183,348**	1,476,035
Attributable to:			
Equity holders of the Company		**1,244,073**	1,568,579
Minority interests		**(60,725)**	(92,544)
		1,183,348	1,476,035
Interim dividend	10	**–**	–
Earnings per share attributable to equity holders of the Company:			
Basic	11	**10.5 cents**	13.2 cents
Diluted	11	**N/A**	N/A

Interim Condensed Consolidated Balance Sheet

At 30 June 2008

(Prepared under International Financial Reporting Standards)

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**66,227,410**	61,691,673
Lease prepayments	13	**1,110,930**	1,046,042
Intangible asset		**60,524**	75,194
Goodwill	23	**439,745**	–
Interests in associates	14	**8,342,616**	9,542,677
Advance payments for aircraft and related equipment		**8,741,256**	7,652,365
Deposits for aircraft under operating leases		**266,457**	257,505
Long term receivable from ultimate holding company		**281,813**	331,813
Available-for-sale investments		**1,997**	1,997
Deferred tax assets		**670,434**	626,645
		86,143,182	81,225,911
CURRENT ASSETS			
Aircraft held for sale		**197,516**	184,728
Inventories		**1,236,258**	1,142,050
Accounts receivable	15	**2,664,146**	2,794,280
Bills receivable		**1,553**	1,599
Prepayments, deposits and other receivables	16	**1,628,110**	1,318,062
Derivative financial instruments		**104,157**	6,493
Pledged deposits		**108,414**	118,624
Tax recoverable		**56,949**	–
Cash and cash equivalents	17	**4,591,794**	3,906,520
Due from ultimate holding company		**360,727**	335,129
Due from related companies		**45,888**	22,881
		10,995,512	9,830,366
TOTAL ASSETS		**97,138,694**	91,056,277

Interim Condensed Consolidated Balance Sheet

At 30 June 2008

(Prepared under International Financial Reporting Standards)

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
CURRENT LIABILITIES			
Air traffic liabilities		**(2,364,282)**	(2,156,104)
Accounts payable	*18*	**(7,126,755)**	(5,930,800)
Other payables and accruals	*19*	**(4,366,605)**	(4,350,281)
Derivative financial instruments		**(27,604)**	(14,826)
Tax payable		**(4,699)**	(1,111,404)
Obligations under finance leases		**(2,841,739)**	(2,216,680)
Bank and other loans		**(13,602,765)**	(10,978,835)
Provision for major overhauls		**(104,283)**	(83,907)
Due to related companies		**(58,950)**	(45,142)
		(30,497,682)	(26,887,979)
NET CURRENT LIABILITIES		**(19,502,170)**	(17,057,613)
TOTAL ASSETS LESS CURRENT LIABILITIES		**66,641,012**	64,168,298
NON-CURRENT LIABILITIES			
Obligations under finance leases		**(14,117,596)**	(13,328,193)
Bank loans, other loans and corporate bonds		**(17,403,931)**	(16,615,291)
Provision for major overhauls		**(1,308,382)**	(1,190,415)
Provision for early retirement benefits obligations		**(176,663)**	(164,837)
Long term payables		**(107,996)**	(190,005)
Deferred income		**(833,551)**	(872,023)
Deferred tax liabilities		**(1,042,040)**	(300,181)
		(34,990,159)	(32,660,945)
NET ASSETS		**31,650,853**	31,507,353
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued share capital	*20*	**12,251,362**	12,251,362
Treasury shares	*21*	**(1,353,714)**	(1,283,492)
Reserves		**20,268,895**	19,551,280
Proposed final dividend		**–**	837,987
		31,166,543	31,357,137
MINORITY INTERESTS		**484,310**	150,216
TOTAL EQUITY		**31,650,853**	31,507,353

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

(Prepared under International Financial Reporting Standards)

	Attributable to equity holders of the Company									
	Issued share capital *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	Reserve funds *RMB'000*	Retained earnings *RMB'000*	Foreign exchange translation reserve *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
(Unaudited)										
As at 1 January 2008	12,251,362	(1,283,492)	12,328,279*	1,351,000*	6,861,763*	(989,762)*	837,987	31,357,137	150,216	31,507,353
Profit for the period	–	–	–	–	1,244,073	–	–	1,244,073	(60,725)	1,183,348
Final 2007 dividend declared *(note 10)*	–	–	–	–	–	–	(837,987)	(837,987)	–	(837,987)
Transfer to reserve funds	–	–	–	264,700	(264,700)	–	–	–	–	–
Acquisition of additional interest in a joint venture	–	–	–	–	–	–	–	–	400,568	400,568
Share of reserve movement of an associate	–	–	106,050	–	–	–	–	106,050	–	106,050
Disposal of subsidiaries	–	–	(5,375)	–	–	–	–	(5, 375)	–	(5,375)
Elimination for reciprocal shareholding *(note 21)*	–	(70,222)	–	–	–	–	–	(70,222)	–	(70,222)
Exchange realignment	–	–	–	–	–	(685,553)	–	(685,553)	(5,749)	(691,302)
Others	–	–	58, 420	–	–	–	–	58,420	–	58,420
As at 30 June 2008	**12,251,362**	**(1,353,714)**	**12,487,374***	**1,615,700***	**7,841,136***	**(1,675,315)***	**–**	**31,166,543**	**484,310**	**31,650,853**
(Unaudited)										
As at 1 January 2007	12,251,362	(1,246,955)	13,484,123	768,398	4,053,354	(188,791)	602,767	29,724,258	2,011,435	31,735,693
Profit for the period	–	–	–	–	1,568,579	–	–	1,568,579	(92,544)	1,476,035
Final 2006 dividend declared *(note 10)*	–	–	–	–	–	–	(602,767)	(602,767)	–	(602,767)
Transfer to reserve funds	–	–	–	317,902	(317,902)	–	–	–	–	–
Acquisition of minority interest of a subsidiary	–	–	(1,294,115)	–	–	–	–	(1,294,115)	(1,738,840)	(3,032,955)
Share of reserve movement of an associate	–	–	55,160	–	–	–	–	55,160	–	55,160
Exchange realignment	–	–	–	–	–	(330,984)	–	(330,984)	(5,344)	(336,328)
As at 30 June 2007	12,251,362	(1,246,955)	12,245,168	1,086,300	5,304,031	(519,775)	–	29,120,131	174,707	29,294,838

* The aggregate of these reserve accounts represents the consolidated reserves of RMB20,268,895,000 (31 December 2007: RMB19,551,280,000) on the interim condensed consolidated balance sheet.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

(Prepared under International Financial Reporting Standards)

		For the six months ended	
	Notes	**30 June 2008** ***RMB'000*** **(Unaudited)**	30 June 2007 *RMB'000* (Unaudited)
Net cash inflow from operating activities		**2,361,395**	3,073,925
Net cash outflow from investing activities		**(2,447,657)**	(7,396,149)
Net cash inflow from financing activities		**2,192,451**	3,385,751
Effect of exchange rate changes on cash and cash equivalents		**(54,413)**	(41,587)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,051,776**	(978,060)
Cash and cash equivalents at beginning of period		**2,477,341**	3,588,404
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*17*	**4,529,117**	2,610,344

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 ("HKSE") and 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.

On 3 January 2008, China National Aviation Company Limited ("CNAC" a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the "CITIC Agreement") with China International Trust and Investment Corporation Pacific Limited ("CITIC") and Gold Leaf Enterprises Holdings Ltd. ("Gold Leaf", a wholly-owned subsidiary of CITIC). Pursuant to the CITIC Agreement, CNAC agreed to purchase from Gold Leaf the entire issued share capital of Fine Star Enterprise Corporation (another wholly-owned subsidiary of CITIC), which in turn held 25% equity interest in the registered capital of Air China Cargo Co., Ltd. ("Air China Cargo"). The aggregate consideration paid by CNAC for the transaction amounted to approximately RMB857 million. Upon completion of the transaction, the Company's interest in Air China Cargo, including both direct and indirect interests, increased from 51% to 76%. Air China Cargo was then changed from a joint venture to a subsidiary of the Company.

On 10 June 2008, CNAC entered into another sale and purchase agreement together with an agreement for indebtedness assignment with China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) (collectively the "CNACG Agreement"). Pursuant to the CNACG Agreement, CNAC agreed to sell to CNACG the entire issued share capital of each of Fly Top Limited ("Fly Top", a wholly-owned subsidiary of CNAC) and China National Aviation Logistics Company Limited ("CNAL", another wholly-owned subsidiary of CNAC) and 50% of the issued share capital of Jardine Airport Services Limited ("JASL", an associate of CNAC). Fly Top held 60% of the issued share capital of each of Southwest Air Catering Co., Ltd and Beijing Air Catering Co., Ltd (two joint ventures of CNAC) and 20.2% of the issued share capital of Lufthansa Services Hong Kong Limited ("LSG", an associate of CNAC). CNAL held 25% of the issued share capital of Tradeport Hong Kong Limited (another associate of CNAC). The aggregate consideration payable by CNACG was RMB850,000,000.

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 2008 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 Hong Kong Stock Exchange.

As at 30 June 2008, the Group's net current liabilities amounted to approximately RMB19,502 million, which comprised current assets of approximately RMB10,996 million and current liabilities of approximately RMB30,498 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow 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 2008, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfill 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 the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

Significant accounting policies

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 2007, except for the adoption of the following new International Financial Reporting Standards ("IFRSs", which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect).

IFRIC-Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC-Int 12	Service Concession Arrangements
IFRIC-Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(a) IFRIC-Int 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. The interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

(b) IFRIC-Int 12 Service Concession Arrangements

The interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivables in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. The interpretation also address how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public service.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(c) *IFRIC-Int 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

This interpretation provides guidance on how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The adoption of the above IFRSs has had no material impact on the Group's interim condensed consolidated financial statements for the six months ended 30 June 2008.

3. SEGMENT INFORMATION

Segment information of the Group is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

(b) the engineering services segment comprises the provision of aircraft engineering services which include aircraft maintenance, repair and overhaul services;

(c) the airport terminal services segment comprises the provision of ground services, which include check-in service, boarding service, premium class lounge service, ramp service, luggage handling service, loading and unloading services, cabin cleaning and transit services; and

(d) the "others" segment comprises the provision of air catering services and other airline-related services.

In determining the Group's geographical segments, revenue is attributed to the segments based on the origin and destination of each flight segment.

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)

Business segments

The following tables present the Group's consolidated revenue and profit from operations by business segment for the six months ended 30 June 2008 and 2007:

For the six months ended 30 June 2008

	Airline operations *RMB'000* (Unaudited)	Engineering services *RMB'000* (Unaudited)	Airport terminal services *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Eliminations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE						
Sales to external customers	24,854,308	325,659	297,994	168,499	–	25,646,460
Intersegment sales	–	356,258	–	111,968	(468,226)	–
Total revenue	24,854,308	681,917	297,994	280,467	(468,226)	25,646,460
PROFIT FROM OPERATIONS	(380,037)	573	30,946	12,634	–	(335,884)

For the six months ended 30 June 2007

	Airline operations *RMB'000* (Unaudited)	Engineering services *RMB'000* (Unaudited)	Airport terminal services *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Eliminations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE						
Sales to external customers	22,734,273	229,641	256,808	132,098	–	23,352,820
Intersegment sales	–	309,462	–	81,826	(391,288)	–
Total revenue	22,734,273	539,103	256,808	213,924	(391,288)	23,352,820
PROFIT FROM OPERATIONS	1,279,193	10,974	59,863	16,622	–	1,366,652

3. SEGMENT INFORMATION (Continued)

Geographical segments

The following tables present the Group's consolidated revenue by geographical segment for the six months ended 30 June 2008 and 2007:

For the six months ended 30 June 2008

	Domestic *RMB'000* (Unaudited)	Hong Kong /Macau *RMB'000* (Unaudited)	Europe *RMB'000* (Unaudited)	North America *RMB'000* (Unaudited)	Japan/ Korea *RMB'000* (Unaudited)	Asia Pacific and others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE							
Sales to external customers and total revenue	**13,011,138**	**1,397,400**	**4,423,972**	**2,773,692**	**2,054,010**	**1,986,248**	**25,646,460**

For the six months ended 30 June 2007

	Domestic *RMB'000* (Unaudited)	Hong Kong /Macau *RMB'000* (Unaudited)	Europe *RMB'000* (Unaudited)	North America *RMB'000* (Unaudited)	Japan/ Korea *RMB'000* (Unaudited)	Asia Pacific and other *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE							
Sales to external customers and total revenue	12,497,397	1,317,013	3,224,386	2,153,863	2,198,633	1,961,528	23,352,820

4. AIR TRAFFIC REVENUE

Air traffic revenue comprises revenue from the airline operations business and is stated net of business tax. An analysis of the Group's air traffic revenue is as follows:

	For the six months ended 30 June 2008 *RMB'000* (Unaudited)	30 June 2007 *RMB'000* (Unaudited)
Passenger	**20,804,991**	19,768,612
Cargo and mail	**3,655,092**	1,915,830
	24,460,083	21,684,442

Pursuant to the relevant PRC business tax rules and regulations, air traffic revenue for all domestic and outbound international flights is subject to business tax at a rate of 3%. All inbound international, Hong Kong and Macau regional flights are exempted from business tax. Business tax incurred and set off against air traffic revenue for the six months ended 30 June 2008 and 30 June 2007 amounted to approximately RMB606 million and RMB551 million, respectively.

5. OTHER OPERATING REVENUE

	For the six months ended	
	30 June 2008	30 June 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bellyhold income from a joint venture *(note 26)*	**–**	780,966
Ground service income	**297,994**	256,808
Aircraft engineering income	**325,659**	229,641
Air catering income	**85,962**	72,276
Government grants:		
Recognition of deferred income	**38,472**	38,472
Others	**94,621**	72,264
Service charges on return of unused flight tickets	**91,144**	68,142
Cargo handling service income	**43,091**	19,764
Training service income	**12,797**	6,958
Import and export service income	**12,784**	6,846
Sale of materials	**5,406**	4,115
Others	**178,447**	112,126
	1,186,377	1,668,378

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	For the six months ended	
	30 June 2008	30 June 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss/(gain) on disposal of property, plant and equipment, net	**(24,361)**	12,425
Loss on derecognition of property, plant and equipment	**26,262**	13,883
Amortisation of lease prepayments *(note 13)*	**12,468**	10,512

7. FINANCE REVENUE AND FINANCE COSTS

	For the six months ended	
	30 June 2008	30 June 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance revenue		
Exchange gains, net	**1,923,420**	867,541
Interest income	**45,107**	54,248
Gains on financial derivatives, net	**288,308**	304,610
	2,256,835	1,226,399
Finance costs		
Interest on bank loans, other loans and corporate bonds	**735,867**	747,277
Interest on finance leases	**325,808**	362,816
Total interest	**1,061,675**	1,110,093
Less: Interest capitalised	**(164,956)**	(110,521)
	896,719	999,572

The interest capitalisation rate represents the cost of capital from raising the related borrowings and is approximately 3% to 7% (2007: 4.5% to 6%) per annum.

8. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

	Note	30 June 2008 *RMB'000* (Unaudited)
Net assets of subsidiaries disposed of:		
Property, plant and equipment	*12*	**280,689**
Deferred tax assets		**7,604**
Interest in associates		**91,082**
Inventories		**5,157**
Accounts receivable		**89,007**
Prepayments, deposits and other receivables		**9,141**
Cash and cash equivalents		**47,799**
Accounts payable		**(40,377)**
Other payables and accruals		**(80,663)**
Tax payable		**(2,902)**
Bank and other loans		**(100,680)**
Long term payables		**(22,294)**
		283,563
Share of net assets of an associate disposed of		**88,757**
Gain on disposal of subsidiaries and an associate		**477,680**
Satisfied by cash		**850,000**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries and an associate is as follows:

	RMB'000 (Unaudited)
Cash consideration	850,000
Cash and bank balances disposed of	(47,799)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries and an associate	802,201

9. TAX

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which was effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 onwards will decrease from 33% to 25%. The Company, its subsidiaries, joint ventures and associates established in Mainland China are subject to enterprise income tax at rates ranging from 12.5% to 25% (2007: 12% to 33%) on their taxable income.

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. TAX (Continued)

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

	For the six months ended	
	30 June 2008 *RMB'000* (Unaudited)	30 June 2007 *RMB'000* (Unaudited)
Current income tax – Mainland China	**(521,459)**	421,920
Deferred income tax – origination and reversal of temporary differences	**745,096**	174,452
Income tax charge for the period	**223,637**	596,372

The share of tax attributable to joint ventures, which are accounted for in the Group's interim condensed consolidated financial statements through proportionate consolidation, amounting to RMB16,087,000 (unaudited) (2007: RMB11,117,000 (unaudited)) is included in the income tax charge for the period.

The share of tax attributable to associates amounting to RMB16,666,000 (unaudited) (2007: RMB99,331,000 (unaudited)) is included in the "Share of profit and losses of associates" on the face of the condensed consolidated income statement for the six months ended 30 June 2008.

10. DIVIDEND

In accordance with the Company's articles of association, the profit after tax of the Company for the purpose of dividends payment is based on the lesser of (i) the profit determined in accordance with the Accounting Standards for Business Enterprises; and (ii) the profit determined in accordance with IFRSs.

The proposed final dividend for the year ended 31 December 2007 was approved by the Company's shareholders on 30 May 2008 and was fully paid by the end of 30 June 2008.

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2008 was based on the net profit attributable to equity holders of the Company for the six months ended 30 June 2008 of approximately RMB1,244,073,000 (unaudited), and the weighted average of approximately 11,865,149,750 ordinary shares in issue during the period, as adjusted to account for the effect of cross holding with Cathay Pacific Airways Limited ("Cathay Pacific").

The calculation of basic earnings per share for the six months ended 30 June 2007 was based on the net profit attributable to equity holders of the Company for the six months ended 30 June 2007 of approximately RMB1,568,579,000 (unaudited) and 11,879,594,685 ordinary shares in issue during the period, as adjusted to account for the effect of cross holding with Cathay Pacific.

Diluted earnings per share for the six months ended 30 June 2008 and 30 June 2007 have not been disclosed because no diluting events existed during those periods.

12. 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)
As at 1 January 2008, net of accumulated depreciation	53,751,163	2,699,680	958,028	586,469	149,855	3,546,478	61,691,673
Additions	4,186,237	5,477	23,754	19,771	25,255	2,310,595	6,571,089
Acquisition of additional interest in a joint venture *(note 23)*	980,584	99,180	72,115	33,386	–	53,487	1,238,752
Disposals	(57,243)	(7,233)	(1,718)	(1,638)	(153)	–	(67,985)
Transfer from construction in progress	923,629	545,559	265,056	191,918	9,793	(1,935,955)	–
Disposal of subsidiaries *(note 8)*	–	(69,769)	(22,254)	(46,987)	(2,205)	(139,474)	(280,689)
Depreciation charged for the period	(2,642,446)	(66,388)	(101,723)	(73,101)	(23,763)	–	(2,907,421)
Exchange realignment	(12,736)	(3,629)	–	(1,644)	–	–	(18,009)
As at 30 June 2008, net of accumulated depreciation	57,129,188	3,202,877	1,193,258	708,174	158,782	3,835,131	66,227,410
As at 30 June 2008							
Cost	94,842,737	4,607,478	2,907,996	1,746,215	403,871	3,835,131	108,343,428
Accumulated depreciation	(37,713,549)	(1,404,601)	(1,714,738)	(1,038,041)	(245,089)	–	(42,116,018)
Net book value	57,129,188	3,202,877	1,193,258	708,174	158,782	3,835,131	66,227,410

As at 30 June 2008, certain of the Group's aircraft and buildings with an aggregate net book value of approximately RMB12,205 million (unaudited) (31 December 2007: RMB12,255 million (audited)) 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 RMB24,535 million (unaudited) (31 December 2007: RMB21,948 million (audited)).

As at 30 June 2008, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB109 million (unaudited) (31 December 2007: RMB114 million (audited)) transferred from Air China International Corporation, the predecessor of the Company, upon incorporation of the Company. The Group was also in the process of applying for the title certificates of certain buildings acquired by the Group after incorporation with an aggregate net book value of approximately RMB339 million (unaudited) (2007: RMB384 million (audited)). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors of the Company are also of the opinion that the aforesaid matter would therefore have no significant impact on the Group's financial position as at 30 June 2008.

13. LEASE PREPAYMENTS

	30 June 2008 *RMB'000* (Unaudited)
Cost	
At beginning of period	**1,111,225**
Additions	**6,078**
Acquisition of additional interest in a joint venture *(note 23)*	**73,869**
At end of period	**1,191,172**
Accumulated amortisation	
At beginning of period	**(65,183)**
Acquisition of additional interest in a joint venture *(note 23)*	**(2,591)**
Amortisation for the period *(note 6)*	**(12,468)**
At end of period	**(80,242)**
Net book value	
At end of period	**1,110,930**

As at 30 June 2008, certain of the Group's land use rights, which are accounted for as lease prepayments in the Group's interim condensed consolidated financial statements, with an aggregate net book value of approximately RMB36 million (unaudited) (31 December 2007: RMB37 million (audited)) were pledged to secure certain of the Group's bank loans.

As at 30 June 2008, the Group was in the process of applying for the title certificates of certain land use rights acquired by the Group after incorporation with an aggregate net book value of approximately RMB4.5 million (unaudited) (31 December 2007: RMB5 million (audited)). 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 use rights. The Directors of the Company are also of the opinion that the aforesaid matter would therefore have no significant impact on the Group's financial position as at 30 June 2008.

14. INTERESTS IN ASSOCIATES

As at 30 June 2008, the Group was in the process of completing the registration of its equity interests in certain associates with an aggregate investment cost of approximately RMB200 million (unaudited) (31 December 2007: RMB200 million (audited)) transferred from Air China International Corporation, upon the incorporation of the Company. The Directors of the Company are of the view that the aforesaid matter would have no significant impact on the Group's ownership in those equity interests and also the Group's financial position as at 30 June 2008.

15. ACCOUNTS RECEIVABLE

The Group generally allows a credit period ranging from 30 days to 90 days to its sales agents and customers. An aged analysis of the Group's accounts receivable as at the balance sheet date, net of provision for doubtful debt, is as follows:

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Within 30 days	**2,273,860**	2,246,288
31 to 60 days	**185,018**	279,497
61 to 90 days	**39,795**	136,078
Over 90 days	**165,473**	132,417
	2,664,146	2,794,280

Included in the Group's accounts receivable as at the balance sheet date is the following amount due from a joint venture:

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Joint venture	**–**	306,831

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of the Group's prepayments, deposits and other receivables as at the balance sheet date is as follows:

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Advances and others	**959,430**	743,946
Manufacturers' credits on aircraft acquisition receivables	**65,345**	55,741
Prepaid aircraft operating lease rentals	**183,782**	195,970
Miscellaneous deposits	**419,553**	322,405
	1,628,110	1,318,062

17. CASH AND CASH EQUIVALENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Cash and bank balances	**2,572,402**	1,586,380
Cash placed with China National Aviaion Finance Co., Ltd	**247,767**	387,962
	2,820,169	1,974,342
Time deposits placed with banks	**1,880,039**	2,050,802
Less: Pledged deposits against aircraft operating leases and financial derivatives	**(108,414)**	(118,624)
Cash and cash equivalents	**4,591,794**	3,906,520
Less: Non-pledged deposits with maturity of more than three months when acquired	**(62,677)**	(1,429,179)
	4,529,117	2,477,341

18. ACCOUNTS PAYABLES

An aged analysis of the Group's accounts payable as at the balance sheet date is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within 30 days	**5,071,522**	4,249,353
31 to 60 days	**953,852**	788,374
61 to 90 days	**439,892**	412,435
Over 90 days	**661,489**	480,638
	7,126,755	5,930,800

Included in the accounts payable as at the balance sheet date is the following amounts due to joint ventures:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Joint ventures	**63,960**	141,419

19. OTHER PAYABLES AND ACCRUALS

An analysis of the Group's other payables and accruals as at the balance sheet date is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Provision for staff housing benefits	**26,493**	23,038
Accrued salaries, wages and benefits	**1,222,026**	1,213,017
Interest payable	**352,283**	287,886
Custom duties and levies payable	**514,265**	1,066,387
Current portion of long term payables	**78,662**	55,155
Current portion of deferred income	**76,944**	76,944
Deposits received from sales agents	**508,952**	404,796
Accrued operating expenses	**1,070,345**	725,303
Others	**516,635**	497,755
	4,366,605	4,350,281

20. SHARE CAPITAL

The number of shares of the Company and their nominal value as at 30 June 2008 and 31 December 2007 are as follows:

	Number of shares	Nominal value RMB'000
Registered, issued and fully paid:		
State legal person shares of RMB1.00 each	4,826,195,989	4,826,196
Non-H foreign shares of RMB1.00 each	1,380,482,920	1,380,483
H shares of RMB1.00 each	4,405,683,364	4,405,683
A shares of RMB1.00 each	1,639,000,000	1,639,000
	12,251,362,273	12,251,362

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

21. RECIPROCAL SHAREHOLDING IN AN ASSOCIATE

As at 30 June 2008, the Group owned 17.5% (31 December 2007: 17.5%) equity interest in Cathay Pacific, which in turn owned 18.1% (31 December 2007: 17.64%) equity interest in the Company. Accordingly, the 17.5% of Cathay's shareholding in the Company was recorded in the Group's interim condensed consolidated financial statements as treasury shares through deduction from equity.

22. 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), supervisors (excluding independent supervisors), 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, SARs will be granted to no more than 200 individuals.

Under the Plan, the holders of SARs are entitled 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 and 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 the 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 number of SARs exercisable will not exceed 30%, 70% and 100%, respectively, of the total SARs granted to the respective eligible participants. As at 30 June 2008, all SARs granted remained unexercised.

As at 30 June 2008, the fair value of the SARs granted during the year was RMB13,947,642, of which the Group reversed employee compensation expense of RMB10,038,558 during the period then ended.

23. BUSINESS COMBINATION

On 3 January 2008, the Group acquired 25% equity interest in the Air China Cargo in addition to the 51% equity interest it already held. Further details of the transaction are included in note 1 to the financial statements. The purchase consideration for the acquisition in the form of cash, RMB857,003,819 was paid on 3 January 2008.

By the end of reporting period, the fair value of the identifiable assets, liabilities and contingent liabilities of Air China Cargo as at the date of acquisition were determined provisionally based on the management's best estimates. The Company will recognise any adjustments to those provisional values after completing the initial accounting within twelve months of the acquisition date.

23. BUSINESS COMBINATION (Continued)

The net assets attributable to the 25% equity interest in Air China Cargo acquired are as follows:

	RMB'000
Property, plant and equipment	632,016
Lease prepayments	36,366
Deposits for aircraft under operating leases	2,438
Deferred tax assets	29,412
Aircraft held for sale	90,553
Inventories	2,605
Accounts receivable	178,088
Prepayments, deposits and other receivables	28,928
Cash and cash equivalents	74,109
Air traffic liabilities	(7,911)
Accounts payable	(121,820)
Other payables and accruals	(212,518)
Bank and other loans	(274,650)
Long term payables	(17,504)
Provision for major overhauls	(22,853)
Net assets	417,259
Goodwill on acquisition	439,745
Satisfied by cash	857,004

An analysis of the net outflow of cash and cash equivalent in respect of the acquisition of 25% equity interest in Air China Cargo is as follows:

	RMB'000 (Unaudited)
Cash consideration	(857,004)
Net cash acquired from the transaction	145,254
Net outflow of cash and cash equivalents in respect of the acquisition of 25% equity interest in Air China Cargo	(711,750)

Since its acquisition, Air China Cargo has contributed RMB3,507 million to the Group's turnover and RMB103 million to the Group's consolidated net profit for the six months ended 30 June 2008.

Included in the goodwill of RMB439,745,000 recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of Air China Cargo with those of the Group.

24. CONTINGENT LIABILITIES

As at 30 June 2008, the Group had the following contingent liabilities:

(a) Pursuant to the restructuring of CNAHC for the listing of the Company's H shares on the HKSE and the London Stock Exchange, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and CNACG on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to businesses undertaken by the Company after the restructuring, no other 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 by CNAHC and CNACG prior to the restructuring. 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 15 April 2002, Flight CA129 crashed on approach to Gimhae International Airport, South Korea. There were 129 fatalities including 121 passengers and 8 crew members aboard the crashed airplane. Investigations were conducted by both the Chinese and civil aviation authorities and have yet to be concluded at the date of approval of these financia statements. Certain injured passengers and family members of the deceased passengers as well as crew members have commenced proceedings in Korean courts seeking damages against Air China International Corporation (the predecessor of the Company). The Group cannot predict the timing of the courts' judgments or the possible outcome of the lawsuits or any possible appeal actions. Up to 30 June 2008, the Company, Air China International Corporation and the Company's insurer had paid an aggregate amount of approximately RMB229 million in respect of passenger liability and other auxiliary costs. Included in the RMB229 million was an amount of approximately RMB221 million borne by the Company's insurer. As part of the above-mentioned restructuring, CNAHC has agreed to indemnify the Group for any liabilities relating to the crash of Flight CA129, excluding the compensation already paid up to 30 September 2004 (being the date of incorporation of the Company). The directors of the Company believe that there the accident will not be any material adverse impact on the Group's financial position.

(c) On 26 February 2007, the Federal Judiciary of the United States filed a civil summon against the Company and Air China Cargo 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 and the European Union. 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. Also, the Directors of the Company are of the view that there would be valid defense against this claim and consider that no provision for this claim is needed accordingly.

(d) The Group has issued guarantees to banks in respect of the bank loans granted to the following parties:

	30 June 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
Associates	**106,666**	132,857

25. COMMITMENTS

(a) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of property, plant and equipment as at the balance sheet date:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracted, but not provided for:		
Aircraft and flight equipment	**69,458,583**	53,897,381
Buildings	**488,684**	1,026,747
Others	**66,532**	248,388
	70,013,799	55,172,516
Authorised, but not contracted for:		
Aircraft and flight equipment	**439,993**	226,874
Buildings	**3,251,775**	3,006,501
Others	**644,957**	471,907
	4,336,725	3,705,282
Total capital commitments	**74,350,524**	58,877,798

(b) Investment commitments

The Group had the following amounts of investment commitments as at the balance sheet date:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracted, but not provided for:		
Associate	**50,862**	54,165

(c) Operating lease commitments

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

As at the balance sheet date, the Group had the following future minimum lease payments under non-cancellable operating leases:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**2,314,721**	2,349,599
In the second to fifth years, inclusive	**6,378,041**	6,599,485
Over five years	**3,110,078**	3,860,049
	11,802,840	12,809,133

26. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June 2008 RMB'000 (Unaudited)	30 June 2007 RMB'000 (Unaudited)
(a) Included in air traffic revenue		
Sale of air tickets:		
CNAHC Group	**2,183**	1,912
Associates	**1,927**	1,652
	4,110	3,564
Sale of cargo space:		
CNAHC Group	**278,553**	129,319
Government charter flights:		
CNAHC Group	**182,889**	353,710
(b) Included in other operating revenue		
Aircraft engineering income:		
Associates	**31,955**	13,821
Ground services income:		
CNAHC Group	**–**	508
Joint ventures	**28**	1,256
Associates	**33,532**	36,447
	33,560	38,211
Bellyhold income:		
Joint venture *(note 5)*	**–**	780,966
Others:		
CNAHC Group	**13,943**	12,223
Joint ventures	**3,512**	3,932
Associates	**16,500**	16,795
	33,955	32,950
(c) Included in finance revenue and finance costs		
Interest income:		
Associate	**5,405**	795
Interest expense:		
Associate	**10,269**	1,421

26. RELATED PARTY TRANSACTIONS (Continued)

		For the six months ended	
		30 June 2008	30 June 2007
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(d)	Included in gain on disposal of subsidiaries		
	CNAHC Group	**850,000**	–
(e)	Included in operating expenses		
	Airport ground services, take-off, landing and depot expenses:		
	CNAHC Group	**33,213**	37,718
	Associates	**149,896**	128,253
		183,109	165,971
	Air catering charges:		
	CNAHC Group	**26,540**	25,725
	Joint ventures	**65,048**	64,122
	Associates	**10,708**	11,228
		102,296	101,075
	Repair and maintenance costs:		
	Joint ventures	**253,415**	208,234
	Associates	**61,190**	66,957
		314,605	275,191
	Sales commission expenses:		
	CNAHC Group	**2,252**	4,112
	Associates	**1,497**	2,493
		3,749	6,605
	Management fees:		
	CNAHC Group	**4,357**	4,694
	Aircraft leasing fees:		
	Associates	**278,262**	226,737
	Others:		
	CNAHC Group	**71,438**	45,608
	Joint venture	**447**	645
	Associates	**10,610**	9,234
		82,495	55,487

26. RELATED PARTY TRANSACTIONS (Continued)

		30 June 2008 RMB'000 (Unaudited)	31 Decembeer 2007 RMB'000 (Audited)
(f)	Deposits, loans and bills payable		
	Deposits placed with an associate	**247,767**	387,962
	Loans from an associate	**400,223**	238,098
(g)	Outstanding balances with related parties		
	Long term receivable from ultimate holding company	**281,813**	331,813
	Due from ultimate holding company	**360,727**	335,129
	Due from related companies	**45,888**	22,881
	Due from associates	**169,854**	183,224
	Due from a joint venture	**–**	306,831
	Due to related companies	**(58,950)**	(45,142)
	Due to associates	**(100,962)**	(123,155)
	Due to joint ventures	**(63,960)**	(141,419)

The long term receivable from ultimate holding company is unsecured, interest-free and is not repayable within one year from the balance sheet date. Except for the long term receivable from ultimate holding company, the outstanding balances with related parties are unsecured, interest-free and repayable within one year or have no fixed terms of repayment.

(h) An analysis of the compensation of key management personal of the Group is as follow:

	For the six months ended 30 June 2008 RMB'000 (Unaudited)	For the six months ended 30 June 2007 RMB'000 (Unaudited)
Compensation of key management personnel of the Group		
Short term employee benefits	**1,807**	1,941
Share-based benefit	**3,331**	–
Post-employment benefits	**125**	120
	5,263	2,061

(i) On 25 August 2004, CNACG entered into two licences agreements with CNAC pursuant to which CNACG has agreed to grant licences to CNAC, free of royalty, for the rights to use certain trademarks in Hong Kong and Macau, respectively, so long as CNAC is a direct or indirect subsidiary of CNAHC. No royalty charge was levied in respect for the use of these trademarks during the six months ended 30 June 2008 and 2007.

(j) The Company entered into several agreements with CNAHC which govern the use of trademarks granted by the Company to CNAHC; the provision of financial services by China National Aviation Finance Co., Ltd.; the provision of construction project management services by China National Aviation Construction and Development Company; the subcontracting of charter-flight services to CNAHC; the leasing of properties from and to CNAHC; the provision of air ticketing and cargo services, media and advertising services arrangement to China National Aviation Media and Advertising Co., Ltd.; the tourism services co-operation agreement with CNAHC; the comprehensive services agreement with CNAHC; and the provision of maintenance and other ground services by China Aircraft Services Limited.

26. RELATED PARTY TRANSACTIONS (Continued)

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "State-owned Enterprises"). During the period, the Group had transactions with the State-owned Enterprises including, but not limited to, the provision of air passenger and air cargo services and purchases of services. The Directors consider that transactions with other State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the Directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

27. EVENTS AFTER THE BALANCE SHEET DATE

On 15 July 2008, the Company and Air China Group Import and Export Trading Co. ("AIE", a wholly-owned subsidiary of the Company), entered into an aircraft purchase agreement with Boeing Company, pursuant to which the Company has agreed to purchase 15 Boeing 777 and 30 Boeing 737 aircraft (the "Boeing Aircraft") from Boeing Company for an aggregate consideration of US$6,300 million (equivalent to approximately RMB43,212 million). The aggregate consideration for the acquisition of the Boeing Aircraft is payable in cash by installments and the Boeing Aircraft are scheduled to be delivered in stages from early 2011 to 2015.

On 8 July 2008, the China Securities Regulatory Commission ("CSRS") approved the issue and public offering of not more than 400 million additional A shares (representing approximately 5.10% the A shares and 3.26% of the total number of shares of the Company currently in issue of the Company). After the CSRC's approval, there will be a window period of 6 months during which the Company can elect to issue the additional A shares. Up to the date of interim condensed consolidated financial statements, the date for additional issuance has yet to be decided.

28. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 26 August 2008.

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2008

(Prepared under Accounting Standards for Business Enterprises)

	For the six months ended	
	30 June 2008	30 June 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from operations	**25,760,238**	22,744,019
Less: Cost of operations	**23,134,131**	19,162,370
Tax and surcharges	**623,796**	546,090
Selling expenses	**1,610,461**	1,370,680
Administrative expenses	**673,303**	501,452
Finance costs	**(996,332)**	126,794
Impairment loss	**(880)**	–
Add: Gains from changes in fair value	**84,886**	253,858
Investment income	**613,770**	405,026
Including: Investment income from associates and joint ventures	**(66,458)**	352,024
Profit from operations	**1,414,415**	1,695,517
Add: Non-operating income	**146,399**	76,328
Less: Non-operating expenses	**135,108**	71,842
Including: Loss on disposal of non-current assets	**18,960**	44,248
Total profit	**1,425,706**	1,700,003
Less: Income tax	**216,949**	476,942
Net profit	**1,208,757**	1,223,061
Net profit attributable to equity holders of the Company	**1,282,317**	1,300,297
Minority interests	**(73,560)**	(77,236)

Unaudited Interim Consolidated Balance Sheet

At 30 June 2008

(Prepared under Accounting Standards for Business Enterprises)

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
ASSETS		
Current assets:		
Cash and bank balances	**4,558,193**	3,787,152
Financial assets	**104,157**	6,493
Note receivables	**1,553**	1,599
Account receivables	**2,933,199**	2,812,327
Other receivables	**1,102,765**	997,205
Prepayments	**385,723**	311,784
Inventories	**831,609**	755,340
Total current assets	**9,917,199**	8,671,900
Non-current assets:		
Long term receivables	**259,383**	255,340
Long-term equity investments	**9,012,470**	11,404,643
Fixed assets	**61,100,806**	55,000,376
Construction-in-progress	**12,161,360**	10,967,888
Intangible assets	**1,747,235**	1,396,620
Goodwill	**511,309**	131,945
Deferred tax assets	**430,394**	385,843
Long-term deferred assets	**129,522**	80,684
Total non-current assets	**85,352,479**	79,623,339
Total assets	**95,269,678**	88,295,239

Unaudited Interim Consolidated Balance Sheet

At 30 June 2008

(Prepared under Accounting Standards for Business Enterprises)

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term loans	**7,606,236**	6,546,088
Financial liabilities	**27,604**	14,826
Accounts payables	**7,934,562**	6,338,341
Domestic air traffic liabilities	**599,627**	666,208
International traffic liabilities	**1,828,805**	1,888,548
Receipts in advance	**91,979**	53,778
Accrued employee compensations	**349,238**	254,073
Taxes payable	**410,853**	1,677,332
Interest payable	**339,837**	273,824
Other payables	**2,138,970**	2,035,038
Current portion of long-term liabilities	**8,579,487**	6,344,212
Total current liabilities	**29,907,198**	26,092,268
Non-current liablities:		
Long-term loans	**14,170,891**	12,938,092
Corporate bonds	**3,000,000**	3,000,000
Long-term payables	**1,416,378**	1,301,844
Obligations under finance lease	**14,117,596**	13,328,193
Provisions	**217,168**	191,533
Deferred tax liabilities	**776,000**	5,000
Total non-current liabilities	**33,698,033**	30,764,662
Total liabilities	**63,605,231**	56,856,930
Shareholders' equity:		
Share capital	**12,251,362**	12,251,362
Capital reserve	**11,941,279**	11,852,408
Reserve funds	**1,563,914**	1,299,214
Retained profits	**7,068,473**	6,888,843
Including: Discretionary reserve fund proposed by Board of Director	**–**	264,700
Dividend proposed by Board of Directors	**–**	837,987
Exchange differences arising on translation of foreign currency denominated financial statements	**(1,690,021)**	(1,003,732)
Shareholder's equity attributable to the Company	**31,135,007**	31,288,095
Minority interests	**529,440**	150,214
Total shareholders' equity	**31,664,447**	31,438,309
Total liabilities and shareholders' equity	**95,269,678**	88,295,239

EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND ASBE

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

	Notes	For the six months ended 30 June 2008 RMB'000 (Unaudited)	30 June 2007 RMB'000 (Unaudited)
Net profit under ASBE		**1,282,317**	1,300,297
Deferred taxes	*(i)*	**4,712**	(108,313)
Additional depreciation from restatement of costs of fixed assets	*(ii)*	**(72,493)**	(82,030)
Reversal of depreciation and amortisation arising on revaluation	*(iii)*	**155,695**	223,468
Government grant	*(iv)*	**17,372**	(8,722)
Effect of component accounting	*(v)*	**(120,281)**	245,648
Others		**(23,249)**	(1,769)
Profit attributable to equity holders of the Company under IFRS		**1,244,073**	1,568,579

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Equity attributable to equity holders of the Company under ASBE		**31,135,007**	31,288,095
Deferred taxes	*(i)*	**(26,000)**	(62,319)
Restatement of costs of fixed assets	*(ii)*	**696,334**	743,768
Reversal of revaluation surplus	*(iii)*	**(1,007,628)**	(972,848)
Government grant	*(iv)*	**(392,870)**	(410,242)
Effect of component accounting	*(v)*	**546,178**	603,038
Gain on disposal of an associate	*(vi)*	**139,919**	139,919
Goodwill from acquisition of additional interest in a joint venture	*(vii)*	**60,381**	–
Others		**15,222**	27,726
Equity attributable to equity holders of the Company under IFRS		**31,166,543**	31,357,137

Notes:

(i) This mainly represents differences in deferred tax caused by other difference under IFRS and ASBE as explained below.

(ii) Differences in the costs of fixed assets mainly relate to fixed assets acquired in foreign currencies prior to 1 January 1994 and are stated at the equivalent amount of RMB translated at the then prevailing exchange rates prescribed by the government (i.e. the government-prescribed rates). Under IFRS, such differences are stated at the equivalent amount of RMB translated at the then prevailing market rate (i.e. the swap rate), resulting in differences in the costs of fixed assets between the financial statements prepared under IFRS and under ASBE.

(iii) In accordance with the accounting policies under IFRS, all assets are recorded at historical costs. Accordingly, the revaluation of assets and their amortisation recorded under ASBE are reversed in the financial statements prepared under IFRS.

(iv) Under both IFRS and ASBE, government grant or subsidies from government should be debited to receivables from government grant or the relevant assets, and time credited to deferred income in the balance sheet, which is amortised to the income statement on a straight-line basis. Assets received from government grant was debited to asset and credited to capital reserve while cash received was recognised in cash and cash equivalent and subsidy income. As the government grant had no significant impact on the Group's net profit and net assets, it was not adjusted in the group's financial statements prepared under ASBE.

(v) This represents timing differences on the adoption of component accounting under IFRS and ASBE. Component accounting was adopted by the Group on a prospective basis under IFRS in 2005 while it was adopted on a prospective basis under ASBE in 2007.

(vi) This represents the difference in the gain on disposal of the Group's interest in Dragonair to Cathay Pacific under IFRS and ASBE.

(vii) This represents the difference in the goodwill on acquisition of additional interests in Air China Cargo under IFRS and ASBE.

Glossary of Technical Terms

CAPACITY MEASUREMENTS

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

TRAFFIC MEASUREMENTS

"revenue passenger kilometres" or "RPKs"	the number of revenue passengers carried multiplied by the kilometres flown
"passenger traffic"	measured in RPKs, unless otherwise specified
"revenue freight tonne kilometres" or "RFTKs"	the revenue cargo and mail load in tonnes multiplied by the kilometres flown
"cargo traffic"	measured in RFTKs, unless otherwise specified
"revenue tonne kilometres" or "RTKs"	the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown

LOAD FACTORS

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

UTILISATION

"block hours"	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