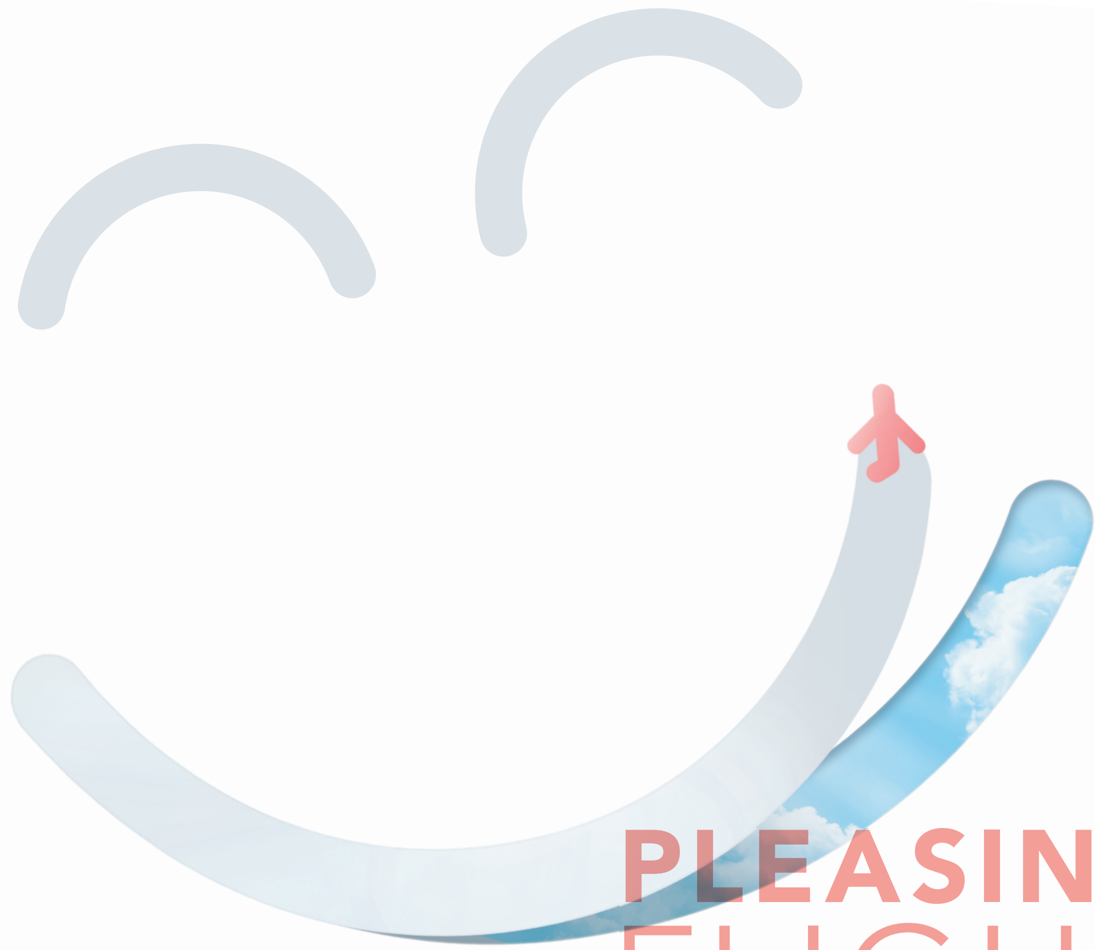
AIR CHINA
中国国际航空公司

A STAR ALLIANCE MEMBER

Air China Limited

Stock code: 00753 HongKong 601111 Shanghai AIRC London



PLEASING FLIGHT 2014

INTERIM REPORT

No. 30, Tianzhu Road, Tianzhu Airport Economic Development Zone,
Beijing, 101312, P.R. China
Tel 86-10-61461959
Fax 86-10-61462805
www.airchina.com.cn

CONTENTS

AIR CHINA

GATE	FLIGHT	DATE	BOARDING TIME
GATE 1	CA753	15 DEC 2004	09:30

Air China is the only national flag carrier of China and a member of Star Alliance, the world's largest airline alliance. It is also the only Chinese civil aviation enterprise listed in "The World's 500 Most Influential Brands".

Air China is actively implementing the strategic objectives of ranking among the top in terms of global competitiveness, continuously strengthening our development potentials, providing our customers with a unique and excellent experience and realising sustainable growth to create value for all related parties.

VIP WORLD PASS

FROM - TO

PEK-HKG

Air China is headquartered in Beijing, the capital of China, with two increasingly important hubs in Shanghai and Chengdu. With Star Alliance, our network covered 1,328 destinations in 195 countries as at 30 June 2014. Air China is dedicated to provide passengers with safe, convenient, comfortable and personalised services.

In addition, Air China also holds equities directly or indirectly in the following airlines: Air China Cargo Co., Ltd, Shenzhen Airlines Company Limited, Air Macau Company Limited, Beijing Airlines Company Limited, Dalian Airlines Company Limited, Air China Inner Mongolia Co., Ltd, Cathay Pacific Airways Limited, Shandong Airlines Co., Ltd. and Tibet Airlines Company Limited.

CLASS

FIRST CLASS

SEAT

1A

CORPORATE INFORMATION

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

Blue Sky Mansion
28 Tianzhu Road
Airport Industrial Zone
Shunyi District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

5th Floor, CNAC House
12 Tung Fai Road
Hong Kong International Airport
Hong Kong

WEBSITE ADDRESS:

www.airchina.com.cn

DIRECTORS:

Cai Jianjiang
Wang Yinxiang
Cao Jianxiong
Feng Gang
John Robert Slosar
Ian Sai Cheung Shiu
Song Zhiyong
Fan Cheng
Fu Yang
Yang Yuzhong
Pan Xiaojiang
Simon To Chi Keung

SUPERVISORS:

Li Qinglin
He Chaofan
Zhou Feng
Xiao Yanjun
Shen Zhen

LEGAL REPRESENTATIVE OF THE COMPANY:

Cai Jianjiang

JOINT COMPANY SECRETARIES:

Rao Xinyu
Tam Shuit Mui

AUTHORISED REPRESENTATIVES:

Cai Jianjiang
Tam Shuit Mui

LEGAL ADVISORS TO THE COMPANY:

Haiwen & Partners *(as to PRC Law)*
Sullivan & Cromwell *(as to Hong Kong and English Law)*

INTERNATIONAL AUDITORS:

KPMG

H SHARE REGISTRAR AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING LOCATIONS:

Hong Kong, London and Shanghai

SUMMARY OF FINANCIAL INFORMATION

(RMB'000)	**For the six months ended 30 June 2014**	For the six months ended 30 June 2013	Change (%)
Turnover	**49,932,200**	46,019,035	8.50
Profit from operations	**2,343,540**	1,426,615	64.27
Profit before tax	**559,792**	1,546,625	-63.81
Profit after tax (including profit attributable to non-controlling interests)	**457,529**	1,151,406	-60.26
Profit/(Loss) attributable to non-controlling interests	**(52,843)**	6,607	-899.80
Profit attributable to equity shareholders of the Company	**510,372**	1,144,799	-55.42
EBITDA[1]	**7,908,905**	6,714,053	17.80
EBITDAR[2]	**10,590,565**	9,067,386	16.80
Earnings per share attributable to equity shareholders of the Company (RMB)	**0.0415**	0.0931	-55.42
Return on equity (%)	**0.96%**	2.23%	-1.27 ppts

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

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

(RMB'000)	**30 June 2014**	31 December 2013	Change (%)
Total assets	**203,661,727**	205,083,287	-0.69
Total liabilities	**146,599,109**	147,537,099	-0.64
Non-controlling interests	**3,623,536**	3,788,803	-4.36
Equity attributable to equity shareholders of the Company	**53,439,082**	53,757,385	-0.59
Shareholder's equity per share (RMB)	**4.08**	4.11	-0.73

SUMMARY OF OPERATING DATA

The following summary includes the operating data of the Company, Air China Cargo, Shenzhen Airlines (including Kunming Airlines), Air Macau, Dalian Airlines and Inner Mongolia Airlines.

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease
Traffic			
RPK (in millions)	**75,053.51**	67,905.28	10.53%
International	**22,610.75**	19,050.89	18.69%
Domestic	**49,010.32**	45,905.33	6.76%
Hong Kong, Macau and Taiwan	**3,432.43**	2,949.06	16.39%
RFTK (in millions)	**2,562.73**	2,366.18	8.31%
International	**1,811.28**	1,631.92	10.99%
Domestic	**697.68**	688.87	1.28%
Hong Kong, Macau and Taiwan	**53.77**	45.39	18.46%
Passengers (in thousands)	**40,143.98**	37,450.18	7.19%
International	**4,267.73**	3,596.10	18.68%
Domestic	**33,716.41**	31,976.56	5.44%
Hong Kong, Macau and Taiwan	**2,159.85**	1,877.52	15.04%
Cargo and mail carried (tonnes)	**729,107.05**	697,849.87	4.48%
Kilometres flown (in millions)	**514.75**	468.10	9.97%
Block hours (in thousands)	**814.92**	755.48	7.87%
Number of flights	**296,310**	259,345	14.25%
International	**29,344**	25,118	16.82%
Domestic	**249,550**	218,380	14.27%
Hong Kong, Macau and Taiwan	**17,416**	15,847	9.90%
RTK (in millions)	**9,241.53**	8,419.18	9.77%
Capacity			
ASK (in millions)	**93,128.72**	83,718.58	11.24%
International	**28,779.88**	23,856.03	20.64%
Domestic	**59,684.57**	55,752.37	7.05%
Hong Kong, Macau and Taiwan	**4,664.27**	4,110.17	13.48%
AFTK (in millions)	**4,750.37**	4,132.68	14.95%
International	**3,037.82**	2,604.85	16.62%
Domestic	**1,549.47**	1,394.15	11.14%
Hong Kong, Macau and Taiwan	**163.08**	133.67	22.00%
ATK (in millions)	**13,152.09**	11,684.01	12.56%

SUMMARY OF OPERATING DATA

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease
Load factors			
Passenger load factor (RPK/ASK)	**80.59%**	81.11%	-0.52 ppts
International	**78.56%**	79.86%	-1.29 ppts
Domestic	**82.12%**	82.34%	-0.22 ppts
Hong Kong, Macau and Taiwan	**73.59%**	71.75%	1.84 ppts
Cargo and mail load factor (RFTK/AFTK)	**53.95%**	57.26%	-3.31 ppts
International	**59.62%**	62.65%	-3.03 ppts
Domestic	**45.03%**	49.41%	-4.38 ppts
Hong Kong, Macau and Taiwan	**32.97%**	33.96%	-0.98 ppts
Overall load factor (RTKs expressed as a percentage of ATKs)	**70.27%**	72.06%	-1.79 ppts
Daily utilization of aircraft (block hours per day per aircraft)	**9.51**	9.45	0.06 hour
Yield			
Yield per RPK (RMB)	**0.58**	0.60	-3.33%
International	**0.49**	0.52	-5.77%
Domestic	**0.60**	0.61	-1.64%
Hong Kong, Macau and Taiwan	**0.86**	0.92	-6.52%
Yield per RFTK (RMB)	**1.54**	1.58	-2.53%
International	**1.57**	1.66	-5.42%
Domestic	**1.35**	1.26	7.14%
Hong Kong, Macau and Taiwan	**3.09**	3.39	-8.85%
Unit cost			
Operating cost per ASK (RMB)	**0.51**	0.53	-3.77%
Operating cost per ATK (RMB)	**3.62**	3.82	-5.24%

CHAIRMAN'S STATEMENT

In the first half of 2014, facing a complex and volatile economic environment both internationally and domestically, and coupled with an intense competitive aviation market, the Group has proactively met our challenges by continuously pushing forward several strategic priorities and adjusting our operational and sales tactics in a timely fashion. During the first half of 2014, the Group recorded a profit attributable to shareholders of RMB510 million, a decline of 55.42% from the corresponding period last year. Our core passenger and cargo transport business achieved above average performance with an operating profit of RMB2.344 billion, an increase of 64.27% from the same period of last year. We suffered a net exchange translation loss of RMB721 million as compared to a net exchange translation gain of RMB1.119 billion for the same period of last year. The exchange rate volatility of the RMB against the US dollar was the primary factor that led to the overall decline of our first half results.

In the first half of 2014, our capacity measured in available seat kilometer reached 93,129 million and our revenue passenger kilometer reached 75,054 million, representing an increase of 11.24% and 10.53% respectively over the same period of last year. We carried a total of 40,144,000 passengers, representing an increase of 7.19% over the same period of previous year. Our passenger load factor fell by 0.52 percentage point to 80.59% compared to the same period of last year. Our passenger yield decreased by 3.33% to RMB0.58 compared to the same period of last year, while our operating cost per available seat kilometer decreased by 3.77% to RMB0.51.

In the first half of 2014, we took delivery of 28 new aircraft including A330s, A320s, B777-300ERs and B737-800s, and retired 13 old aircraft including A340s, B747-400COMBI and B767, thus reducing the average age of our fleet to 6.22 years. This allowed us to further optimise our fleet and to reduce our operating and maintenance costs.

During the first half of 2014, demand in the domestic passenger market grew moderately with Central-Western and Northeastern regions continuing to grow at a faster pace than the Eastern region. Enthusiasm for outbound travel remained high and the market for international passengers continued to be strong, although some regions and aviation routes faced increased operating pressures. We have continued to closely track changing market demands and rationally allocate our capacity and resources accordingly under the principle of maximizing marginal gains. As such, we have increased our domestic capacity moderately, deploying most of the new capacity in Central-Western and Northeastern regions. We have also expanded our international capacity considerably, focusing primarily on North-American and European regions. At the same time, in view of changing passenger trend in the wake of political instability in Southeast Asia, we have promptly reduced our capacity in such market and added our capacity in high-yield regions such as Japan and Korea, thus avoiding losses and increasing gains. In the American and European routes, we have focused on increasing the utilization of our competitive wide-body jets. For our Frankfurt, London, Paris and US mainland routes where there was a relatively high concentration of business travelers, we have improved passenger experience through using only B777-300ER aircraft.

Our Group steadfastly implemented our hub network strategy. As a result, the value of our hubs continued to rise. The Beijing hub has continued its qualitative development by extending the breadth and frequency of its international and domestic networks and further optimizing its flight waves structure. With these efforts, the number of connecting flights has increased by 17.3% as compared to the same period of the previous year. The Chengdu regional hub further strengthened its competitive position by launching a new international route to Yangon via Kunming and two domestic routes to Yining and Yulin. In addition, the Shanghai gateway launched a new route to Munich, thus increasing its direct aviation services to four European cities. Our international capacity has had relatively significant growth in the first half of 2014, thus achieving a more balanced network between both our international and domestic routes.

We have continued to promote strategic synergy among members of the airlines in our Group during the first half of 2014 and deepened our cooperation in many aspects which include flight slot exchange, risk control in e-commerce payment, management of overseas operations, co-ordination of aircraft delivery positions and maintenance cost linkage. We have furthered cooperation with our strategic partner, Cathay Pacific Airways Limited in many aspects, not least in joint purchases, outposts maintenance, spare parts management, energy conservation and emission reduction and training. Together, we are to inject RMB2 billion of capital into Air China Cargo to support its fleet restructuring and business transformation.

In the first half of 2014, the Group has continued to enhance our service quality and to improve our passengers' experience. We have collected customers' service evaluation reports through various channels such as satisfaction surveys conducted by ourselves and external organizations including the Star Alliance. This has enabled us to capture customers' demands in an accurate and timely manner, thus ensuring that our services and products are in line with the passengers' expectations. In the first half of 2014, we have continued to enhance our full-featured service chain and have focused on improving our services in flight transit, baggage transportation, in-flight catering and handling of flights irregularities. We have proactively created and continued to launch a series of new products such as self-rebooking, self baggage check-in and security clearance via mobile QR code. We have also promoted the usage of mobile devices and become the first Chinese airline to utilise both satellite communications and ground stations broadband connection.

The air cargo market recovered moderately in the first half of 2014. During this period, Air China Cargo recorded an increase of 15.66% and 8.35% in available freight tonne kilometers and revenue freight tonne kilometers respectively as compared to the same period of last year. It carried 3.64% more cargo and mail and reduced its net loss by 51.48% as compared to the corresponding period last year. In the first half of 2014, Air China Cargo has focused on the adjustment of its fleet and on strengthening its operational arrangement. It has accelerated the introduction of its new B777Fs aircraft in the high-yielding European routes, which has helped to improve the operating efficiency of the cargo fleet and reduce operating costs, thus demonstrating the initial benefits of fleet restructuring. The company has also expanded its strategic cooperation with China Postal Airlines and increased the Nanjing centrally operating B757Fs aircraft to three, thus achieving outstanding efficiency. We have also strengthened the co-ordination of our passenger and cargo services and increased our bellyhold load factor through measures such as swap loading and standby cargo, thus enhancing our quality of operation.

In the second half of 2014, the China's economy is likely to maintain a trend of overall stable development. We predict that the passenger aviation business will maintain the growth trend in the first half and the cargo business is likely to continue to improve. However, the industry's internal and external competition will remain intense, while exchange rates and oil prices still remain uncertain. In light of these challenges, the Group will continue to implement measures to create new competitive advantages and to gain new development opportunities so that we can provide better returns to our shareholders and the community.

蔡剑江

Cai Jianjiang
Chairman

Beijing, PRC
26 August 2014

BUSINESS OVERVIEW

In the first half of 2014, the Group's ATKs and RTKs reached 13,152 million and 9,242 million, representing an increase of 12.56% and 9.77%, respectively, over the same period of last year. The Group's overall load factor was 70.27%, representing a decrease of 1.79 percentage points over the same period of the previous year.

DEVELOPMENT OF FLEET

In the first half of 2014, the Group acquired 28 aircraft, including 4 from the A320 series, 4 A330-300s, 13 B737-800s, 3 B777-300ERs and 3 B777Fs. We phased out 13 old aircraft, consisting of 1 A340, 6 B737s, 3 B747-400COMBIs, 1 B767-300ER and 2 B747-400Fs. As of June 30, 2014, the Group operated a fleet of 512 aircraft with an average age of 6.22 years (excluding aircraft under wet leases). The Company operated a fleet of 316 aircraft with an average age of 6.28 years (excluding aircraft under wet leases). During the first half of 2014, the Company acquired 14 aircraft and retired 14 aircraft.

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

	30 June 2014					Introduction Plan		
	Subtotal	Self-owned	Finance Leased	Operating Leased	Average Age	2014	2015	2016
Passenger aircraft	**488**	**224**	**134**	**130**	**6.16**	**61**	**63**	**42**
Among which:								
Airbus series	**239**	**96**	**86**	**57**	**5.31**	**25**	**22**	**21**
A319	40	24	9	7	9.18	0	0	0
A320/A321	150	58	59	33	4.36	17	18	21
A330	45	10	18	17	4.13	8	4	0
A340	4	4	0	0	15.76	0	0	0
Boeing series	**249**	**128**	**48**	**73**	**7.00**	**36**	**41**	**21**
B737	210	104	36	70	6.54	29	37	14
B747	5	5	0	0	18.44	3	4	0
B757	5	5	0	0	20.06	0	0	0
B777	29	14	12	3	6.03	4	0	0
B787	0	0	0	0	–	0	0	7
Freighters	**12**	**11**	**1**	**0**	**11.76**	**7**	**3**	**0**
B747F	5	5	0	0	16.89	0	0	0
B757F	3	3	0	0	18.55	3	0	0
B777F	4	3	1	0	0.27	4	3	0
Business jets	**12**	**1**	**0**	**11**	**3.07**	**1**	**2**	**3**
Total	**512**	**236**	**135**	**141**	**6.22**	**69**	**68**	**45**

In the first half of 2014, the Company made new progress in hub construction, sales and marketing, strategic synergy, product innovation, service enhancement and cost control.

HUB NETWORK

We proactively expanded our route network. The Beijing hub, the Chengdu regional hub and the Shanghai gateway accelerated the construction of their international route network with the introduction of the Beijing-Washington, Beijing-Barcelona, Beijing-Jeju, Chengdu-Yangon and Shanghai-Munich routes. We also reinstated the Beijing-Vienna route, and added capacity to the international routes from Beijing to New York, Houston and Stockholm. Domestically, we mainly increased the frequency of flights to certain second-tier and third-tier cities to strengthen the weak links within our route network and to expand the coverage of our hubs. As a result, transfer revenue increased by 6.3% compared with the same period of the previous year.

As of June 30, 2014, the number of air passenger routes operated by the Company reached 323, including 229 domestic routes, 79 international routes and 15 regional routes. They covered 162 cities in 32 countries and regions, including 53 international cities, 3 regional cities and 106 domestic cities. Through Star Alliance, the Company's network can cover 1,328 destinations in 195 countries.

MARKETING

Using the market and customer as guide references, we timely adjusted our sales and marketing tactics to systemically enhance our marketing capabilities. We rolled out the application of OD Yield Management system and Customer Relationship Management (CRM) system, proactively restructured our sales and marketing model and focused our competitive resources in markets where we enjoyed competitive advantages, so as to better match our supply with customer demands and to further consistently improve our yield management quality. By optimizing flight sub-class structure and then improving the revenue levels of premium classes during peak seasons, and by expanding the sales volume of premium classes during off peak seasons, we have steadily increased the proportion of revenue derived from premium classes. As our frequent flyer program reached its 20th anniversary, the number of PhoenixMiles members has exceeded 30 million and our customers' loyalty has effectively increased. We extended our cooperation with business travel service providers by participating in the "International Airline Program" of American Express (AMEX), thus continuing to enhance the ratio of premium-classes customers in our customer base. The smooth launch of our e-commerce settlement platform, continuing enhancement of the functionality of our website and enriched choices of e-commerce products such as "Phoenix Holiday" have effectively improve our e-commerce marketing capability. During the first half of 2014, the half-yearly revenue growth rates of premium classes, frequent flyers, corporate customers and e-commerce were 10%, 9.6%, 25% and 30% respectively.

SYNERGY AND COOPERATION

We have further strengthened the strategic synergy of the Group's member airlines. We established the basic rules for the Company's cooperation with Shenzhen Airlines and Shandong Airlines in connection with the frequent flyer program, set benchmarks for the bundling of corporate customer service of the Company and Shenzhen Airlines, and preliminarily completed the construction of the "Air China Group" corporate customer management system structure. We achieved 70 time slot exchanges per week with Shandong Airlines and Kunming Airlines, and we continued to implement the "Air China Group" maintenance cost linkage to realize cost savings of RMB23.8 million.

We also proactively extended our external cooperation. We continued to advance our cooperation with Cathay Pacific in areas such as joint procurement, outposts maintenance, spare parts management, energy conservation and emission reduction, and training. Under the co-ordination of Star Alliance, we jointly implemented the Move Under One Roof project at the London Heathrow Airport and at the Sao Paulo Airport in Brazil as well as the seamless hub project at the Beijing Capital Airport T3 terminal. With the commissioning of routes to Hawaii, Vienna and Washington, we established code-sharing with Hawaiian Airlines and expanded code-sharing with Austrian Airlines and United Airlines, in pursuit of expanding the marketing of the new routes. We launched an air-rail joint service with Deutsche Bahn, which allowed us to extend our overseas route network, expand the marketing and sales of our Chinese-German routes, and raise the load factors.

PRODUCTS AND SERVICES

We focused on the construction of our full-featured service chain to improve the experience of our customers. We now offer through check-in services at 126 destinations, and registered 1.032 million passengers for through check-in. We enhanced our CUSS (common use self-service) equipment which were utilised to check in 1.89 million passengers. We promoted mobile and SMS check-in service and checked-in 0.55 million passengers, an increase of 48% compared with a year ago. We launched self rebooking service at Chengdu airport, and made further progress on projects such as advance check-in for Internet booking, full self-serviced baggage check in, and mobile check-in QR code security clearance. In Beijing, we launched the T3C express lounge and the T3D lounge, while in Shanghai we opened the nation's largest lounge at Pudong Airport. We also introduced "catering experts" and renowned food and beverage brands to our catering services inside cabins and in the lounges in order to improve the quality of our food. We became the first Chinese airline to utilise both satellite communications and ground stations broadband connection, allowing us to offer passengers with greater speed wireless local area network service. We made full use of the Company's operating system to improve the flights on-time performance rate by establishing a standing co-ordination mechanism with the airport authorities and air traffic control authorities.

COST CONTROL

We continued to implement our cost-leadership strategy and further increased our cost advantages. With a continued optimization of our fleet and through the balancing of our capacity investment structure, fleet utilization structure and flight distance structure, we have further optimize our cost structure, and realized savings of RMB0.74 billion in our passenger fleet variable costs during the first half of the year. We also reduced fuel oil expenses by strengthening measures such as aircraft weight reduction, route altitude management of long-haul routes, and post-landing residual fuel management. By increasing the use of ground electricity and bridge-borne equipment, we reduced the use of auxiliary power unit (APU) by almost 0.11 million hours. By adjusting the aircraft types and fuel loading for specific routes, and by careful selection of backup airports, we expanded loading space by 0.023 million tons. We refined the categories of onboard food and other cabin supplies and launched corresponding management and control system. We introduced internal market-based settlement simulation, and promulgated activities-based costing method to enable more detailed management and control of our costs.

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS

(1) Air China Cargo

Air China Cargo was established in 2003. In 2011, Air China completed the cargo joint venture project with Cathay Pacific based on the platform of the former Air China Cargo. The registered capital of the joint venture is RMB3,235,294,118. Air China holds 51% of its equity interest.

As at June 30, 2014, Air China Cargo operated a fleet of 12 aircraft with an average age of 11.76 years. During the first half of 2014, 5 aircraft were acquired and 2 aircraft were phased out.

In the first half of 2014, the AFTKs and RFTKs of Air China Cargo reached 4,425 million and 2,326 million, respectively, representing an increase of 15.66% and 8.35%, respectively, from the same period of last year. The amount of cargo and mail carried increased by 3.64% to 0.579 million tonnes and the cargo and mail load factor decreased by 3.54 ppts to 52.57%, as compared to the same period of the previous year.

In the first half of 2014, Air China Cargo's turnover was RMB4,082 million, representing an increase of 9.58% from the same period of the previous year, of which cargo and mail transportation revenue was RMB3,773 million, representing an increase of 5.78% as compared to the same period of last year. During the first half of 2014, Air China Cargo incurred a net loss of RMB131 million, representing a decrease of 51.48% from the same period of the previous year.

(2) Shenzhen Airlines

Shenzhen Airlines was established in 1992, with its principal operating base located in Shenzhen. Its principal business is the operation of passenger and cargo transportation. The registered capital of Shenzhen Airlines is RMB812,500,000 with Air China holding 51% of its equity interest.

As at June 30, 2014, Shenzhen Airlines (including Kunming Airlines) operated a fleet of 149 aircraft with an average age of 5.45 years. A total of 9 aircraft were acquired in the first half of 2014.

In the first half of 2014, the ASKs and RPKs of Shenzhen Airlines (including Kunming Airlines) reached 22,433 million and 18,431 million, respectively, representing an increase of 11.28% and 11.11%, respectively, from the same period of last year. Shenzhen Airlines (including Kunming Airlines) carried 12.3972 million passengers, representing an increase of 9.59% compared with the same period last year. Its average passenger load factor was 82.16%, representing a decrease of 0.13 ppts from the same period of the previous year.

In terms of air cargo, the AFTKs and RFTKs of Shenzhen Airlines (including Kunming Airlines) reached 275 million and 220 million respectively, representing an increase of 2.73% and 6.59% respectively from the same period of last year. The amount of cargo and mail carried by Shenzhen Airlines (including Kunming Airlines) increased by 6.27% to 0.1376 million tonnes and the cargo and mail load factor increased by 2.88 ppts to 79.72% as compared to the same period of the previous year.

In the first half of 2014, Shenzhen Airlines recorded a consolidated turnover of RMB11,226 million, representing an increase of 11.24% from the same period of the previous year, of which air traffic revenue was RMB10,413 million, representing an increase of 7.74% from the same period of last year. Profit attributable to the parent company for the period was RMB14 million, representing a decrease of 94.04% compared with the same period of the previous year.

(3) Air Macau

Air Macau was established in 1994 and is an airline based in Macau with a registered capital of MOP442,042,000. Air China holds 66.9% of its equity interest.

As at June 30, 2014, Air Macau operated a fleet of 15 aircraft with an average age of 11.39 years. In the first half of 2014, it introduced 1 aircraft.

In the first half of 2014, the ASKs and RPKs of Air Macau reached 2,495 million and 1,696 million respectively, representing an increase of 19.49% and 21.42%, respectively from the same period of last year. A total of 1.0231 million passengers were carried, with an average load factor of 67.97%, representing an increase of 19.68% and 1.08 ppts respectively as compared to the same period of the previous year.

In terms of air cargo, the AFTKs and RFTKs of Air Macau reached 39.0245 million and 11.2609 million, respectively, representing an increase of 20.71% and 19.39%, respectively from the same period of last year. It carried 7,377.16 tonnes of cargo and mail, representing an increase of 18.11% from the same period of last year, while the cargo and mail load factor was 28.86%, representing a decrease of 0.32 ppts from the same period of last year.

In the first half of 2014, Air Macau recorded a turnover of RMB1,335 million, representing an increase of 1.75% over the same period of last year, of which air traffic revenue was RMB1,304 million, representing an increase of 27.84% from the same period of last year, with a profit after tax of RMB21 million, representing a decrease of 72.37% over the same period of the previous year.

(4) Dalian Airlines

Dalian Airlines was established in 2011 with a registered capital of RMB1 billion. Air China holds 80% of its equity interest.

As at June 30, 2014, Dalian Airlines operated a fleet of 6 aircraft, with an average age of 3.25 years.

In the first half of 2014, the ASKs and RPKs of Dalian Airlines reached 871 million and 710 million, respectively, representing an increase of 35.29% and 31.58%, respectively, from the same period of last year. A total of 0.6095 million passengers were carried, representing an increase of 37.42% from the same period of the previous year, with an average passenger load factor of 81.53%, representing a decrease of 2.29 ppts from the same period of the previous year.

In terms of air cargo, the AFTKs and RFTKs of Dalian Airlines reached 10.4773 million and 5.3877 million, respectively, representing an increase of 54.52% and 32.84%, respectively, from the same period of last year. The amount of cargo and mail carried by Dalian Airlines was 4,263.89 tonnes, representing an increase of 22.94% from the same period of last year, with a cargo and mail load factor of 51.42%, representing a decrease of 8.39 ppts from the same period of the previous year.

In the first half of 2014, Dalian Airlines recorded a turnover of RMB416 million, representing an increase of 12.43% from the same period of last year, all of which were air traffic revenue. The net loss was RMB22 million as compared to profit after tax of RMB12 million from the same period of the previous year.

(5) Beijing Airlines

Beijing Airlines was established in 2011 with a registered capital of RMB1 billion. Air China holds 51% of its equity interest.

As at June 30, 2014, Beijing Airlines operated a fleet of 11 entrusted business jets and 1 self-owned business jet, with an average age of 3.07 years. 1 entrusted aircraft was introduced in the first half of the year.

In the first half of 2014, Beijing Airlines completed 261 flight, representing an increase of 12.99% from the same period of last year, recorded 1,407.5 flying hours, representing an increase of 25.51% from the period of last year and have carried a total of 2,035 passengers, representing an increase of 31.97% from the same period of last year.

A turnover of RMB65 million was recorded by Beijing Airlines in the first half of 2014, representing an increase of 22.64% from the same period of last year, of which, revenue from charter flight service was RMB5.8 million, representing a decrease of 51.67% from the same period of last year, and recorded a profit after tax of RMB2.9 million, representing a decrease of 27.50% from the same period of the previous year.

(6) Inner Mongolia Airlines

Inner Mongolia Airlines was established in 2013 with a registered capital of RMB1 billion. Air China holds 80% of its equity interest.

As at June 30, 2014, Inner Mongolia Airlines operated a fleet of 2 aircraft with an average age of 10.42 years. 1 aircraft was introduced in the first half of the year.

In the first half of 2014, the ASKs and RPKs of Inner Mongolia Airlines reached 81.1449 million and 72.9135 million, respectively. A total of 0.1341 million passengers were carried, with an average passenger load factor of 89.86%.

In terms of air cargo, the AFTKs and RFTKs of Inner Mongolia Airlines reached 0.9257 million and 0.4877 million, respectively. The amount of cargo and mail carried by Inner Mongolia Airlines was 886.28 tonnes, with a cargo and mail load factor of 52.69%.

In the first half of 2014, Inner Mongolia Airlines recorded a turnover of RMB88 million, of which air traffic revenue was RMB87 million, with a net loss of RMB8.6 million.

(7) Shandong Airlines

Shandong Airlines was established in 1999 with a registered capital of RMB400 million. Air China holds 22.8% of its equity interest.

As at June 30, 2014, Shandong Airlines operated a fleet of 67 aircraft (excluding 6 aircraft under wet lease to Air China) with an average age of 4.86 years. 2 aircraft were introduced and 1 aircraft was retired in the first half of the year.

In the first half of 2014, the ASKs and RPKs of Shandong Airlines reached 10,873 million and 8,497 million, respectively, representing an increase of 17.78% and 17.93%, respectively, from the same period of last year. Shangdong Airlines carried 6.8556 million passengers, representing an increase of 16.35% from the same period of last year. Its average passenger load factor was 78.14%, representing an increase of 0.04 ppts as compared to same period of the previous year.

In terms of air cargo, the AFTKs and RFTKs of Shandong Airlines reached 211 million and 91 million, respectively, representing an increase of 24.12% and 16.67%, respectively, from the same period of last year. The amount of cargo and mail carried by Shandong Airlines increased by 14.50% to 0.0624 million tonnes and the cargo and mail load factor decreased by 3.35 ppts to 42.86%, compared to the same period of the previous year.

In the first half of 2014, Shandong Airlines recorded a turnover of RMB5,564 million, representing an increase of 0.71% from the same period of last year, of which air traffic revenue was RMB5,458 million, representing an increase of 0.44% from the same period of last year and with an attributable profit of RMB47 million, representing a decrease of 42.68% as compared to the same period of the previous year.

EMPLOYEES

As at June 30, 2014, we had a total of 25,269 employees, and our subsidiaries had a total of 39,547 employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

Profit Analysis

For the six months ended 30 June 2014, the Group proactively responded to market changes by adopting various measures such as strengthening operational arrangement, adjusting sales model, optimizing cost management and deepening strategic synergy. Notwithstanding changes of market demand structure, high international jet fuel price and intensified competition, we recorded profit from operations of RMB2,344 million, representing an increase of 64.27% over the same period of 2013. However, due to factors such as depreciation of RMB against U.S. dollars, the Group recorded profit attributable to shareholders of the Company of RMB510 million during the first half of 2014, representing a decrease of 55.42% over the same period of 2013.

Turnover

For the six months ended 30 June 2014, the Group's total turnover was RMB49,932 million, representing an increase of RMB3,913 million or 8.50% as compared with that of the same period of the previous year. Revenue from our air traffic operations, among other things, contributed RMB47,511 million to the total turnover, representing an increase of RMB3,046 million or 6.85% over the corresponding period of last year, which was mainly attributed to increase in the number of flights and capacity investment. Our other operating revenue was RMB2,421 million, representing an increase of RMB867 million or 55.78% as compared with that of the same period last year, which was mainly attributed to the increase in ground service income and frequent-flyer programme miles income.

Revenue Contribution by Geographical Segments

	For the six months ended 30 June				
	2014		2013		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**14,003,420**	**28.04%**	12,737,093	27.68%	9.94
Domestic	**32,820,469**	**65.73%**	30,409,332	66.08%	7.93
Hong Kong, Macau and Taiwan	**3,108,311**	**6.23%**	2,872,610	6.24%	8.21
Total	**49,932,200**	**100.00%**	46,019,035	100.00%	8.50

Air Passenger Revenue

For the six months ended 30 June 2014, the Group recorded an air passenger revenue of RMB43,559 million, representing an increase of RMB2,823 million or 6.93% over the same period of 2013. Among the Group's air passenger revenue, the increase in capacity contributed to an increase of RMB4,579 million, while the decrease in passenger load factor and passenger yield resulted in a decrease in revenue of RMB291 million and RMB1,465 million, respectively. The Group's capacity, load factor and passenger yield of our passenger operations for the six months ended 30 June 2014 are as follows:

	For the six months ended 30 June		
	2014	2013	Change
Available seat kilometres (million)	**93,128.72**	83,718.58	11.24%
Passenger load factor (%)	**80.59**	81.11	-0.52 ppts
Yield per RPK (RMB)	**0.58**	0.60	-3.33%

Air Passenger Revenue Contributed by Geographical Segment

	For the six months ended 30 June				
	2014		2013		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**11,072,274**	**25.42%**	9,958,282	24.45%	11.19
Domestic	**29,546,413**	**67.83%**	28,058,635	68.88%	5.30
Hong Kong, Macau and Taiwan	**2,940,062**	**6.75%**	2,718,675	6.67%	8.14
Total	**43,558,749**	**100.00%**	40,735,592	100.00%	6.93

Air Cargo Revenue

For the six months ended 30 June 2014, the Group's air cargo and mail revenue was RMB3,953 million, representing an increase of RMB223 million or 5.98% from the same period in 2013. Among the Group's air cargo and mail revenue, increase in capacity contributed to an increase in revenue of RMB557 million, while the decrease in cargo and mail load factor and cargo yield resulted in a decrease in revenue of RMB248 million and RMB86 million, respectively. The capacity, load factor and yield of our cargo and mail operations for the six months ended 30 June 2014 are as follows:

	For the six months ended 30 June		
	2014	2013	Change
Available freight tonne kilometres (million)	**4,750.37**	4,132.68	14.95%
Cargo and mail load factor (%)	**53.95**	57.26	-3.31 ppts
Yield per RFTK (RMB)	**1.54**	1.58	-2.53%

Air Cargo Revenue Contributed by Geographical Segment

	For the six months ended 30 June				
	2014		2013		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**2,846,681**	**72.02%**	2,705,275	72.54%	5.23
Domestic	**939,491**	**23.77%**	870,222	23.33%	7.96
Hong Kong, Macau and Taiwan	**166,418**	**4.21%**	153,935	4.13%	8.11
Total	**3,952,590**	**100%**	3,729,432	100.00%	5.98

Operating Expenses

For the six months ended 30 June 2014, the Group's operating expenses were RMB47,589 million, representing an increase of 6.72% as compared with RMB44,592 million recorded in the same period of 2013. The breakdown of the operating expenses is set out below:

	For the six months ended 30 June				
	2014		2013		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
Jet fuel costs	**17,188,863**	**36.12%**	16,372,097	36.71%	4.99
Take-off, landing and depot charges	**5,046,006**	**10.60%**	4,452,818	9.99%	13.32
Depreciation	**5,538,648**	**11.64%**	5,262,453	11.80%	5.25
Aircraft maintenance, repair and overhaul costs	**1,696,810**	**3.57%**	1,519,473	3.41%	11.67
Employee compensation costs	**7,069,881**	**14.86%**	6,198,255	13.90%	14.06
Air catering charges	**1,345,720**	**2.83%**	1,157,761	2.60%	16.23
Selling and marketing expenses	**2,874,533**	**6.04%**	2,754,840	6.18%	4.34
General and administrative expenses	**539,547**	**1.13%**	560,548	1.26%	-3.75
Others	**6,288,652**	**13.21%**	6,314,175	14.15%	-0.40
Total	**47,588,660**	**100.00%**	44,592,420	100%	6.72

In particular:

- Jet fuel costs increased by RMB817 million or 4.99% from the corresponding period in the previous year, mainly due to the increase in air traffic volume.

- Take-off, landing and depot charges increased by RMB593 million over the same period of 2013 primarily due to an increase in the number of take-offs and landings.

- Depreciation expenses increased due to an increase in the number of self-owned and financing leased aircraft during the reporting period.

- Aircraft maintenance, repair and overhaul costs recorded an increase of RMB177 million or 11.67% over the same period of last year due to the expansion of fleet size.

- Employee compensation costs increased by RMB872 million, mainly due to an increase in number of employees and the adjustment in employee compensation standard.

- Air catering charges increased by RMB188 million, mainly due to the increase in passenger numbers, improvement in service quality and rising costs of raw materials.

- Sales and marketing expenses increased by RMB120 million as compared to the same period in the previous year due to an increase in commission brought by increasing sales revenue.

- General and administrative expenses decreased by RMB21 million year-on-year, representing a year-on-year decrease of 3.75%.

- Other operating expenses mainly included aircraft and engines operating lease expenses, contributions to the civil aviation development fund and ordinary expenses arising from our core air traffic business not included in the aforesaid items. The expenses decreased by 0.40% year-on-year, substantially keeping stable compared to the same period of last year.

Financial Revenue and Financial Costs

For the six months ended 30 June 2014, the Group recorded a net exchange loss of RMB721 million as compared to a net exchange gain of RMB1,119 million for the same period in 2013, which was mainly due to the depreciation of RMB against U.S. dollars for the reporting period. For the reporting period, the Group recorded interest expenses (excluding capitalized interest) of RMB1,410 million, representing an increase of RMB119 million from the same period of 2013, which was mainly due to the growth in financing costs of the Group.

Share of Profits or Losses of Associates and Joint Ventures

For the six months ended 30 June 2014, the Group's share in the profits of its associates was RMB216 million, a RMB115 million increase as compared with a share in the profits of associates of RMB101 million for the same period of 2013, mainly due to the recognition of gains on investment in Cathay Pacific of RMB157 million under the equity method in the current reporting period, as compared with the recognition of gains on investment in Cathay Pacific a RMB113 million increase under the equity method for the same period in 2013.

For the six months ended 30 June 2014, the Company's share in the profits of its joint ventures was RMB29 million, as compared with a share in the profits of joint ventures of RMB68 million for the same period of 2013.

Analysis of Assets Structure

As at 30 June 2014, the total assets of the Group amounted to RMB203,662 million, representing a decrease of 0.69% as compared with 31 December 2013, among which current assets accounted for RMB20,730 million or 10.18% of the total assets, while non-current assets accounted for RMB182,932 million or 89.82% of the total assets.

Among the current assets, cash and cash equivalents were RMB9,062 million, representing a decrease of 38.61% from 31 December 2013, mainly due to the repayment of the second tranche of medium-term notes of RMB3,000 million issued in 2009 and the year-on-year increase in the repayment of other long-and-short-term debts during the period, resulting in an increase in cash outflow. Accounts receivable amounted to RMB2,946 million, representing an increase of 2.96% as compared with 31 December 2013. Among the non-current assets, the net book value of property, plant and equipment as at 30 June 2014 was RMB137,205 million, representing an increase of 3.31% from 31 December 2013.

Assets Mortgage

As at 30 June 2014, the Group, pursuant to certain bank loans and finance leasing agreements, mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB87,165 million (RMB85,307 million as at 31 December 2013) and land use rights with a net book value of approximately RMB37 million (RMB38 million as at 31 December 2013). At the same time, the Group had approximately RMB92 million (approximately RMB746 million as at 31 December 2013) in bank deposits pledged as certain bank loans, operating lease and other security of the Group.

Capital Expenditure

For the six months ended 30 June 2014, the Company's capital expenditure amounted to RMB5,256 million, of which the total investment in aircraft and engine was RMB4,916 million.

Other capital expenditure amounted to RMB340 million, which was mainly spent on rotables, aircraft additions and modifications, flight simulators, infrastructure construction, information system building, equipment purchase and cash component of long-term investments.

Equity Investment

As at 30 June 2014, the Group's equity investment in its associates was RMB14,279 million, representing a decrease of 2.02% as compared with 31 December 2013, of which the equity investment in Cathay Pacific, Shandong Aviation Group and Shandong Airlines was RMB12,353 million, RMB941 million and RMB565 million, respectively. Cathay Pacific, Shandong Aviation Group and Shandong Airlines recorded a profit of RMB390 million, RMB60 million and RMB47 million, respectively, for the six months ended 30 June 2014.

As at 30 June 2014, the Group's equity investment in its joint ventures was RMB1,301 million, representing an increase of 1.34% from 31 December 2013.

Debt Structure Analysis

As at 30 June 2014, the total liabilities of the Group amounted to RMB146,599 million, representing a decrease of 0.64% from 31 December 2013, among which current liabilities accounted for RMB60,453 million and non-current liabilities accounted for RMB86,146 million, representing 41.24% and 58.76% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank and other loans, corporate bonds, obligations under finance leases and bills payable) amounted to RMB32,933 million, representing a decrease of 24.05% from 31 December 2013. Other payables and accruals amounted to RMB10,021 million, representing a decrease of 7.10% from 31 December 2013.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB76,613 million, representing an increase of 12.27% from 31 December 2013.

Commitments and Contingent Liabilities

As at 30 June 2014, capital commitments of the Group amounted to RMB87,141 million, representing a decrease from RMB95,085 million as at 31 December 2013, which was primarily used in purchasing certain aircraft and related equipment to be delivered in the coming years. The Group had operating lease commitments of RMB28,795 million as at 30 June 2014, representing an increase of 9.77% as compared to the same period of last year, which was primarily used in leasing certain aircraft, office premises and related equipment. Investment commitments of the Group was RMB57 million as at 30 June 2014, representing an increase of RMB1 million from RMB56 million as at 31 December 2013, which was primarily used in respect of pre-existing joint venture agreements.

Details of the Group's contingent liabilities are set out in note 23 to the unaudited interim financial report included in this interim report.

Gearing Ratio

As at 30 June 2014, the Group's gearing ratio (total liabilities divided by total assets) was 71.98%, representing an increase of 0.04 percentage point from 71.94% as at 31 December 2013, which was mainly attributable to the recognition of dividends payment during the period which led to a decrease in equity as compared to the beginning of the year. Given that high gearing ratios are common among aviation enterprises and the Group continued to maintain a better gearing ratio in the domestic industry, the long-term insolvency risks of the Group are within control.

Working Capital and Its Sources

As at 30 June 2014, net current liabilities of the Group (current liabilities minus current assets) amounted to RMB39,723 million, representing a decrease of RMB4,533 million from 31 December 2013. The Group's current ratio (current assets divided by current liabilities) was 0.34, representing a decrease of 0.03 percentage point from 0.37 as at 31 December 2013. The decrease in net current liabilities was primarily due to the decrease in long-term liabilities within the coming year as at the end of the reporting period of this report.

The Group meets its working capital needs mainly through proceeds from its operating activities and external financing activities. During the first half of 2014, the Group's net cash inflow from operating activities was RMB6,691 million, representing an increase of 23.93% from RMB5,399 million for the same period in 2013, primarily due to the increase in cash flow from operating activities brought by the increase in net sales revenue during the reporting period. Net cash outflow from investment activities was RMB4,943 million, representing a decrease of 59.54% from RMB12,217 million for the same period of 2013, primarily due to the decrease in aircraft procurement and prepayment of aircraft compared to the same period of last year. The Group recorded a net cash outflow from financing activities of RMB7,505 million, as compared to a net cash inflow of RMB9,054 million during the same period of 2013, primarily due to the repayment of the second tranche of medium-term notes of RMB3,000 million issued in 2009 and the year-on-year increase in the repayment of other long-and-short-term debts during the period, resulting in an increase in cash outflow.

The Group's cash and cash equivalent decreased by RMB5,758 million in the first half of 2014 (as opposed to a net increase of RMB2,236 million in the same period of 2013). The Company obtained bank facilities with an aggregate maximum amount of RMB155,251 million from some banks in the PRC, of which approximately RMB45,460 million has been utilised, sufficient to meet our working capital demand and future capital commitments.

Financial Risk Management Objectives and Policies

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

The finance lease liabilities and certain bank loans and other loans of the Group are mainly settled in US dollars. Payment of certain expenses of the Group is also settled in currencies other than RMB. The Group timely remits the foreign currency income arising from the sale of tickets at the overseas office branches to China for payment of foreign currency expenses incurred in the ordinary business of the Group and repayment of foreign currency debts repayable within one year. In the event of shortfall, the Group will timely use the RMB settlement for payment. However, the exchange rate of RMB against US dollars was volatile during the reporting period, mainly resulting in the exchange loss recognized by the Group during the reporting period.

As to interest rate risk management, the Company reasonably adjusts the proportion of fixed interest rates and variable interest rates of interest-bearing liabilities so as to avoid the interest rate risks.

SIGNIFICANT EVENTS

ANTITRUST INVESTIGATION

On 26 February 2007, the Eastern District Court of New York of the US Federal Courts issued summons to the Company and Air China Cargo in connection with the antitrust civil case relating to the air cargo services. Pursuant to such summons, various airlines, including the Company and Air China Cargo, were sued for breaching the US Antitrust Law on the ground that these airlines were acting in concert in imposing excessive surcharges so as to impede the offering of discount that would be made available for the prices charged for air cargo services and that these airlines had reached an agreement on the allocation of revenues and consumers so as to achieve such purposes as setting, increasing, maintaining or stabilizing the air cargo prices. As of the date hereof, the court is still considering whether or not the case will proceed as a class action. As the litigation is in process, our Directors believe that they are unable to make a reasonable and reliable estimate of the outcome of the case at this stage, and therefore, no provision has been made for such litigation for the time being.

CHANGES IN INFORMATION ABOUT DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

1. On 23 January 2014, the Board received a resignation letter from Mr. Christopher Dale Pratt in respect of his resignation from his position as a non-executive director of the Company with effect from 14 March 2014 due to change of job assignments.

2. On 27 January 2014, the Board received a resignation letter from Mr. Wang Changshun in respect of his resignations from the positions as the chairman of the Board and a director of the Company due to change of job assignments.

3. On 28 January 2014, the Board received a resignation letter from Mr. Cai Jianjiang in respect of his resignation from the position as the president of the Company due to change of job assignments to CNAHC. He would serve as a non-executive director of the Company instead of as an executive director. On the same day, the Company held the third meeting of the fourth session of the Board where Mr. Song Zhiyong was appointed as the president of the Company and nominated as a candidate for the position of executive director. On 22 May 2014, the Company held the 2013 annual general meeting where Mr. Song Zhiyong was elected as an executive director of the Company.

4. On 21 February 2014, the Company held the fourth meeting of the fourth session of the Board where Mr. Cai Jianjiang was elected as the chairman of the fourth session of the Board.

5. On 21 February 2014, the Company held the fourth meeting of the fourth session of the Board where Mr. John Robert Slosar was nominated as a candidate for the position of a non-executive director of the Company. On 22 May 2014, the Company held the 2013 annual general meeting where Mr. John Robert Slosar was elected as a non-executive director of the Company.

6. Mr. Chen Zhiyong, vice president of the Company, as a director and the president of Shenzhen Airlines took effect from 7 May 2014, while Mr. Feng Gang will no longer concurrently serve as a director and the president of Shenzhen Airlines with effect from the same day.

7. On 22 May 2014, shareholders approved at the 2013 annual general meeting to increase the remuneration of the independent non-executive directors of the Company to RMB150,000 per annum (before tax) for each independent non-executive director.

8. Mr. Wang Yantang, Chairman of the Company's trade union, no longer concurrently served as the member, executive member, party secretary and deputy commander of the Chief Flight Team of the Company with effect from 8 July 2014.

9. Mr. Sun Yude resigned from the position as a non-executive director of the Company with effect from 10 July 2014 due to retirement. On the same day, the Company held the eighth meeting of the fourth session of the Board where Mr. Feng Gang was nominated as a candidate for the position of a non-executive director of the Company. On 26 August 2014, the Company held the extraordinary general meeting where Mr. Feng Gang was elected as a non-executive director of the Company.

10. On 22 July 2014, the Board received a resignation letter from Mr. Fan Cheng in respect of his resignation from the position as the Chief Accountant. On 28 July 2014, the Company held the ninth meeting of the fourth session of the Board where Mr. Xiao Feng and Mr. Meng Xianbin were appointed as Chief Accountant and Chief Economist of the Company respectively.

11. On 26 August 2014, the Company held the tenth meeting of the fourth session of the Board where Mr. Liu Tiexiang was appointed as the Vice President of the Company. Mr. Feng Gang no longer served as the vice president of the Company due to change of job assignments to CNAHC as deputy general manager.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

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

As at 30 June 2014, the Company's Directors, Supervisors or chief executives had following interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which shall be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

	Number of Shares				
Name of corporation and relevant shareholder	Personal interest	Interest of children under the age of 18 or spouse	Corporate interest	Total	Shareholding percentage as at 30 June 2014
Cathay Pacific Airways Limited					
Ian Sai Cheung Shiu	1,000	–	–	1,000	0.00%
Air China Limited					
Zhou Feng	10,000 (A Shares)	–	–	10,000 (A Shares)	0.00%
Shen Zhen	33,200 (A Shares)	–	–	33,200 (A Shares)	0.00%

Save as disclosed above, as at 30 June 2014, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Mr. John Robert Slosar is a non-executive Director of the Company and is concurrently the chairman and executive director of Cathay Pacific. Mr. Sai Cheung Shiu, Ian is a non-executive Director of the Company and is concurrently a non-executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,633,725,455 H shares in the Company as at 30 June 2014, which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, and it wholly owns Hong Kong Dragon Airlines Limited ("Dragonair"). Mr. Cai Jianjiang, the chairman and a non-executive Director of the Company, and Mr. Song Zhiyong and Mr. Fan Cheng, both executive Directors of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and Dragonair compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations which are also served by the Company.

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

(II) SUBSTANTIAL SHAREHOLDERS' SIGNIFICANT INTERESTS IN THE COMPANY

As at 30 June 2014, to the knowledge of the Directors, Supervisors and chief executive of the Company, the interests and short positions of the following persons (other than a Director, Supervisor or chief executive of the Company) who have an interest and short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to the SFO were as follows:

Name	Type of interests	Type and number of shares of the Company concerned	Percentage of the total issued shares of the Company	Percentage of the total issued A shares of the Company	Percentage of the total issued H shares of the Company	Short position
CNAHC	Beneficial owner	5,427,546,093 A Shares	41.48%	63.69%	–	–
CNAHC[1]	Attributable interests	1,332,482,920 A Shares	10.18%	15.64%	–	–
CNAHC[1]	Attributable interests	223,852,000 H Shares	1.71%	–	4.91%	–
CNACG	Beneficial owner	1,332,482,920 A Shares	10.18%	15.64%	–	–
CNACG	Beneficial owner	223,852,000 H Shares	1.71%	–	4.91%	–
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	20.13%	–	57.72%	–
Swire Pacific Limited[2]	Attributable interests	2,633,725,455 H Shares	20.13%	–	57.72%	–
John Swire & Sons (H.K.) Limited[2]	Attributable interests	2,633,725,455 H Shares	20.13%	–	57.72%	–
John Swire & Sons Limited[2]	Attributable interests	2,633,725,455 H Shares	20.13%	–	57.72%	–

Notes:

Based on the information available to the Directors, Supervisors and chief executive of the Company (including such information as was available on the website of the Hong Kong Stock Exchange) and so far as the Directors, Supervisors and chief executive are aware, as at 30 June 2014:

1. By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A shares and 223,852,000 H shares of the Company directly held by CNACG.

2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their 48.10% equity interest and 60.63% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at 30 June 2014, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as at 30 June 2014, to the knowledge of the Directors, Supervisors and chief executive 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, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to the SFO.

CORPORATE GOVERNANCE

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2014, the Company complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

2. COMPLIANCE WITH THE MODEL CODE

The Company has adopted and formulated a code of conduct on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 of the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor of the Company have complied with the required standards of the Model Code and the Company's code of conduct throughout the six months ended 30 June 2014.

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 2014 (the term "securities" has the meaning ascribed to it under paragraph 1 of Appendix 16 of the Listing Rules).

2. INTERIM DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2014.

3. REVIEW BY AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim report for the six months ended 30 June 2014, the Company's unaudited interim financial report and the accounting policies and practices adopted by the Group.

4. OTHER INFORMATION

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirms that the current information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2013 Annual Report.

INDEPENDENT AUDITORS' REPORT

Review report to the Board of Directors of Air China Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report of Air China Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 29 to 60, which comprises the consolidated statement of financial position as of 30 June 2014 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 the interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 Hong Kong Standards on Auditing and consequently 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 report as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	For the six months ended 30 June 2014 RMB'000	30 June 2013 RMB'000
Turnover			
Air traffic revenue	5	**47,511,339**	44,465,024
Other operating revenue	6	**2,420,861**	1,554,011
		49,932,200	46,019,035
Operating expenses			
Jet fuel costs		**(17,188,863)**	(16,372,097)
Take-off, landing and depot charges		**(5,046,006)**	(4,452,818)
Depreciation		**(5,538,648)**	(5,262,453)
Aircraft maintenance, repair and overhaul costs		**(1,696,810)**	(1,519,473)
Employee compensation costs		**(7,069,881)**	(6,198,255)
Air catering charges		**(1,345,720)**	(1,157,761)
Aircraft and engine operating lease expenses		**(2,194,347)**	(1,949,509)
Other operating lease expenses		**(487,313)**	(403,824)
Other flight operation expenses		**(3,606,992)**	(3,960,842)
Selling and marketing expenses		**(2,874,533)**	(2,754,840)
General and administrative expenses		**(539,547)**	(560,548)
		(47,588,660)	(44,592,420)
Profit from operations	7	**2,343,540**	1,426,615
Finance revenue	8	**107,081**	1,245,233
Finance costs	8	**(2,135,459)**	(1,293,834)
Share of profits less losses of associates		**215,807**	100,660
Share of profits less losses of joint ventures		**28,823**	67,951
Profit before taxation		**559,792**	1,546,625
Taxation	9	**(102,263)**	(395,219)
Profit for the period		**457,529**	1,151,406
Attributable to:			
Equity shareholders of the Company		**510,372**	1,144,799
Non-controlling interests		**(52,843)**	6,607
		457,529	1,151,406
Earnings per share	11		
Basic and diluted		**4.15 cents**	9.31 cents

The notes on pages 36 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Profit for the period	**457,529**	1,151,406
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of associates and joint ventures	**(429,878)**	490,957
– Exchange realignment	**198,686**	(350,754)
Other comprehensive income for the period	**(231,192)**	140,203
Total comprehensive income for the period	**226,337**	1,291,609
Attributable to:		
Equity shareholders of the Company	**274,567**	1,292,389
Non-controlling interests	**(48,230)**	(780)
Total comprehensive income for the period	**226,337**	1,291,609

The notes on pages 36 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	**30 June 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**137,205,283**	132,805,844
Lease prepayments	13	**2,603,125**	2,203,377
Investment properties		**240,050**	246,291
Intangible assets		**37,865**	54,524
Goodwill		**1,099,975**	1,099,975
Interests in associates		**14,279,387**	14,574,190
Interests in joint ventures		**1,301,484**	1,284,232
Advance payments for aircraft and flight equipment		**22,393,357**	23,261,879
Deposits for aircraft under operating leases		**492,275**	426,375
Available-for-sale investments		**45,925**	45,925
Deferred tax assets		**3,233,405**	3,263,246
		182,932,131	179,265,858
CURRENT ASSETS			
Aircraft and flight equipment held for sale		**595,968**	997,666
Inventories		**1,075,501**	1,044,617
Accounts receivable	14	**2,945,749**	2,861,167
Bills receivable		**255**	131
Prepayments, deposits and other receivables	15	**4,787,757**	3,918,465
Financial assets	16	**10,753**	11,350
Due from the ultimate holding company		**221,737**	239,417
Pledged deposits	17	**92,352**	745,847
Cash and cash equivalents	17	**9,062,204**	14,761,830
Other current assets		**1,937,320**	1,236,939
		20,729,596	25,817,429
TOTAL ASSETS		**203,661,727**	205,083,287

The notes on pages 36 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	**30 June 2014 RMB'000**	31 December 2013 RMB'000
CURRENT LIABILITIES			
Air traffic liabilities		**(4,614,373)**	(4,461,448)
Accounts payable	18	**(11,319,809)**	(10,349,535)
Bills payable		**(441,234)**	–
Other payables and accruals	19	**(10,020,504)**	(10,785,877)
Financial liabilities	16	**(16,365)**	(24,070)
Dividends payable		**(592,870)**	–
Due to the ultimate holding company		**(38,390)**	(36,729)
Tax payable		**(43,196)**	(355,617)
Obligations under finance leases		**(4,250,552)**	(3,859,317)
Interest-bearing bank loans and other borrowings		**(28,241,543)**	(39,502,216)
Provision for major overhauls		**(874,037)**	(699,378)
		(60,452,873)	(70,074,187)
Net current liabilities		**(39,723,277)**	(44,256,758)
Total assets less current liabilities		**143,208,854**	135,009,100
NON-CURRENT LIABILITIES			
Obligations under finance leases		**(27,689,141)**	(25,972,715)
Interest-bearing bank loans and other borrowings		**(48,923,840)**	(42,266,406)
Provision for major overhauls		**(3,286,223)**	(3,283,480)
Provision for early retirement benefit obligations		**(28,981)**	(35,331)
Long-term payables		**(99,869)**	(93,072)
Deferred income		**(4,038,858)**	(3,797,501)
Deferred tax liabilities		**(2,079,324)**	(2,014,407)
		(86,146,236)	(77,462,912)
NET ASSETS		**57,062,618**	57,546,188

The notes on pages 36 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	**30 June 2014** RMB'000	31 December 2013 RMB'000
CAPITAL AND RESERVES			
Issued capital	20	**13,084,751**	13,084,751
Treasury shares	21	**(3,047,564)**	(3,047,564)
Reserves		**43,401,895**	43,720,198
Total equity attributable to equity shareholders of the Company		**53,439,082**	53,757,385
Non-controlling interests		**3,623,536**	3,788,803
TOTAL EQUITY		**57,062,618**	57,546,188

Approved and authorised for issue by the board of directors on 26 August 2014.

Cai Jianjiang
Director

Song Zhiyong
Director

The notes on pages 36 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Notes	Issued capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	Foreign exchange translation reserve RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		**13,084,751**	**(3,047,564)**	**20,754,776**	**5,233,245**	**(3,727,738)**	**20,867,045**	**592,870**	**53,757,385**	**3,788,803**	**57,546,188**
Profit for the period		–	–	–	–	–	510,372	–	510,372	(52,843)	457,529
Other comprehensive income		–	–	(429,878)	–	194,073	–	–	(235,805)	4,613	(231,192)
Total comprehensive income		–	–	(429,878)	–	194,073	510,372	–	274,567	(48,230)	226,337
Transfer to reserve funds and others		–	–	–	248,011	–	(248,011)	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(117,037)	(117,037)
Dividends approved in respect of the previous year	10	–	–	–	–	–	–	(592,870)	(592,870)	–	(592,870)
At 30 June 2014		**13,084,751**	**(3,047,564)**	**20,324,898**	**5,481,256**	**(3,533,665)**	**21,129,406**	**–**	**53,439,082**	**3,623,536**	**57,062,618**
At 1 January 2013		12,891,955	(2,896,092)	18,777,048	4,572,881	(3,045,439)	18,867,317	776,580	49,944,250	3,367,991	53,312,241
Profit for the period		–	–	–	–	–	1,144,799	–	1,144,799	6,607	1,151,406
Other comprehensive income		–	–	490,957	–	(343,367)	–	–	147,590	(7,387)	140,203
Total comprehensive income		–	–	490,957	–	(343,367)	1,144,799	–	1,292,389	(780)	1,291,609
Issue of new shares		192,796	–	851,653	–	–	–	–	1,044,449	–	1,044,449
Elimination of reciprocal shareholding		–	(130,158)	–	–	–	–	–	(130,158)	–	(130,158)
Capital contribution by the non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	200,000	200,000
Transfer to reserve funds and others		–	–	–	412,353	–	(421,943)	–	(9,590)	–	(9,590)
Dividends approved in respect of the previous year	10	–	–	–	–	–	–	(776,580)	(776,580)	(114,998)	(891,578)
At 30 June 2013		13,084,751	(3,026,250)	20,119,658	4,985,234	(3,388,806)	19,590,173	–	51,364,760	3,452,213	54,816,973

The notes on pages 36 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	For the six months ended 30 June 2014 RMB'000	30 June 2013 RMB'000
Operating activities			
Cash generated from operations		**9,340,899**	7,738,258
Tax paid		**(1,387,480)**	(1,305,947)
Interest paid		**(1,262,633)**	(1,033,400)
Net cash generated from operating activities		**6,690,786**	5,398,911
Investing activities			
Purchase of items of property, plant and equipment		**(4,366,300)**	(3,484,280)
Increase in advance payments for aircraft and flight equipment		**(2,514,340)**	(9,591,968)
Proceeds from disposal of items of property, plant and equipment		**437,977**	230,857
Proceeds from disposal of held-for-sale assets		**510,361**	223,322
Other cash flows arising from investing activities		**988,859**	404,987
Net cash used in investing activities		**(4,943,443)**	(12,217,082)
Financing activities			
Proceeds from issue of new shares		**–**	1,044,449
New bank loans and other loans		**24,193,699**	24,622,166
Repayment of bank loans and other loans		**(25,556,542)**	(14,605,840)
Repayment of principals under finance lease obligations		**(2,325,327)**	(1,891,793)
Repayment of corporate bonds		**(3,700,000)**	–
Dividends paid		**(117,037)**	(114,998)
Net cash generated (used in)/from financing activities		**(7,505,207)**	9,053,984
Net (decrease)/increase in cash and cash equivalents		**(5,757,864)**	2,235,813
Cash and cash equivalents at 1 January	17	**14,761,830**	11,787,943
Effect of foreign exchanges rates changes		**58,238**	(120,511)
Cash and cash equivalents at 30 June	17	**9,062,204**	13,903,245

The notes on pages 36 to 60 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

1. CORPORATE INFORMATION

Air China Limited (the "Company") was established as a joint stock limited company in Beijing, the People's Republic of China (the "PRC"), on 30 September 2004. The Company's H shares are listed on the Hong Kong Stock Exchange (the "HKSE") and the London Stock Exchange (the "LSE") 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.

The principal activities of the Company and its subsidiaries (together referred to the "Group") 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 Blue Sky Mansion, 28 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing 101312, the PRC.

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 ("IAS 34") "*Interim Financial Reporting*", issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 26 August 2014.

As at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately RMB39.72 billion. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company's sources of liquidity and the unutilised bank facilities of RMB109.79 billion as at 30 June 2014, the Directors of the Company believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements when preparing the interim financial report for the six months ended 30 June 2014. Accordingly, the interim financial report has been prepared on a basis that the Group will be able to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

2. BASIS OF PREPARATION (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in this report.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2014.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the unaudited interim financial report as the Company and its subsidiaries do not qualify to be investment entities.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have any material impact on the unaudited interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group's interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have any material impact on the unaudited interim financial report as the Group has not novated any of its derivatives.

IFRIC 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have any material impact on the unaudited interim financial report as the guidance is consistent with the Group's existing accounting policies.

4. SEGMENT INFORMATION

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

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

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

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

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.

Operating segments

The following tables present the Group's consolidated revenue and profit before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2014 and 2013 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2014 (Unaudited)

	Airline operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE				
Sales to external customers	49,044,570	72,731	–	49,117,301
Intersegment sales	–	1,020,814	(1,020,814)	–
Revenue for reportable segments under CASs	49,044,570	1,093,545	(1,020,814)	49,117,301
Business tax not included in segment revenue				(84,407)
Other income not included in segment revenue				854,978
Effects of differences between IFRSs and CASs				44,328
Revenue for the period under IFRSs				49,932,200
SEGMENT PROFIT BEFORE TAXATION				
Profit before taxation for reportable segments under CASs	473,109	38,695	–	511,804
Effects of differences between IFRSs and CASs				47,988
Profit before taxation for the period under IFRSs				559,792

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2013 (Unaudited)

	Airline operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE				
Sales to external customers	45,752,024	106,289	–	45,858,313
Intersegment sales	–	865,930	(865,930)	–
Revenue for reportable segments under CASs	45,752,024	972,219	(865,930)	45,858,313
Business tax set off against not included in segment revenue				(176,571)
Other income not included in segment revenue				378,670
Effects of differences between IFRSs and CASs				(41,377)
Revenue for the period under IFRSs				46,019,035
SEGMENT PROFIT BEFORE TAXATION				
Profit before taxation for reportable segments under CASs	1,329,426	182,656	–	1,512,082
Effects of differences between IFRSs and CASs				34,543
Profit before taxation for the period under IFRSs				1,546,625

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

The following tables present the segment assets of the Group's operating segments under CASs as at 30 June 2014 and 31 December 2013 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT ASSETS				
Total assets for reportable segments as at 30 June 2014 under CASs (Unaudited)	**200,251,771**	**4,416,509**	**(719,620)**	**203,948,660**
Effects of differences between IFRSs and CASs				**(286,933)**
Total assets as at 30 June 2014 under IFRSs (Unaudited)				**203,661,727**
Total assets for reportable segments as at 31 December 2013 under CASs	202,124,315	4,365,913	(1,128,345)	205,361,883
Effects of differences between IFRSs and CASs				(278,596)
Total assets as at 31 December 2013 under IFRSs				205,083,287

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2014 and 2013, respectively:

For the six months ended 30 June 2014 (Unaudited)

	Mainland China RMB'000	Hong Kong, Macau and Taiwan RMB'000	Europe RMB'000	North America RMB'000	Japan and Korea RMB'000	Asia Pacific and others RMB'000	Total RMB'000
Sales to external customers and total revenue	**32,820,469**	**3,108,311**	**4,977,104**	**4,057,274**	**2,471,655**	**2,497,387**	**49,932,200**

For the six months ended 30 June 2013 (Unaudited)

	Mainland China RMB'000	Hong Kong, Macau and Taiwan RMB'000	Europe RMB'000	North America RMB'000	Japan and Korea RMB'000	Asia Pacific and others RMB'000	Total RMB'000
Sales to external customers and total revenue	30,409,332	2,872,610	4,412,953	3,452,257	2,329,152	2,542,731	46,019,035

5. AIR TRAFFIC REVENUE

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

	For the six months ended 30 June 2014 RMB'000	30 June 2013 RMB'000
Passenger	**43,558,749**	40,735,592
Cargo and mail	**3,952,590**	3,729,432
	47,511,339	44,465,024

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

6. OTHER OPERATING REVENUE

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Aircraft engineering income	**53,820**	80,598
Ground service income	**398,258**	310,106
Government grants:		
– Recognition of deferred income	**44,328**	44,328
– Others	**817,969**	235,620
Service charges on return of unused flight tickets	**408,847**	351,216
Training service income	**16,518**	24,855
Sale of materials	**7,714**	6,193
Import and export service income	**18,544**	15,435
Others	**654,863**	485,660
	2,420,861	1,554,011

7. PROFIT FROM OPERATIONS

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

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Depreciation	**5,538,648**	5,262,453
Amortisation of lease prepayments	**26,717**	24,985
Accrual of bad debt provision, net	**5,485**	18,144
Loss/(Gain) on disposal of property, plant and equipment, net	**17,061**	(38,368)
Minimum lease payments under operating leases:		
– Aircraft and related equipment	**2,194,347**	1,949,509
– Land and buildings	**459,003**	363,657

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

8. FINANCE REVENUE AND FINANCE COSTS

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

Finance revenue

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Exchange gains, net	**–**	1,119,362
Interest income	**101,689**	123,981
Others	**5,392**	1,890
	107,081	1,245,233

Finance costs

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Interest on interest-bearing bank loans and other borrowings	**1,409,240**	1,362,434
Interest on finance leases	**218,936**	188,674
Loss on interest rate derivative contracts, net	**3,596**	1,876
Exchange loss, net	**721,395**	–
	2,353,167	1,552,984
Less: Interest capitalised	**(217,708)**	(259,150)
	2,135,459	1,293,834

The interest capitalisation rates during the period ranges from 0.81% to 7.05% (six months ended 30 June 2013: 1.21% to 7.86%) per annum relating to the costs of related borrowings during the period.

9. TAXATION

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Current taxation:		
– Mainland China	**4,811**	141,168
– Hong Kong and Macau	**2,694**	11,373
Deferred taxation	**94,758**	242,678
	102,263	395,219

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches which are taxed at a preferential rate of 15% (six months ended 30 June 2013: 15%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2013: 25%) during the period. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% and 12% (six months ended 30 June 2013: 16.5% and 12%), respectively.

In respect of majority of the Group's overseas airline activities, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC governments, or has sustained tax losses in these overseas jurisdictions. Accordingly, no provision for overseas tax has been made for overseas airlines activities in the current and prior periods.

10. DIVIDEND

(a) Dividends payable to equity shareholders attributable to the interim period

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

The Board of Directors decided not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

10. DIVIDEND (Continued)

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of RMB0.04531 per share (including tax) (six months ended 30 June 2013: RMB0.05935 per share (including tax))	**592,870**	776,580

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 was based on the profit attributable to ordinary equity shareholders of the Company of RMB0.51 billion (six months ended 30 June 2013: RMB1.14 billion) and the weighted average of 12,294,896,740 ordinary shares (six months ended 30 June 2013: 12,293,118,783 shares) in issue during the period, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding (note 21).

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired aircraft and flight equipment with an aggregate cost of RMB9,324 million (six months ended 30 June 2013: RMB6,906 million). Total property, plant and equipment with net book value of RMB444 million were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB201 million), resulting in a loss on disposal of RMB17 million (six months ended 30 June 2013: gain on disposal of RMB38 million).

As at 30 June 2014, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB36,612 million (31 December 2013: RMB36,906 million) were pledged to secure certain bank loans of the Group.

The aggregate net book value of aircraft held under finance leases included in the property, plant and equipment of the Group amounted to approximately RMB50,553 million (31 December 2013: RMB48,401 million). These aircraft were pledged under certain lease agreements of the Group.

As at 30 June 2014, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB2,047 million (31 December 2013: RMB2,103 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2014.

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

13. LEASE PREPAYMENTS

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

As at 30 June 2014, the Group's land use rights with an aggregate net book value of approximately RMB37 million (31 December 2013: RMB38 million) were pledged to secure certain bank loans of the Group.

As at 30 June 2014, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate net book value of approximately RMB549 million (31 December 2013: RMB555 million). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2014.

14. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 30 to 90 days to its sales agents and other customers while some major customers are granted a credit period of up to six months or above. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 30 days	**2,316,042**	2,245,022
31 to 60 days	**125,473**	259,966
61 to 90 days	**165,857**	120,542
Over 90 days	**338,377**	235,637
	2,945,749	2,861,167

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Prepayments		
Advances and others	**258,491**	295,854
Manufacturers' credits	**1,766,576**	1,414,371
Prepaid aircraft operating lease rentals	**426,488**	384,108
	2,451,555	2,094,333
Deposits and other receivables	**2,336,202**	1,824,132
	4,787,757	3,918,465

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

As at 30 June 2014, the gross amount due from Shenzhen Airlines Property Development Co., Ltd. ("Shenzhen Property"), an associate of Shenzhen Airlines, and its subsidiaries was RMB695,819,000 (31 December 2013: RMB695,819,000). Full provisions for the above receivables were made in prior years. Should Shenzhen Property and its subsidiaries be able to repay the receivables partially or entirely, the provision for the receivables from Shenzhen Property and its subsidiaries might be partially or wholly reversed in future accounting periods, which would have impact on the financial statements of the Group.

As at 30 June 2014, the gross amount due from by Shenzhen Huirun Investment Co., Ltd. ("Huirun", a non-controlling shareholder of Shenzhen Airlines) was RMB1,520,700,000 (31 December 2013: RMB1,520,700,000). Shenzhen Airlines made full provision for the receivables in prior years. There is no change on the assessment about the collectability of the receivables as at 30 June 2014.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	30 June 2014		31 December 2013	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	**2,299**	**16,365**	2,825	24,070
Listed equity securities	**8,454**	**–**	8,525	–
	10,753	**16,365**	11,350	24,070

The above financial assets and liabilities are accounted for as held-for-trading financial instruments and any fair value changes are recognised in the profit or loss.

17. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Time deposits with banks and other financial institution	**4,424,240**	8,945,829
Less: Pledged deposits	**(92,352)**	(745,847)
Non-pledged deposits	**4,331,888**	8,199,982
Cash and bank	**4,730,316**	6,561,848
Cash and cash equivalents	**9,062,204**	14,761,830

18. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable as at the end of the reporting period is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 30 days	**7,360,686**	7,315,999
31 to 60 days	**927,440**	826,040
61 to 90 days	**1,043,784**	785,549
Over 90 days	**1,987,899**	1,421,947
	11,319,809	10,349,535

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

19. OTHER PAYABLES AND ACCRUALS

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Accrued salaries, wages and benefits	**1,750,322**	2,442,395
Receipts in advance for employee residence	**1,880,304**	1,882,580
Accrued operating expenses	**1,354,827**	1,304,706
Business tax, customs duties and levies tax payable	**342,777**	356,032
Deposits received from sales agents	**633,253**	599,758
Due to a non-controlling shareholder of a subsidiary	**207,787**	207,787
Interest payable	**836,506**	712,165
Land lease payable	**–**	207,734
Current portion of deferred income related to frequent-flyer programme	**557,294**	581,455
Current portion of deferred income related to government grants	**105,881**	122,218
Current portion of long-term payables	**21,899**	51,698
Provision for staff housing benefits	**88,062**	88,062
Others	**2,241,592**	2,229,287
	10,020,504	10,785,877

20. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014		31 December 2013	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Registered, issued and fully paid:				
H shares of RMB1.00 each:				
Tradable	**4,562,683,364**	**4,562,683**	4,562,683,364	4,562,683
A shares of RMB1.00 each:				
Tradable	**8,329,271,309**	**8,329,272**	8,329,271,309	8,329,272
Trade-restricted	**192,796,331**	**192,796**	192,796,331	192,796
	13,084,751,004	**13,084,751**	13,084,751,004	13,084,751

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

21. TREASURY SHARES

As at 30 June 2014, the Group owned a 29.99% (31 December 2013: 29.99%) equity interest in Cathay Pacific, which in turn owned a 20.13% (31 December 2013: 20.13%) equity interest in the Company. Accordingly, the 29.99% of Cathay Pacific's shareholding in the Company was recorded in the Group's consolidated financial statements as treasury shares through deduction from equity.

22. SHARE APPRECIATION RIGHTS SCHEME

On 23 May 2013, the Company's Annual General Meeting approved the "H Share Appreciation Rights ("SARs") Scheme of Air China Limited" and "Initial Grant under the H Share Appreciation Rights Scheme of Air China Limited" ("the Scheme").

Pursuant to the resolution of the board meeting dated 6 June 2013, 26,200,000 units of SARs were granted to 160 employees of the Group at the exercise price of HK$6.46 per unit on 6 June 2013. No shares will be issued under the Scheme and each SAR is notionally linked to one existing H Share of the Company. Upon exercise of the SARs, a recipient will receive an amount of cash equal to the difference between the market share price of the relevant H Share and the exercise price.

The SARs will have an exercise period of five years from the date of grant. Upon the satisfaction of certain performance conditions after the second, third and fourth anniversary of the date of grant, the total numbers of SARs exercisable will not exceed 30%, 70% and 100%, respectively, of the total SARs granted to the respective eligible participants.

The fair value of the liability for SARs is measured using the Black-Scholes option pricing model. The risk free rate, expected dividend yield and expected volatility of the share price are used as the inputs into the model. The fair value of the liability for SARs as at 30 June 2014 was RMB7,427,480 (31 December 2013: RMB7,427,480).

23. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had the following contingent liabilities:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

23. CONTINGENT LIABILITIES (Continued)

(b) On 26 February 2007, the Eastern District Court of New York of the Federal Judiciary of the United States filed a civil summon against the Company and Air China Cargo Co., Ltd. ("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 by acting in concert in imposing excessive surcharges to impede the offering of discounts and allocating revenue and customers so as to increase, maintain and stabilise air cargo prices. The Court is currently considering whether the case should proceed as a class action. Because the litigation continues, the Directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.

(c) On 17 November 2009, Airport City Development Co., Ltd. ("Airport City Development") commenced proceedings involving approximately RMB224 million against the Company, Air China Cargo, Air China International Corporation, for the unlawful use of land owned by Airport City Development. Due to the mediation stage of the claim, the Directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.

(d) In May 2011, Shenzhen Airlines received a summon issued by the Higher People's Court of Guangdong Province in respect of a guarantee provided by Shenzhen Airlines on loans borrowed by Huirun from a third party amounting to RMB390,000,000. It was alleged that Shenzhen Airlines had entered into several guarantee agreements with Huirun and the third party, pursuant to which Shenzhen Airlines acted as a guarantor in favor of the third party for the loans borrowed by Huirun. The Directors of the Company consider that the provision of RMB130,000,000 which was provided in prior years in respect of this legal claim is adequate.

(e) Shenzhen Airlines provided guarantees to banks for certain employees in respect of their residential loans as well as for certain pilot trainees in respect of their tuition loans. As at 30 June 2014, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB433,755,780 (31 December 2013: RMB475,979,454) and for pilot trainees' tuition loans amounting to RMB252,596,421 (31 December 2013: RMB273,167,836).

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements as at 30 June 2014 categorised into		
	Fair value at 30 June 2014 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial assets:				
– Interest rate swaps	**2,299**	–	**2,299**	–
– Listed equity securities	**8,454**	**8,454**	–	–
Financial liabilities:				
– Interest rate swaps	**16,365**	–	**16,365**	–

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
– Interest rate swaps	2,825	–	2,825	–
– Listed equity securities	8,525	8,525	–	–
Financial liabilities:				
– Interest rate swaps	24,070	–	24,070	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (continued)

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

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

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

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 end of the reporting period:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
Aircraft and flight equipment	**85,316,274**	92,775,903
Buildings	**848,262**	1,279,595
Others	**161,134**	24,726
	86,325,670	94,080,224
Authorised, but not contracted for:		
Buildings	**703,249**	729,588
Others	**112,213**	274,899
	815,462	1,004,487
Total capital commitments	**87,141,132**	95,084,711

25. COMMITMENTS (Continued)

(b) Investment commitments

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
Associates and joint ventures	**56,535**	56,339

(c) Operating lease commitments

The Group leases certain office premises, aircraft and flight equipment under operating lease arrangements.

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	**4,485,172**	6,799,506
After 1 year but within 5 years	**12,487,924**	11,146,245
Over 5 years	**11,821,704**	8,285,770
	28,794,800	26,231,521

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

26. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
(i) Service provided to the CNAHC Group		
Sales commission income	**8,273**	7,641
Sale of cargo space	**35,902**	45,243
Government charter flights	**142,361**	132,431
Air catering income	**5,729**	6,849
Ground services income	**1,382**	926
Income from advertising media business	**13,756**	13,470
Interest income	**9,344**	31,156
Aircraft and flight equipment leasing income	**62**	103
Others	**865**	53
(ii) Service provided by the CNAHC Group		
Sales commission expenses	**2,920**	1,447
Air catering charges	**354,599**	329,159
Airport ground services, take-off, landing and depot expenses	**356,100**	293,624
Repair and maintenance costs	**112**	680
Management fees	**50,803**	22,739
Lease charges for land and buildings	**65,163**	60,863
Interest expenses	**46,351**	62,267
Other procurement and maintenance	**26,908**	11,974
Media advertisement expenses	**29,601**	22,246
Construction management expenses	**–**	8,150
Loans	**204,000**	1,206,000
Others	**347**	289

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

26. RELATED PARTY TRANSACTIONS (Continued)

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

		For the six months ended	
		30 June 2014	30 June 2013
		RMB'000	RMB'000
(iii)	**Service provided to joint ventures and associates**		
	Sales commission income	**6,588**	4,932
	Sale of cargo space	**4,229**	29,743
	Aircraft maintenance income	**19,932**	36,000
	Air catering income	**3,960**	833
	Ground services income	**56,771**	35,130
	Frequent-flyer programme income	**5,360**	3,670
	Lease income for land and buildings	**12,037**	12,037
	Aircraft and flight equipment leasing income	**4,685**	3,796
	Others	**1,962**	3,879
(iv)	**Service provided by joint ventures and associates**		
	Sales commission expenses	**19,919**	20,851
	Air catering charges	**10,408**	9,566
	Airport ground services, take-off, landing and depot expenses	**87,673**	72,694
	Repair and maintenance costs	**1,063,819**	1,166,174
	Aircraft and flight equipment leasing fees	**319,013**	323,839
	Lease charges for land and buildings	**879**	1,203
	Other procurement and maintenance	**8,990**	6,916
	Media advertisement expenses	**–**	380
	Frequent-flyer programme expenses	**2,050**	1,971
	Loans	**980,000**	–
	Others	**3,419**	5,233

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

26. RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
(v) Deposits, loans		
Deposits placed with an associate	**471,432**	2,126,326
Loans from associates	**2,392,000**	2,498,000
(vi) Outstanding balances with related parties		
Due from the ultimate holding company	**221,737**	239,417
Due from associates	**127,890**	135,257
Due from joint ventures	**32,947**	18,977
Due from other related companies	**37,900**	61,385
Due to the ultimate holding company	**38,390**	36,729
Due to associates	**259,032**	300,983
Due to joint ventures	**362,140**	360,828
Due to other related companies	**399,704**	303,317

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

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

	For the six months ended 30 June 2014 RMB'000	 30 June 2013 RMB'000
Compensation of key management		
Short term employee benefits	**4,591**	4,111
Cash-settled share option expense	**–**	178
Post-employment benefits	**626**	489
	5,217	4,778

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties

The Group

Name of guarantor	Name of guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty Completed (Y/N)
Cathay Pacific	Air China Cargo	US$84,484,175.85	16/12/2013	15/12/2023	N
Cathay Pacific	Air China Cargo	US$86,824,930.31	12/03/2014	11/03/2024	N
Cathay Pacific	Air China Cargo	US$86,825,324.76	31/03/2014	30/03/2024	N
Cathay Pacific	Air China Cargo	US$69,097,674.71	30/06/2014	29/06/2024	N

The Company

Name of guarantor	Name of guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty Completed (Y/N)
The Company	Air China Cargo	US$87,932,509.56	16/12/2013	15/12/2023	N
The Company	Air China Cargo	US$90,368,805.01	12/03/2014	11/03/2024	N
The Company	Air China Cargo	US$90,369,215.56	31/03/2014	30/03/2024	N
The Company	Air China Cargo	US$71,917,987.97	30/06/2014	29/06/2024	N

(d) Transactions with other state-controlled entities

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organizations. Other than those transactions with the CNAHC Group, associates, jointly ventures and other related parties of the Group as disclosed in Notes 26(a) above, the Group conducts transactions collectively, but not individually, significant transactions with other state-controlled entities which include but are not limited to the following:

- Purchase of jet fuel
- Leasing arrangements
- Purchase of equipment
- Purchase of ancillary materials and spare parts
- Ancillary and social services; and
- Financial services arrangement

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

26. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with other state-controlled entities (Continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether or not the counterparties are state-controlled entities.

Having considered the potential for transactions to be impacted by related party relationships, the Group's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) The Group's main transactions with other state-controlled entities

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Jet fuel costs	**16,499,051**	13,560,632

(ii) The Group's balances with other state-controlled entities

	30 June 2014	31 December 2013
	RMB'000	RMB'000
Accounts payable – jet fuel costs	**2,245,626**	2,704,000

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014 – unaudited
(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	For the six months ended 30 June 2014 RMB'000	30 June 2013 RMB'000
Revenue from operations	**49,117,301**	45,858,313
Less: Cost of operations	**42,299,222**	39,530,704
Business taxes and surcharges	**84,407**	176,571
Selling expenses	**3,597,085**	3,397,742
General and administrative expenses	**1,496,305**	1,450,566
Finance cost	**2,195,246**	218,321
Impairment losses	**7,240**	18,144
Add: Losses from movements in fair value	**(423)**	(954)
Investment income	**246,849**	170,501
Including: Share of profits less losses of associates and joint ventures	**244,630**	168,611
Profit from operations	**(315,778)**	1,235,812
Add: Non-operating income	**877,639**	316,943
Including: Gain on disposal of non-current assets	**22,663**	62,347
Less: Non-operating expenses	**50,057**	40,673
Including: Loss on disposal of non-current assets	**37,969**	21,027
Profit before taxation	**511,804**	1,512,082
Less: Taxation	**90,266**	386,583
Net profit	**421,538**	1,125,499
Net profit attributable to equity shareholders of the Company	**474,381**	1,118,892
Non-controlling interests	**(52,843)**	6,607
Earnings per share (RMB)		
Basic and diluted	**0.04**	0.09
Item that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of associates and joint ventures that may be reclassified subsequently to profit or loss	**(429,878)**	490,957
– Exchange realignment	**198,686**	(350,754)
Other comprehensive income for the period, net of the tax	**(231,192)**	140,203
Total comprehensive income	**190,346**	1,265,702
Attributable to:		
Equity shareholders of the Company	**238,576**	1,266,482
Non-controlling interests	**(48,230)**	(780)

CONSOLIDATED BALANCE SHEET

At 30 June 2014 – unaudited
(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	30 June 2014 RMB'000	31 December 2013 RMB'000
ASSETS		
Current assets		
Cash and bank balances	**9,154,556**	15,507,677
Financial assets at fair value through profit or loss	**10,753**	11,350
Bills receivable	**255**	131
Accounts receivable	**3,167,486**	3,100,584
Other receivables	**3,775,448**	2,849,938
Prepayments	**684,979**	679,962
Inventories	**1,075,501**	1,044,617
Assets held for sale	**595,164**	994,413
Other current assets	**1,937,320**	1,236,939
Total current assets	**20,401,462**	25,425,611
Non-current assets		
Long-term receivables	**494,132**	451,404
Long-term equity investments	**15,710,257**	15,987,808
Investment properties	**240,050**	246,291
Fixed assets	**127,719,709**	123,988,709
Construction in progress	**31,571,351**	31,772,505
Intangible assets	**3,242,350**	2,864,299
Goodwill	**1,102,185**	1,102,185
Long-term deferred expenses	**325,473**	363,536
Deferred tax assets	**3,141,691**	3,159,535
Total non-current assets	**183,547,198**	179,936,272
Total assets	**203,948,660**	205,361,883

CONSOLIDATED BALANCE SHEET

At 30 June 2014 – unaudited
(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	30 June 2014 RMB'000	31 December 2013 RMB'000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loans	**22,892,353**	22,821,013
Short-term bonds payable	**–**	700,000
Financial liabilities at fair value through profit or loss	**16,365**	24,070
Bills payable	**441,234**	–
Accounts payable	**13,154,330**	11,828,973
Domestic air traffic liabilities	**1,283,524**	1,785,306
International air traffic liabilities	**3,330,849**	2,676,142
Receipts in advance	**128,274**	133,112
Employee compensations payable	**1,607,240**	2,239,516
Taxes payable	**385,973**	711,649
Interest payable	**836,506**	712,165
Dividends payable	**592,870**	–
Other payables	**5,157,269**	5,505,080
Non-current liabilities repayable within one year	**10,210,935**	20,507,235
Total current liabilities	**60,037,722**	69,644,261
Non-current liabilities		
Long-term loans	**29,923,840**	23,266,406
Corporate bonds	**19,000,000**	19,000,000
Long-term payables	**3,386,092**	3,376,552
Obligations under finance leases	**27,689,141**	25,972,715
Accrued liabilities	**370,251**	376,601
Deferred income	**4,038,858**	3,767,948
Deferred tax liabilities	**2,079,324**	2,014,407
Total non-current liabilities	**86,487,506**	77,774,629
Total liabilities	**146,525,228**	147,418,890
Shareholders' equity		
Issued capital	**13,084,751**	13,084,751
Capital reserve	**17,888,690**	18,318,568
Reserve funds	**5,481,256**	5,233,245
Retained earnings	**20,878,864**	21,245,364
Foreign exchange translation reserve	**(3,533,665)**	(3,727,738)
Equity attributable to shareholders of the Company	**53,799,896**	54,154,190
Non-controlling interests	**3,623,536**	3,788,803
Total shareholders' equity	**57,423,432**	57,942,993
Total liabilities and shareholders' equity	**203,948,660**	205,361,883

SUPPLEMENTARY INFORMATION

EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRSs AND CASs

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

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	30 June 2013 RMB'000 (Unaudited)
Net profit attributable to shareholders of the Company under CASs		**474,381**	1,118,892
Deferred taxation	(i)	**(11,997)**	(8,636)
Differences in value of fixed assets and other non-current assets	(ii)	**3,660**	(9,786)
Government grants	(iii)	**44,328**	44,329
Net profit attributable to shareholders of the Company under IFRSs		**510,372**	1,144,799

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000
Equity attributable to shareholders of the Company under CASs		**53,799,896**	54,154,190
Deferred taxation	(i)	**91,714**	103,711
Differences in value of fixed assets and other non-current assets	(ii)	**(518,566)**	(522,226)
Government grants	(iii)	**(73,881)**	(118,209)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	(iv)	**139,919**	139,919
Equity attributable to shareholders of the Company under IFRSs		**53,439,082**	53,757,385

Notes:

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

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

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

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

GLOSSARY OF TECHNICAL TERMS

CAPACITY MEASUREMENTS

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

TRAFFIC MEASUREMENTS

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

YIELD MEASUREMENTS

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

LOAD FACTORS

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

UTILISATION

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

DEFINITIONS

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

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