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中國國際航空股份有限公司
AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00753)

2014 ANNUAL RESULTS
AND
PROPOSED APPOINTMENT OF NEW DIRECTOR

The Board of the Company has passed, among others, the following resolutions at a meeting of the Board held on 26 March 2015:

- (I) the audited consolidated financial results for the year ended 31 December 2014; and
- (II) the proposed appointment of Mr. Stanley Hui Hon-chung as an independent non-executive director of the Company.

(I) 2014 ANNUAL RESULTS

The Board hereby announce the audited consolidated financial results of the Group for the year ended 31 December 2014 together with the corresponding comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2014
(Prepared under International Financial Reporting Standards)

	<i>Note</i>	2014 RMB'000	2013 RMB'000
Turnover			
Air traffic revenue	4	101,385,199	94,603,168
Other operating revenue	5	4,499,123	3,577,622
		<u>105,884,322</u>	<u>98,180,790</u>
Operating expense			
Jet fuel costs		(34,542,440)	(33,722,281)
Take-off, landing and depot charges		(10,566,490)	(9,585,090)
Depreciation		(11,322,989)	(10,936,619)
Aircraft maintenance, repair and overhaul costs		(3,587,507)	(3,063,647)
Employee compensation costs		(15,512,764)	(14,023,639)
Air catering charges		(2,755,640)	(2,571,550)
Aircraft and engine operating lease expenses		(4,536,641)	(4,006,096)
Other operating lease expenses		(940,651)	(914,759)
Other flight operation expenses		(8,389,784)	(8,257,213)
Selling and marketing expenses		(5,899,633)	(5,760,403)
General and administrative expenses		(568,136)	(1,221,429)
		<u>(98,622,675)</u>	<u>(94,062,726)</u>
Profit from operations	6	7,261,647	4,118,064
Finance revenue	7	230,088	2,265,331
Finance costs	7	(3,300,723)	(2,688,089)
Share of profits less losses of associates		753,658	646,815
Share of profits less losses of joint ventures		120,191	175,972
		<u>5,064,861</u>	<u>4,518,093</u>
Profit before taxation		5,064,861	4,518,093
Taxation	8	(779,854)	(903,132)
		<u>4,285,007</u>	<u>3,614,961</u>
Profit for the year			
Attributable to:			
Equity shareholders of the Company		3,817,469	3,263,642
Non-controlling interests		467,538	351,319
		<u>4,285,007</u>	<u>3,614,961</u>
Earnings per share			
Basic and diluted	10	<u>RMB31.05 cents</u>	<u>RMB26.55 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2014**(Prepared under International Financial Reporting Standards)*

	2014	2013
	RMB'000	RMB'000
Profit for the year	4,285,007	3,614,961
Other comprehensive (expense)/income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified subsequently to profit or loss:		
– Share of other comprehensive (expense)/income of associates and joint ventures	(75,943)	241,958
Items that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive (expense)/income of associates and joint ventures	(3,025,321)	884,117
– Gains or losses arising from changes in fair value of available-for-sale financial assets	31,390	–
– Exchange realignment	82,107	(698,195)
Other comprehensive (expense)/income for the year	(2,987,767)	427,880
Total comprehensive income for the year	1,297,240	4,042,841
Attributable to:		
Equity shareholders of the Company	815,140	3,707,418
Non-controlling interests	482,100	335,423
Total comprehensive income for the year	1,297,240	4,042,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Prepared under International Financial Reporting Standards)

	<i>Note</i>	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		148,179,827	132,805,844
Lease prepayments		2,633,658	2,203,377
Investment properties		683,655	246,291
Intangible asset		36,859	54,524
Goodwill		1,099,975	1,099,975
Interests in associates		11,893,859	14,574,190
Interests in joint ventures		1,392,728	1,284,232
Advance payments for aircraft and flight equipment		18,148,989	23,261,879
Deposits for aircraft under operating leases		523,338	426,375
Available-for-sale investments		88,179	45,925
Deferred tax assets		3,576,594	3,263,246
		188,257,661	179,265,858
Current assets			
Aircraft and flight equipment held for sale		460,028	997,666
Inventories		1,100,179	1,044,617
Accounts receivable	<i>11</i>	2,834,130	2,861,167
Bills receivable		155	131
Prepayments, deposits and other receivables		4,250,376	3,918,465
Financial assets		12,534	11,350
Due from the ultimate holding company		150,079	239,417
Pledged deposits		74,570	745,847
Cash and cash equivalents		9,659,987	14,761,830
Other current assets		2,510,998	1,236,939
		21,053,036	25,817,429
Total assets		209,310,697	205,083,287

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current liabilities			
Air traffic liabilities		(4,830,806)	(4,461,448)
Accounts payable	<i>12</i>	(9,788,921)	(10,349,535)
Bills payable		(150,000)	–
Other payables and accruals		(10,535,972)	(10,785,877)
Financial liabilities		(7,712)	(24,070)
Due to the ultimate holding company		(21,377)	(36,729)
Tax payable		(607,378)	(355,617)
Obligations under finance leases		(4,751,714)	(3,859,317)
Interest-bearing bank loans and other borrowings		(29,292,425)	(39,502,216)
Provision for major overhauls		(856,789)	(699,378)
		<u>(60,843,094)</u>	<u>(70,074,187)</u>
Net current liabilities		<u>(39,790,058)</u>	<u>(44,256,758)</u>
Total assets less current liabilities		<u>148,467,603</u>	<u>135,009,100</u>
Non-current liabilities			
Obligations under finance leases		(31,240,298)	(25,972,715)
Interest-bearing bank loans and other borrowings		(49,023,196)	(42,266,406)
Provision for major overhauls		(3,363,176)	(3,283,480)
Provision for early retirement benefit obligations		(19,210)	(35,331)
Long-term payables		(38,855)	(93,072)
Deferred income		(3,336,106)	(3,797,501)
Deferred tax liabilities		(2,336,862)	(2,014,407)
		<u>(89,357,703)</u>	<u>(77,462,912)</u>
NET ASSETS		<u>59,109,900</u>	<u>57,546,188</u>
CAPITAL AND RESERVES			
Issued capital		13,084,751	13,084,751
Treasury shares		(3,047,564)	(3,047,564)
Reserves		43,941,101	43,720,198
Total equity attributable to equity shareholders of the Company		53,978,288	53,757,385
Non-controlling interests		5,131,612	3,788,803
TOTAL EQUITY		<u>59,109,900</u>	<u>57,546,188</u>

Notes:

1. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements have been approved and authorized for issue by the board of directors on 26 March 2015.

As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately RMB39.79 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 RMB78.04 billion as at 31 December 2014, the Directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements when preparing the financial statements for the year ended 31 December 2014. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value, and non-current assets held for sale, which have been stated at the lower of their carrying amounts and fair value less costs to sell. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. IMPACT OF NEW AND REVISED IFRSs

The IASB has issued and the following amendments to IFRSs that are first effective for the current accounting period of the Group and one new Interpretation.

- 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. Impacts of the adoption of the new or amended IFRSs are discussed below:

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 financial statements 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 financial statements 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 financial statements.

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 financial statements 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 financial statements as the guidance is consistent with the Group's existing accounting policies.

3 SEGMENT INFORMATION

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

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

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

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 years ended 31 December 2014 and 2013 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

Year ended 31 December 2014

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Sales to external customers	104,651,713	173,970	–	104,825,683
Intersegment sales	–	2,213,054	(2,213,054)	–
Revenue for reportable segments under CASs	<u>104,651,713</u>	<u>2,387,024</u>	<u>(2,213,054)</u>	104,825,683
Business tax not included in segment revenue				(188,016)
Other income not included in segment revenue				1,157,998
Effects of differences between IFRSs and CASs				<u>88,657</u>
Revenue for the year under IFRSs				<u>105,884,322</u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u>4,940,011</u>	<u>78,075</u>	<u>–</u>	5,018,086
Effects of differences between IFRSs and CASs				<u>46,775</u>
Profit before taxation for the year under IFRSs				<u>5,064,861</u>

Year ended 31 December 2013

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Sales to external customers	97,498,291	129,962	–	97,628,253
Intersegment sales	–	2,008,008	(2,008,008)	–
Revenue for reportable segments under CASs	<u>97,498,291</u>	<u>2,137,970</u>	<u>(2,008,008)</u>	97,628,253
Business tax not included in segment revenue				(308,512)
Other income not included in segment revenue				772,392
Effects of differences between IFRSs and CASs				<u>88,657</u>
Revenue for the year under IFRSs				<u>98,180,790</u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u>4,413,935</u>	<u>169,453</u>	<u>–</u>	4,583,388
Effects of differences between IFRSs and CASs				<u>(65,295)</u>
Profit before taxation for the year under IFRSs				<u>4,518,093</u>

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

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Total assets for reportable segments as at 31 December 2014 under CASs	<u>206,322,496</u>	<u>4,243,977</u>	<u>(923,604)</u>	<u>209,642,869</u>
Effects of differences between IFRSs and CASs				<u>(332,172)</u>
Total assets under IFRSs				<u><u>209,310,697</u></u>
Total assets for reportable segments as at 31 December 2013 under CASs	<u>202,124,315</u>	<u>4,365,913</u>	<u>(1,128,345)</u>	205,361,883
Effects of differences between IFRSs and CASs				<u>(278,596)</u>
Total assets under IFRSs				<u><u>205,083,287</u></u>

Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2014 and 2013, respectively:

Year ended 31 December 2014

	Mainland China <i>RMB'000</i>	Hong Kong, Macau and Taiwan <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>68,003,280</u>	<u>6,186,245</u>	<u>11,304,062</u>	<u>9,339,397</u>	<u>5,452,765</u>	<u>5,598,573</u>	<u>105,884,322</u>

Year ended 31 December 2013

	Mainland China <i>RMB'000</i>	Hong Kong, Macau and Taiwan <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>64,386,657</u>	<u>5,491,532</u>	<u>10,152,698</u>	<u>7,929,394</u>	<u>5,023,165</u>	<u>5,197,344</u>	<u>98,180,790</u>

4 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 year is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Passenger	92,599,317	86,726,799
Cargo and mail	8,785,882	7,876,369
	<u>101,385,199</u>	<u>94,603,168</u>

5 OTHER OPERATING REVENUE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Aircraft engineering income	113,863	93,610
Ground service income	930,733	765,613
Government grants:		
– Recognition of deferred income	149,601	121,377
– Others	999,052	689,105
Service charges on return of unused flight tickets	871,254	744,767
Cargo handling service income	124,399	101,688
Training service income	40,429	28,970
Rental income	133,936	131,913
Sale of materials	11,780	17,111
Import and export service income	36,828	34,422
Others	1,087,248	849,046
	<u>4,499,123</u>	<u>3,577,622</u>

6 PROFIT FROM OPERATIONS

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Depreciation	11,322,989	10,936,619
Amortisation:		
– Lease prepayments	54,075	54,222
– Investment properties	12,310	32,385
Impairment/(reversal of impairment):		
– Property, plant and equipment	35,105	222,438
– Aircraft and flight equipment held for sale	361,892	332,014
– Inventories	1,740	19,748
– Accounts receivable	2,675	17,929
– Prepayments, deposits and other receivables	(490,970)	6,559
Gain on disposal of property, plant and equipment	39,510	140,141
Minimum lease payments under operating leases:		
– Aircraft and flight equipment	4,536,641	4,006,096
– Land and buildings	866,533	728,925
Auditors' remuneration:		
– Audit related services	18,801	16,440
– Other services	527	–
	<u>11,322,989</u>	<u>10,936,619</u>

7 FINANCE REVENUE AND FINANCE COSTS

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

Finance revenue

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Exchange gains, net	–	1,937,887
Interest income	219,210	323,188
Others	10,878	4,256
	<u>230,088</u>	<u>2,265,331</u>

Finance costs

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Interest on interest-bearing bank loans and other borrowings	2,902,509	2,804,229
Interest on finance leases	503,376	383,787
Loss on interest rate derivative contracts, net	371	1,646
Exchange losses, net	360,290	–
	<u>3,766,546</u>	<u>3,189,662</u>
Less: Interest capitalised	<u>(465,823)</u>	<u>(501,573)</u>
	<u><u>3,300,723</u></u>	<u><u>2,688,089</u></u>

The interest capitalisation rates during the year range from 0.77% to 6.55% (2013: 0.81% to 8.46%) per annum relating to the costs of related borrowings during the year.

8 TAXATION

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current income tax:		
– Mainland China	774,564	842,656
– Hong Kong and Macau	13,339	29,214
Over-provision in respect of prior years	(6,692)	(8,178)
Deferred income tax	(1,357)	39,440
	<u><u>779,854</u></u>	<u><u>903,132</u></u>

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% (2013: 15%) and a subsidiary which is exempted from the local income tax of Inner Mongolia Autonomous Region from year 2013 to 2015, all group companies located in Mainland China are subject to a corporate income tax rate of 25% (2013: 25%) during the year. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% and 12% (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 years.

9 DIVIDENDS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period	<u>683,417</u>	<u>592,870</u>
Final dividend in respect of the previous financial year, declared and paid during the year	<u>592,870</u>	<u>776,580</u>

In accordance with the Company's articles of association, the profit after taxation 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.

Pursuant to the shareholders' approval at the Annual General Meeting on 22 May 2014, a final dividend of RMB0.4531 (including tax) per ten shares totalling RMB593 million in respect of the year ended 31 December 2013 has been paid out in 2014.

Pursuant to a resolution passed at the Directors' meeting on 26 March 2015, a final dividend in respect of the year ended 31 December 2014 of RMB0.5223 (including tax) per ten shares totalling RMB683 million was proposed for shareholders' approval at the Annual General Meeting. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 December 2014.

10 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary equity shareholders of the Company of RMB 3,817 million (2013: RMB3,264 million) and the weighted average of 12,294,896,740 ordinary shares (2013: 12,294,184,525 ordinary shares) in issue during the year, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific Airways Limited through reciprocal shareholding.

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

11 ACCOUNTS RECEIVABLE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Accounts receivable	2,903,464	2,935,838
Impairment	<u>(69,334)</u>	<u>(74,671)</u>
	<u>2,834,130</u>	<u>2,861,167</u>

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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 30 days	2,262,237	2,245,022
31 to 60 days	263,514	259,966
61 to 90 days	110,406	120,542
Over 90 days	<u>197,973</u>	<u>235,637</u>
	<u>2,834,130</u>	<u>2,861,167</u>

12 ACCOUNTS PAYABLE

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 30 days	5,507,172	7,315,999
31 to 60 days	789,788	826,040
61 to 90 days	1,366,348	785,549
Over 90 days	<u>2,125,613</u>	<u>1,421,947</u>
	<u>9,788,921</u>	<u>10,349,535</u>

The accounts payable are non-interest-bearing and have normal credit terms of 90 days.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	2014 RMB'000	2013 RMB'000
Revenue from operations	104,825,683	97,628,253
Less: Cost of operations	87,841,251	82,645,652
Business taxes and surcharges	188,016	308,512
Selling expenses	7,434,299	7,199,337
General and administrative expenses	3,218,014	3,073,329
Finance costs	3,240,915	776,761
Impairment losses (reversed)/recognised	(129,751)	490,761
Add: Gains from movements in fair value	7,200	310
Investment income	877,156	825,087
Including: Share of profits less losses of associates and joint ventures	873,849	822,787
Profit from operations	3,917,295	3,959,298
Add: Non-operating income	1,265,359	880,463
Including: Gain on disposal of non-current assets	107,362	108,071
Less: Non-operating expenses	164,568	256,373
Including: Loss on disposal of non-current assets	129,823	206,209
Profit before taxation	5,018,086	4,583,388
Less: Taxation	768,160	913,456
Net profit	4,249,926	3,669,932
Net profit attributable to equity shareholders of the Company	3,782,388	3,318,613
Non-controlling interests	467,538	351,319
Earnings per share (RMB)		
Basic and diluted	0.31	0.27

	2014 RMB'000	2013 RMB'000
Other comprehensive income for the year		
<i>Other comprehensive income attributed to equity shareholders of the Company after taxation</i>		
<i>Item that will not be reclassified to profit or loss:</i>		
– Share of other comprehensive income of the investees accounted by the equity method	(75,943)	241,958
<i>Item that may be reclassified to profit or loss:</i>		
– Share of other comprehensive income of the investees accounted by the equity method	(3,024,890)	884,117
– Exchange realignment	82,495	(682,299)
– Gains or losses arising from changes in fair value of available-for-sale financial assets	16,009	–
<i>Other comprehensive income after taxation attributed to non-controlling interests</i>	<u>14,562</u>	<u>(15,896)</u>
Total comprehensive income	<u>1,262,159</u>	<u>4,097,812</u>
Attributable to:		
Equity shareholders of the Company	780,059	3,762,389
Non-controlling interests	482,100	335,423

CONSOLIDATED BALANCE SHEET

At 31 December 2014

(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
ASSETS		
Current assets		
Cash and bank balances	9,734,557	15,507,677
Financial assets at fair value through profit or loss	12,534	11,350
Bills receivable	155	131
Accounts receivable	2,984,209	3,100,584
Other receivables	2,846,003	2,849,938
Prepayments	843,801	679,962
Inventories	1,100,179	1,044,617
Held-for-sale assets	457,623	994,413
Other current assets	2,510,998	1,236,939
Total current assets	<u>20,490,059</u>	<u>25,425,611</u>
Non-current assets		
Available-for-sale financial assets	90,222	47,968
Long-term receivables	525,184	451,404
Long-term equity investments	13,368,005	15,939,840
Investment properties	347,992	246,291
Fixed assets	139,607,933	123,988,709
Construction in progress	26,448,536	31,772,505
Intangible assets	3,619,450	2,864,299
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	558,726	363,536
Deferred tax assets	3,484,577	3,159,535
Total non-current assets	<u>189,152,810</u>	<u>179,936,272</u>
Total assets	<u><u>209,642,869</u></u>	<u><u>205,361,883</u></u>

31 December 2014 31 December 2013
RMB'000 *RMB'000*

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Short-term loans	20,671,494	22,821,013
Short-term bonds payable	640,000	700,000
Financial liabilities at fair value through profit or loss	7,712	24,070
Bills payable	150,000	–
Accounts payable	11,757,797	11,828,973
Domestic air traffic liabilities	2,103,215	1,785,306
International air traffic liabilities	2,727,591	2,676,142
Receipts in advance	141,037	133,112
Employee compensations payable	1,663,520	2,239,516
Taxes payable	973,620	711,649
Interest payable	659,180	712,165
Other payables	5,251,688	5,505,080
Non-current liabilities repayable within one year	13,725,417	20,507,235

Total current liabilities	60,472,271	69,644,261
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Non-current liabilities

Long-term loans	31,829,076	23,266,406
Corporate bonds	17,194,120	19,000,000
Long-term payables	3,402,031	3,376,552
Obligations under finance leases	31,240,298	25,972,715
Accrued liabilities	360,481	376,601
Deferred income	3,336,106	3,767,948
Deferred tax liabilities	2,336,862	2,014,407

Total non-current liabilities	89,698,974	77,774,629
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Total liabilities	150,171,245	147,418,890
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	31 December 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Shareholders' equity		
Issued capital	13,084,751	13,084,751
Capital reserve	16,647,545	16,647,545
Other comprehensive income	(5,059,044)	(2,056,715)
Reserve funds	5,766,587	5,233,245
Retained earnings	23,900,173	21,245,364
	<hr/>	<hr/>
Equity attributable to shareholders of the Company	54,340,012	54,154,190
Non-controlling interests	5,131,612	3,788,803
	<hr/>	<hr/>
Total shareholders' equity	59,471,624	57,942,993
	<hr/>	<hr/>
Total liabilities and shareholders' equity	209,642,869	205,361,883
	<hr/> <hr/>	<hr/> <hr/>

EFFECTS OF DIFFERENCES BETWEEN IFRSs AND CASs

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Net profit attributable to shareholders of the Company under CASs	3,782,388	3,318,613
Deferred taxation	(11,694)	10,324
Differences in value of fixed assets and other non-current assets	(41,882)	(153,952)
Government grants	88,657	88,657
	<hr/>	<hr/>
Net profit attributable to shareholders of the Company under IFRSs	3,817,469	3,263,642
	<hr/> <hr/>	<hr/> <hr/>
	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Equity attributable to shareholders of the Company under CASs	54,340,012	54,154,190
Deferred taxation	92,017	103,711
Differences in value of fixed assets and other non-current assets	(564,108)	(522,226)
Government grants	(29,552)	(118,209)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	139,919	139,919
	<hr/>	<hr/>
Equity attributable to shareholders of the Company under IFRSs	53,978,288	53,757,385
	<hr/> <hr/>	<hr/> <hr/>

2014 REVIEW

In 2014, the global economy recovered moderately while China continued to experience a slowdown in its economic growth. The global air passenger market sustained growth while the air cargo market steadily recovered. Although falling oil prices have helped alleviate the pressure on operating costs, intensified industry competition, relatively slow-down growth in demand and exchange rate volatility have posed considerable challenges to the aviation industry. Facing these challenges, we adhered to our strategy of steady and prudent operation and sustainable development, optimised our operation arrangement, promoted our hub network strategy, strengthened our cost management, and enhanced our strategic synergies. As a result, profitability of our core business continued to strengthen and the quality of our earnings improved markedly.

During the reporting period, our capacity measured in ATK reached 27,616 million and RTK reached 19,438 million, representing an increase of 12.67% and 10.12%, respectively, over the previous year. We carried 83.01 million passengers, representing an increase of 6.87% over the previous year. Our revenue reached RMB105,884 million and our profit attributable to equity shareholders amounted to RMB3,817 million, representing a year-on-year growth of 7.85% and 16.97%, respectively.

We continued to optimise our fleet structure and dynamically adjusted our deployed capacity according to changes in market demand. During the year, we introduced 67 aircraft and retired 24 old inefficient aircraft. As at the end of 2014, we had a total of 540 aircraft and the average age of our fleet was lowered to 6.08 years, and our fleet structure was more rational. With regard to our international operations, we continued to increase the capacity for our European and American routes with the deployment of aircraft types such as B777-300ER and A330-300, and focused on the increase of utilisation rate of wide-body aircraft with more competitive advantages. We timely increased the capacity for our Japanese and Korean routes where passenger growth was faster, optimised our Australian route structure, and dynamically adjusted our capacity deployment in Southeast Asian routes. With regard to our domestic operation, we controlled our capacity increase at an appropriate level with more capacity deployed to the Central and Western regions. Our deployment of different aircraft types has increasingly matched the demand of our routes and markets.

We further implemented our hub network strategy to increase its commercial value. By commissioning and increasing the frequency of a number of international and domestic routes, the Beijing hub has tightened its grip on the trunk route market. It also optimised its flight banks and increased the number of connecting flights. The Chengdu regional hub introduced a new international route from Kunming to Yangon and increased flights from Chengdu to second-tier cities in Western China, which further strengthened its competitive edge as a regional hub. The Shanghai international gateway launched a long-haul route to Munich, thus increasing the number of its direct European destinations to four. It also launched through check-in service for international to international flights to strengthen its transfer service capability. As at 31 December 2014, our Company operated a total of 322 passenger routes, including 82 international routes, 15 regional routes and 225 domestic routes.

We enhanced renovation and reform to accelerate the transformation of our sales and marketing models. Through the mobile Internet, we introduced our B2C mobile application platform to diversify our sales models. To stimulate customer demand, we introduced a number of new products, such as upgrade coupon, seat selection fee and standby at boarding gate, thus establishing a range of products generating ancillary revenue. We launched a reform in our yield management model by commissioning a new yield management system to help consolidate our competitive edge in our base market. With IT measures, we enhanced the consolidation and management of our customer resources to help us identify target customers and achieve precision marketing. As international revenue accounts for an ever-increasing share of our total revenue, we strengthened our overseas sales and marketing capability by focusing on the improvement of our organisational functions, marketing expertise, sales network and marketing tools.

We continued to enhance our business synergies with associated corporations in the Group, and actively expanded our co-operation with external partners. During the reporting period, we strengthened the sharing of flight schedules and co-operation of frequent flyer programs among our member airlines, and enhanced the co-operation in areas such as MRO resources consolidation, joint aircraft purchase, control and prevention of payment risks, and the management of overseas operations. We strengthened the co-operation with Cathay Pacific, our strategic partner, and the joint operation of flights between Hong Kong and Beijing, Chengdu and Chongqing achieved tangible results. Within the Star Alliance, we gradually improved alliance products, promoted the cross benefits of brands and frequent flyer programs with a total of RMB2.71 billion contributed from alliance members to our Group's revenue. We proactively expanded aviation co-operation by entering into memoranda of understanding on passenger service joint venture with Lufthansa, Air Canada and Air New Zealand, respectively. We also expanded our co-operation with United Airlines and Austrian Airlines.

Driven by customer demand, we optimised our full-process service chain and improved our customer experience through better management and technology. We successively launched several self-operated lounges at the Beijing and Shanghai airports, and created special passenger channels for the Beijing-Shanghai and Beijing-Hangzhou "premium express" routes. We strengthened the co-ordination of operation departments to improve the punctuality of our flights and further optimised our ground services. We initiated and rolled out new cabin interior designs, added more in-flight entertainment programs, and introduced well-known brands to help improve the quality of food and beverages, thus improving our cabin service quality. We accelerated the in-flight network construction project and took the lead in the establishment of the "In-flight Internet Industry Alliance" with our partners from relevant industries. We actively expanded the scope of our self-services by upgrading self-service check-in product, developing and promoting online ticket and check-in, and full self-service baggage check, thus providing more convenience to our passengers in their travelling.

Our cargo business improved markedly. In 2014, the air cargo market showed signs of recovery. Seizing this opportunity, Air China Cargo vigorously promoted the transformation and upgrade of its business. We optimised our long-haul fleet structure, increased the utilisation rate of our aircraft with competitive advantages, and reduced our operating costs. We adjusted the structure of our US and Europe flight network, and explored new round-the-world freight routes. We continued to strengthen our strategic co-operation with China Post Aviation in the charter business and achieved excellent operating results with the operation of the four B757F freighters. We improved the refined management of our belly hold services and maintained its competitiveness. We also established a market-driven management mechanism at our freight terminal to improve its efficiency. All these measures effectively improved the operating conditions of our cargo business, thus enabling Air China Cargo to make up the deficits and achieve profits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The following discussion and analysis are based on the Group's consolidated financial statements and the notes prepared in accordance with the IFRSs and are designed to assist readers in further understanding the information in this announcement and to better understand the financial performance and results of operation of the Group as a whole.

Profit Analysis

In 2014, we proactively responded to changes in the competitive landscape and market demand by adopting various measures such as optimising operational arrangement, accelerating marketing transformation and strengthening cost management. We recorded an operating profit of RMB7,262 million, representing an increase of RMB3,144 million or 76.34% as compared with that of the previous year. However, due to the offset by unfavorable factors including the depreciation of RMB against US dollars, profit attributable to equity shareholders of the Company and earnings per share amounted to RMB3,817 million and RMB0.31 respectively, representing a year-on-year increase of 16.97% and 16.95%, respectively.

Turnover

In 2014, the Group's total turnover was RMB105,884 million, representing an increase of RMB7,704 million or 7.85% as compared with that of the previous year. Revenue from our air traffic operations contributed RMB101,385 million to the total turnover, representing an increase of RMB6,782 million or 7.17% over last year. Our other operating revenue was RMB4,499 million, representing a year-on-year increase of RMB922 million or 25.76%, mainly due to the Group's increase of capacity and the year-on-year increase in ancillary revenue.

Revenue Contribution by Geographical Segments

<i>(in RMB '000)</i>	2014		2013		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	68,003,280	64.22%	64,386,657	65.58%	5.62%
Hong Kong, Macau and Taiwan	6,186,245	5.84%	5,491,532	5.59%	12.65%
Europe	11,304,062	10.68%	10,152,698	10.34%	11.34%
North America	9,339,397	8.82%	7,929,394	8.08%	17.78%
Japan and Korea	5,452,765	5.15%	5,023,165	5.12%	8.55%
Asia Pacific and others	5,598,573	5.29%	5,197,344	5.29%	7.72%
Total	<u>105,884,322</u>	<u>100.00%</u>	<u>98,180,790</u>	<u>100.00%</u>	<u>7.85%</u>

Air Passenger Revenue

In 2014, the Group recorded an air passenger revenue of RMB92,599 million, representing an increase of RMB5,872 million over that of 2013. Among the air passenger revenue, the increase of capacity contributed an increase of RMB8,864 million to the revenue, while the decreases of passenger yield and passenger load factor resulted in a decrease in revenue of RMB1,918 million and RMB1,074 million, respectively. The Group's capacity, load factor of passenger and yield per RPK in 2014 are as follows:

	2014	2013	Change
Available seat kilometers (million)	193,631.46	175,676.68	10.22%
Passenger load factor (%)	79.89	80.81	0.93 ppt
Yield per RPK (RMB)	0.60	0.61	-2.01%

Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB '000)</i>	2014		2013		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	61,672,170	66.60%	59,178,621	68.23%	4.21%
Hong Kong, Macau and Taiwan	5,828,565	6.29%	5,190,785	5.99%	12.29%
Europe	7,640,985	8.25%	6,986,898	8.06%	9.36%
North America	7,490,522	8.09%	6,360,792	7.33%	17.76%
Japan and Korea	4,876,735	5.27%	4,411,101	5.09%	10.56%
Asia Pacific and others	5,090,340	5.50%	4,598,602	5.30%	10.69%
Total	<u>92,599,317</u>	<u>100.00%</u>	<u>86,726,799</u>	<u>100.00%</u>	<u>6.77%</u>

Air Cargo Revenue

In 2014, the Group's air cargo and mail revenue was RMB8,786 million, representing an increase of RMB910 million as compared with that of the previous year. Among the air cargo and mail revenue, the increase of capacity contributed an increase of RMB1,350 million to the revenue, while the decreases of load factor and yield of cargo and mail resulted in a decrease in revenue of RMB288 million and RMB152 million, respectively. The capacity, load factor of cargo and mail and yield per RFTK in 2014 are as follows:

	2014	2013	Change
Available freight tonne kilometres (million)	10,147.93	8,663.97	17.13% a decrease of
Cargo and mail load factor (%)	56.08	57.89	1.81ppt
Yield per RFTK (RMB)	1.54	1.57	-1.70%

Air Cargo Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2014		2013		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	2,032,015	23.13%	1,794,941	22.79%	13.21%
Hong Kong, Macau and Taiwan	353,618	4.02%	297,469	3.78%	18.88%
Europe	3,602,942	41.01%	3,113,800	39.53%	15.71%
North America	1,789,924	20.37%	1,520,426	19.30%	17.73%
Japan and Korea	541,965	6.17%	584,105	7.42%	-7.21%
Asia Pacific and others	465,418	5.30%	565,628	7.18%	-17.72%
Total	<u>8,785,882</u>	<u>100.00%</u>	<u>7,876,369</u>	<u>100.00%</u>	<u>11.55%</u>

Operating Expenses

In 2014, the Group's operating expenses were RMB98,623 million, representing an increase of 4.85% from RMB94,063 million in 2013. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	2014		2013		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	34,542,440	35.02%	33,722,281	35.85%	2.43%
Take-off, landing and depot charges	10,566,490	10.71%	9,585,090	10.19%	10.24%
Depreciation	11,322,989	11.48%	10,936,619	11.63%	3.53%
Aircraft maintenance, repair and overhaul costs	3,587,507	3.64%	3,063,647	3.26%	17.10%
Employee compensation costs	15,512,764	15.73%	14,023,639	14.91%	10.62%
Air catering charges	2,755,640	2.79%	2,571,550	2.73%	7.16%
Selling and marketing expenses	5,899,633	5.98%	5,760,403	6.12%	2.42%
General and administrative expenses	568,136	0.58%	1,221,429	1.30%	-53.49%
Others	13,867,076	14.07%	13,178,068	14.01%	5.23%
Total	<u>98,622,675</u>	<u>100.00%</u>	<u>94,062,726</u>	<u>100.00%</u>	<u>4.85%</u>

In particular:

- Jet fuel costs increased by RMB820 million or 2.43% as compared to 2013, mainly due to the effect of the increase in flying hours.
- Take-off, landing and depot charges increased by RMB981 million as compared to 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 finance leased aircraft during 2014.
- Aircraft maintenance, repair and overhaul costs recorded an increase of RMB524 million or 17.10% as compared to 2013 due to fleet expansion.
- Employee compensation costs increased by RMB1,489 million, mainly due to the adjustment of employee compensation level and the increase in number of employees.

- Air catering charges increased by RMB184 million, mainly due to the combined effect of the increase in number of passengers, improvement of the standard of meal served and rising costs of raw materials.
- Sales and marketing expenses increased by RMB139 million as compared to 2013, mainly due to the rising marketing expenses brought by an increase in sales revenue.
- General and administrative expenses decreased by RMB653 million as compared to 2013, mainly due to the reversal of bad debt provision on receivables for 2014.
- 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. Other operating expenses increased by 5.23% from the previous year, mainly due to the increase in the operating lease expenses of aircraft engines and buildings and contributions to the civil aviation development fund for 2014.

Financial Revenue and Financial Costs

In 2014, the Group recorded a net exchange loss of RMB360 million, as compared to the net exchange gain of RMB1,938 million in 2013, representing a decrease in profits of RMB2,298 million or 118.59%, which was mainly due to the effect of depreciation of RMB against US dollars during the reporting period. The Group also incurred an interest expense (excluding the capitalised portion) of RMB2,940 million, representing a year-on-year increase of RMB254 million, primarily due to the growth in interest-bearing liabilities and the rising of financing costs in US dollars borrowings.

Share of Profits Less Losses of Associates and Joint Ventures

In 2014, the Group's share in the profits of its associates and joint ventures was RMB874 million, representing an increase of RMB51 million from that of 2013, mainly due to the increase in profits of Cathay Pacific, an associate of the Group, among which the Group's recognition of gains on investment in Cathay Pacific increased by RMB167 million from that of 2013 to RMB590 million in 2014.

Analysis of Assets Structure

As at 31 December 2014, the total assets of the Group amounted to RMB209,311 million, representing an increase of 2.06% from the previous year, among which current assets accounted for RMB21,053 million or 10.06% of the total assets, while non-current assets accounted for RMB188,258 million or 89.94% of the total assets.

Among the current assets, cash and cash equivalents were RMB9,660 million, accounting for 45.88% of the current assets and representing a decrease of 34.56% from the beginning of 2014, mainly due to the repayment of the second tranche of medium-term notes of RMB3 billion issued in 2009 and the year-on-year increase in the repayment of other long-term and short-term debts during the period, which resulted in an increase in cash outflow.

Among the non-current assets, the net book value of property, plant and equipment was RMB148,180 million, accounting for 78.71% of the non-current assets and representing an increase of 11.58% from the previous year, which was primarily attributable to the increase in the number of self-owned and financing leased aircraft.

Assets Mortgage

As at 31 December 2014, the Group, pursuant to certain bank loans and finance leasing agreements, has mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB98,674 million (approximately RMB85,307 million as at 31 December 2013) and land use rights with a net book value of approximately RMB37 million (approximately RMB38 million as at 31 December 2013). At the same time, the Group had approximately RMB75 million (approximately RMB746 million as at 31 December 2013) in bank deposits pledged as security for certain bank loans, operating leases and financial derivatives of the Group.

Capital Expenditure

In 2014, the Company's capital expenditure amounted to a total of RMB15,220 million, of which the total investment in aircraft and engines was RMB13,155 million.

Other capital expenditure amounted to RMB2,065 million, which was mainly spent on high-cost rotables, aircraft modifications, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

Equity Investment

As at 31 December 2014, the Group's equity investment in its associates totalled RMB11,894 million, representing a decrease of 18.39% from the beginning of 2014, mainly due to the effect of the recognition of the Group's shares of other comprehensive expense of associates in 2014. The equity investment balances of the Group in Cathay Pacific, Shandong Aviation Group Company Limited and Shandong Airlines Company Limited amounted to RMB9,889 million, RMB992 million and RMB609 million, respectively, with such companies recording profits of RMB2,717 million, RMB352 million and RMB288 million in 2014, respectively.

As at 31 December 2014, the Group's equity investment in its joint ventures was RMB1,393 million, representing an increase of 8.45% from the beginning of 2014, mainly due to the recognition of the Group's shares in the profits of its joint ventures during the reporting period.

Debt Structure Analysis

As at 31 December 2014, the Group's total liabilities were RMB150,201 million, representing an increase of 1.81% from the previous year, among which current liabilities accounted for RMB60,843 million and non-current liabilities accounted for RMB89,358 million, representing 40.51% and 59.49% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank and other loans, obligations under finance leases and bills payable) amounted to RMB34,194 million, representing a decrease of 21.14% from the beginning of 2014, mainly due to the structural adjustment of long-term and short-term debts. Other advances and payables decreased by 0.24% from the previous year to RMB26,649 million.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB80,263 million, representing an increase of 17.62% from the beginning of 2014.

Details of interests-bearing debts of the Group by currency are set out below:

<i>(in RMB'000)</i>	2014		2013		Change
	Amount	Percentage	Amount	Percentage	
US dollars	83,334,291	72.81%	78,197,358	70.07%	6.57%
RMB	30,163,637	26.35%	33,238,571	29.78%	-9.25%
Other	959,705	0.84%	164,725	0.15%	482.61%
Total	<u>114,457,633</u>	<u>100.00%</u>	<u>111,600,654</u>	<u>100.00%</u>	<u>2.56%</u>

Commitments and Contingent Liabilities

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, increased from RMB95,085 million as at 31 December 2013 to RMB104,516 million as at 31 December 2014. The Group's commitments under operating leases, which mainly consisted of the payables in the next few years for leasing certain aircrafts, offices and related equipment, amounted to RMB35,332 million as at 31 December 2014, representing an increase of 34.69% as compared to the previous year. The Group's investment commitments increased by RMB1,397 million from RMB56 million as at 31 December 2013 to RMB1,453 million as at 31 December 2014, mainly contributed by the signed investment agreements.

Gearing Ratio

As at 31 December 2014, the Group's gearing ratio (total liabilities divided by total assets) was 71.76%, representing a decrease of 0.18 ppt from 71.94% as at 31 December 2013. As high gearing ratio is common among aviation enterprises, the Group continued to maintain a relatively reasonable gearing ratio. Taking into account of the Group's profitability and the market environment where it operates, its long-term insolvency risk is within control.

Working Capital and Its Sources

As at 31 December 2014, the Group's net current liabilities (current liabilities minus current assets) were RMB39,790 million, representing a decrease of RMB4,467 million as compared to the previous year. The decrease in net current liabilities was mainly due to the decrease in current portion of long-term borrowings. Based on the structure of current assets and current liabilities, the current ratio (current assets divided by current liabilities) was 0.35, representing a slight decrease from 0.37 as at 31 December 2013.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In 2014, the Group's net cash inflow from operating activities was RMB14,064 million, representing a decrease of 3.73% from RMB14,608 million in 2013, mainly due to the increase in interest payments from operating activities. Net cash outflow from investment activities was RMB10,313 million, representing a decrease of 50.03% from RMB20,638 million in 2013, mainly due to the decrease in the settlement of the final payment for the delivery of aircraft and the advance prepayment for the purchase of aircraft from the previous year. The Group's net cash outflow from financing activities was RMB8,859 million, representing a decrease of approximately RMB18,130 million from the net cash inflow of RMB9,271 million in 2013, mainly due to an increase in repayment of debts due in 2014 compared to 2013. The Company has obtained bank facilities of up to RMB110,396 million from a number of banks in the PRC, among which approximately RMB32,355 million has been utilised, sufficient to meet our demand on working capital 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 its daily operation. International jet fuel prices are subject to market volatility and fluctuation in supply and demand. The Group's strategy for managing jet fuel price risk aims at managing and controlling the risk arising from the rise in fuel price. The Group has been engaging 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 of 30 November 2011, all fuel derivatives of the Company have been expired and no new position has been established at present. Considering the volatility of international jet fuel prices and cost sensitivity of the Company, the Company will develop its fuel hedging business in compliance with the regulatory requirements so as to cope with changes in the jet fuel market.

Certain finance lease liabilities, bank loans and other loans of the Group are denominated in US dollars and Euros. Certain expenses of the Group are also denominated in currencies other than RMB. The Group timely remits the foreign currency income arising from the sales 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 and Euros was volatile during the reporting period, mainly resulting in the exchange difference recognised by the Group during the reporting period.

As to interest rate risk management, through the entering into of interest rate derivative contracts, 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.

OUTLOOK FOR 2015

In 2015, although the Company faces challenges from the industry's changing landscape and intensifying competition inside or outside the industry, the global aviation industry is on a positive trend. As China's economy maintains its growth at a high to moderate rate under the "new normal", the increase of consumption level of Chinese consumers and the change of their consumption structure will provide a new dimension and a new strategic opportunity for the development of China's aviation industry. Our Group will proactively adjust to the new normal and new industry characteristics, and continue to pursue our goal of "building a large network airline with international competitiveness". We will move forward prudently, strive to increase our profitability, operating management capability and administrative ability, fortify our advantages, and seek new drivers under the new normal, thereby providing a better return to our shareholders and the society.

SHARE CAPITAL

As at 31 December 2014, the total share capital of the Company was RMB13,084,751,004 divided into 13,084,751,004 shares with a par value of RMB1.00 each. The following table sets out the share capital structure of the Company as at 31 December 2014:

Category of Shares	Number of shares	Percentage of the total share capital
A Shares	8,522,067,640	65.13%
H Shares	4,562,683,364	34.87%
Total	<u>13,084,751,004</u>	<u>100%</u>

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, without taking into account any issuance of new securities. For this purpose, the term "securities" has the meaning ascribed thereto under paragraph 1 of Appendix 16 to the Listing Rules.

CORPORATE GOVERNANCE

1. Compliance with the Corporate Governance Code

The Company has complied with the principles and code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year 2014.

2. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted and formulated a code of conduct on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each of the directors and supervisors of the Company has complied with the required standards of the Model Code and the Company's code of conduct throughout the year 2014.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.5223 (including tax) per ten shares for the year ended 31 December 2014, totaling approximately RMB683 million based on the Company's total issued shares of 13,084,751,004. A resolution for the dividend payment will be submitted for consideration at the 2014 annual general meeting of the Company. The dividend will be denominated and declared in RMB. A further announcement regarding the book closure period and further information relating to the payment of dividends will be made by the Company in due course.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the directors was appointed by the Company for a term of not more than three years which shall end upon the fifth session of the Board being elected.

None of the directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

ANNUAL REPORT

The annual report for the year ended 31 December 2014 containing all information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.airchina.com.cn) in due course.

FORWARD-LOOKING STATEMENT

We would like to caution readers of this announcement that the airline operations are substantially influenced by global political and economic developments. Accidental and unexpected incidents may have a material impact on our operations or the industry as a whole. This 2014 annual results announcement of the Group contains, inter alia, certain forward-looking statements, such as forward-looking statements on the global and Chinese economies and aviation markets. Such forward-looking statements are subject to some uncertainties and risks.

AUDIT AND RISK CONTROL COMMITTEE

The 2014 annual results of the Company have been reviewed by the audit and risk control committee of the Board.

(II) PROPOSED APPOINTMENT OF NEW DIRECTOR

The Company is pleased to announce that the Board resolved to propose that Mr. Stanley Hui Hon-chung be appointed as an independent non-executive director of the Company. Mr. Hui has confirmed that he has fulfilled the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company considered Mr. Hui to be independent pursuant to the independence guidelines under the Listing Rules. An ordinary resolution to consider and approve the appointment of Mr. Stanley Hui Hon-chung as an independent non-executive director of the Company will be proposed at the 2014 annual general meeting of the Company.

Mr. Stanley Hui Hon-chung, aged 65, holds a Bachelor Degree of Science from the Chinese University of Hong Kong. He joined Cathay Pacific in 1975 and held a range of management positions in Hong Kong and overseas. From 1990 to 1992, he served as General Manager of Planning and International Affairs of Hong Kong Dragon Airlines Limited. In 1992, he became Chief Representative of John Swire & Sons (China) in Beijing. From 1994 to 1997, he worked as the President of AHK Air Hong Kong Limited. From 1997 to 2006, he joined Hong Kong Dragon Airlines Limited as Chief Executive Officer. From February 2007 to July 2014, he served as Chief Executive Officer of Airport Authority Hong Kong. Mr. Hui was appointed as member of the Greater Pearl River Delta Business Council twice by the Chief Executive of the HKSAR, and held civic duties including member of the Commission on Strategic Development of the HKSAR Government, member of the Hong Kong Government's Aviation Development Advisory Committee and member of the Hong Kong Tourism Board. Mr. Hui is currently the member of the 12th National Committee of Chinese People's Political Consultative Conference and the General Committee of the Hong Kong General Chamber of Commerce. In July 2006, Mr. Hui was appointed as a Justice of the Peace by the Chief Executive of the HKSAR.

Save as disclosed above, Mr. Hui has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas or taken up a position in any affiliated companies of the Company over the past three years, nor does Mr. Hui have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this announcement, Mr. Hui does not have any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. Hui will enter into a service contract with the Company and will receive an annual emolument of RMB150,000 (before taxation) from the Company as the independent non-executive director during his tenure. The term of Mr. Hui's office shall commence on the date of approval by the Shareholders of his appointment and shall end on the expiry of the term of the current session of the Board.

Save as disclosed above, there is no information to be disclosed on items (h) to (v) in Rule 13.51(2) of the Listing Rules, and there are no other matters in respect of the proposed appointment of Mr. Hui that need to be brought to the attention of the Shareholders.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Air China Cargo”	Air China Cargo Co., Ltd., a company incorporated in the People's Republic of China and a subsidiary of the Company in which the Company holds a 51% shareholding
”ATK(s)”	available tonne kilometers, the number of tonnes of capacity available multiplied by the kilometres flown
“Board”	the board of directors of the Company
“Cathay Pacific”	Cathay Pacific Airways Limited
“Company”	Air China Limited, a company incorporated in the PRC, 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
“Euros”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992)

“Group”	the Company and its subsidiaries
“HKSAR”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong 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
“RFTK(s)”	revenue freight tonne kilometres, the revenue cargo and mail load in tonnes multiplied by the kilometres flown
“RMB”	Renminbi, the lawful currency of the PRC
“RPK(s)”	revenue passenger kilometres, the number of revenue passengers carried multiplied by the kilometres flown
“RTK(s)”	revenue tonne kilometers, the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown
“Shareholders”	the shareholders of the Company
“US dollars”	United States dollars, the lawful currency of the United States

By order of the Board
Air China Limited
Rao Xinyu Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 26 March 2015

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Feng Gang, Mr. John Robert Slosar, Mr. Ian Sai Cheung Shiu, Mr. Song Zhiyong, Mr. Fan Cheng, Mr. Fu Yang, Mr. Yang Yuzhong*, Mr. Pan Xiaojiang* and Mr. Simon To Chi Keung*.*

* *Independent non-executive Director of the Company*