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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)

FIRST QUARTERLY REPORT 2018

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) held a meeting of the Board on 26 April 2018 and passed the resolution approving the first quarterly report 2018 of the Company for the first quarter ended 31 March 2018 (the “**Reporting Period**” or “**Period**”) prepared in accordance with the PRC Accounting Standards for Business Enterprises.

1. IMPORTANT NOTICE

1.1 The Board and the supervisory committee of the Company together with the directors, supervisors and the senior management of the Company guarantee that the contents of the quarterly report are true, accurate and complete and do not contain any false representation, misleading statement or material omission, and shall jointly and severally accept legal liability.

1.2 Particulars of absent directors

Name of absent director	Position of absent director	Reason(s) for absence	Name of proxy
John Robert Slosar	Director	Business engagement	Cai Jianjiang

1.3 Mr. Cai Jianjiang (legal representative and the Chairman of the Board of the Company), Mr. Xiao Feng (person in charge of accounting function and the Chief Accountant), and Mr. Zhan Zhong (person in charge of accounting department (accounting superintendent) and the general manager of finance department) hereby guarantee that the financial statements set out in this quarterly report are true, accurate and complete.

1.4 The first quarterly report of the Company is unaudited.

2. BASIC INFORMATION OF THE COMPANY

2.1 Major financial data

Unit: RMB'000

		At the end of the previous year		Increase / decrease at the end of the Reporting Period as compared to the end of the previous year (%)
	At the end of the Reporting Period	After adjustment	Before adjustment	
Total assets	234,620,919	235,717,816	235,717,816	-0.47
Net asset attributable to shareholders of the listed company	88,253,607	86,494,223	86,120,794	2.03

	For the period from the beginning of the year to the end of the Reporting Period	For the corresponding period of the previous year		Increase/ decrease as compared to the corresponding period of the previous year (%)
		After adjustment	Before adjustment	
Net cash flows from operating activities	7,237,628	2,472,549	2,472,549	192.72

	For the period from the beginning of the year to the end of the Reporting Period	For the corresponding period of the previous year		Increase/ decrease as compared to the corresponding period of the previous year (%)
		After adjustment	Before adjustment	
Revenue	31,606,754	28,968,982	28,968,982	9.11
Net profit attributable to shareholders of the listed company	2,628,202	1,466,400	1,466,400	79.23
Net profit attributable to shareholders of the listed company after deducting non- recurring profits and losses	2,600,253	1,439,366	1,439,366	80.65
Weighted average return on net assets (%)	3.01	2.03	2.03	Increase by 0.98 ppt
Basic earnings per share (RMB per share)	0.19	0.11	0.11	79.23
Diluted earnings per share (RMB per share)	N/A	N/A	N/A	N/A

Non-recurring profits and losses

Applicable Not applicable

Unit: RMB'000

Items	Amounts for the Period
Gains or losses on disposal of non-current assets	-1,542
Government subsidies recorded in the income statement for the current period (exclusive of government subsidies which are closely related to the business of the Company and entitled pursuant to unified standard quota or amount under the government policy)	39,297
Gains or losses from changes in fair value of financial assets/liabilities held for trading and investment gains from disposal of financial assets/liabilities held for trading and available-for-sale financial assets (except for hedging activities related to the Company's normal operating business)	4,901
Other non-operating income and expenses not covered above	8,113
Effect of non-controlling shareholders' interests (after taxation)	-10,219
Effect of income tax	<u>-12,601</u>
Total	<u><u>27,949</u></u>

2.2 Total number of shareholders, the top 10 shareholders and the top 10 holders of tradable shares (or shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Name of shareholder (full name)	Particulars of the top 10 shareholders			Shares pledged or frozen		Nature of shareholder
	Number of shares held as at the end of the Period	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Status	Number	
Total number of shareholders						153,479
China National Aviation Holding Corporation Limited	5,952,236,697	40.98	513,478,818	Frozen	127,445,536	State
Cathay Pacific Airways Limited	2,633,725,455	18.13	0	Nil	0	Foreign legal person
HKSCC NOMINEES LIMITED	1,687,426,519	11.62	0	Nil	0	Foreign legal person
China National Aviation Corporation (Group) Limited	1,556,334,920	10.72	0	Frozen	36,454,464	Foreign legal person
China National Aviation Fuel Group Corporation	468,485,702	3.23	0	Nil	0	State-owned legal person
Zhongyuan Equity Investment Management Co., Ltd.	256,739,505	1.77	0	Unknown	256,739,405	State-owned legal person
China Securities Finance Corporation Limited	253,339,908	1.74	0	Nil	0	State-owned legal person
China Structural Reform Fund Co., Ltd.	208,833,358	1.44	0	Nil	0	State-owned legal person
National Social Security Fund 118	62,034,895	0.43	0	Nil	0	State-owned legal person
China Life Insurance Company Limited – Dividends – Individual Dividends – 005L – FH002 Shanghai	34,080,837	0.23	0	Nil	0	Unknown

Particulars of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
China National Aviation Holding Corporation Limited	5,438,757,879	RMB ordinary shares	5,438,757,879
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,687,426,519	Overseas listed foreign shares	1,687,426,519
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares	1,332,482,920
		Overseas listed foreign shares	223,852,000
China National Aviation Fuel Group Corporation	468,485,702	RMB ordinary shares	468,485,702
Zhongyuan Equity Investment Management Co., Ltd.	256,739,505	RMB ordinary shares	256,739,505
China Securities Finance Corporation Limited	253,339,908	RMB ordinary shares	253,339,908
China Structural Reform Fund Co., Ltd.	208,833,358	RMB ordinary shares	208,833,358
National Social Security Fund 118	62,034,895	RMB ordinary shares	62,034,895
China Life Insurance Company Limited – Dividends – Individual Dividends – 005L – FH002 Shanghai	34,080,837	RMB ordinary shares	34,080,837
Explanation on connected relationship or action in concert among the above shareholders	China National Aviation Corporation (Group) Limited is a wholly-owned subsidiary of China National Aviation Holding Corporation Limited. Accordingly, China National Aviation Holding Corporation Limited is directly and indirectly interested in 51.70% of the shares of the Company.		
Explanation of holders of preference shares with restored voting rights and number of shares held	Nil		

1. HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,687,426,519 H shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of China National Aviation Corporation (Group) Limited.
2. According to the “Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market” (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by China National Aviation Holding Corporation Limited, the controlling shareholder of the Company, and China National Aviation Corporation (Group) Limited respectively are frozen at present.

2.3 Total number of holders of preference shares, the top 10 holders of preference shares and the top 10 holders of preference shares not subject to selling restrictions as at the end of the Reporting Period

Applicable Not applicable

3. SIGNIFICANT EVENTS

3.1 Particulars of, and reasons for, significant changes in major items in the accounting statements and key financial indicators of the Company

Applicable Not applicable

In the first quarter of 2018, the Company achieved a year-on-year increase in revenue by optimizing production organizations, increasing operating efficiency, expanding investment scale and refining yield control. Meanwhile, benefiting from the appreciation of the RMB against the US dollar, the Company achieved good results in the first quarter, recording the total profit of RMB4.024 billion, representing a year-on-year increase of RMB1.604 billion, and net profit attributable to the Company of RMB2.628 billion, representing a year-on-year increase of RMB1.162 billion.

The Company implemented five Accounting Standards for Business Enterprises revised and issued by the Ministry of Finance in 2017 from 1 January 2018, including “Accounting Standards for Business Enterprises No. 14 – Revenue”, “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument”. In particular, according to “Accounting Standards for Business Enterprises No. 14 – Revenue”, retained earnings and non-controlling interests at the beginning of 2018 in aggregate were

increased by approximately RMB391 million in the consolidated financial statements and no adjustments were made to the information during the comparable period. The Company also adjusted the presentation of the current financial statements according to the requirements of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and no adjustments were made to the information during the comparable period.

Items in consolidated balance sheet	Balance at the end of the Reporting Period	Balance at the beginning of the year (Restated)	Amount of Change	Percentage (%)	Reasons for Change
Financial assets at fair value through profit or loss	402,302	19,938	382,364	1,917.77	Mainly due to the impact of the implementation of new accounting standards for financial instruments.
Prepayments	1,061,275	3,113,262	-2,051,987	-65.91	Mainly due to the decrease in prepayment for aviation oil during the Reporting Period.
Financial assets at fair value through other comprehensive income	898,606	–	898,606	Not applicable	Mainly due to the impact of the implementation of new accounting standards for financial instruments.
Available-for-sale financial assets	–	1,336,996	-1,336,996	Not applicable	Mainly due to the impact of the implementation of new accounting standards for financial instruments.
Short-term bonds payable	599,923	1,199,450	-599,527	-49.98	Repayment of short-term bonds due during the Reporting Period.
Other comprehensive income	-2,562,561	-1,693,743	-868,818	-51.30	The decrease in exchange difference on translation of financial statements in foreign currency during the Reporting Period.
Items in consolidated income statement	Amounts for the Period	Amounts for the corresponding period of the previous year	Amount of Change	Percentage (%)	Reasons for Change
Finance expenses	-997,160	496,915	-1,494,075	-300.67	Mainly due to the increase in the net exchange gain during the Reporting Period as compared to the corresponding period of the previous year.

Items in consolidated cash flow statement	Amounts for the Period	Amounts for the corresponding period of the previous year	Amount of Change	Percentage (%)	Reasons for Change
Other cash received relating to operating activities	2,073,744	725,989	1,347,755	185.64	Mainly due to the decrease in the net amounts of contributions made by China National Aviation Finance Co., Ltd., a subsidiary of the Company, during the Reporting Period as compared to the corresponding period of the previous year.
Tax and levies paid	1,977,075	1,401,135	575,940	41.11	Mainly due to the increase in enterprise income taxes paid during the Reporting Period as compared to the corresponding period of the previous year.
Cash received from capital injection	-	11,201,374	-11,201,374	-100.00	Due to raised capital by non-public issue of shares received during the corresponding period of the previous year.
Cash paid for repayment of debentures	600,000	1,200,000	-600,000	-50.00	Due to the decrease in repayment of debentures during the Reporting Period as compared to the corresponding period of the previous year.

3.2 Analysis and explanation on the progress of significant events and their impact and resolutions

Applicable Not applicable

3.3 Undertakings that were failed to fulfill as scheduled during the Reporting Period

Applicable Not applicable

3.4 Warnings and explanations with regard to forecast of a probable loss in respect of the accumulative net profits from the beginning of the year to the end of the next reporting period or any significant changes as compared with that of the corresponding period of previous year

Applicable Not applicable

Company name Air China Limited
Legal representative Mr. Cai Jianjiang
Date 26 April 2018

4. APPENDIX

4.1 Financial Statements

CONSOLIDATED BALANCE SHEET

31 March 2018

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
CURRENT ASSETS:		
Cash and bank	6,264,280	6,260,074
Provisions on payables		
Contributions made		
Financial assets at fair value through profit or loss	402,302	19,938
Derivative financial assets		
Bills receivable	287	348
Accounts receivable	3,544,918	3,490,427
Prepayments	1,061,275	3,113,262
Premium receivable		
Receivables on reinsurance		
Provisions for reinsurance contracts		
Interest receivable		
Dividend receivable		
Other receivables	1,599,529	2,009,253
Purchase of financial assets resold		
Inventories	1,669,004	1,535,769
Held-for-sale assets	194,303	283,562
Non-current assets due within a year	–	10,000
Other current assets	3,542,291	4,036,700
Total current assets	18,278,189	20,759,333

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
NON-CURRENT ASSETS:		
Financial assets at fair value through other comprehensive income	898,606	–
Loans and advances		
Available-for-sale financial assets	–	1,336,996
Held-to-maturity investments		
Long-term receivables	757,798	784,339
Long-term equity investments	14,790,353	15,299,017
Investment properties	326,447	330,768
Fixed assets	158,554,240	158,274,275
Construction in progress	32,401,359	30,340,891
Construction materials		
Disposal of fixed assets		
Biological assets for production		
Oil and gas assets		
Intangible assets	4,351,190	4,400,762
Development expenses		
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	657,441	657,364
Deferred tax assets	2,503,111	2,431,886
Other non-current assets		
Total non-current assets	216,342,730	214,958,483
Total assets	234,620,919	235,717,816

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
CURRENT LIABILITIES:		
Short-term loans	19,449,299	19,483,625
Borrowings from central bank		
Short-term bonds payable	599,923	1,199,450
Deposits from clients and placements from other banks		
Contributions received		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Bills payable		
Accounts payable	15,767,931	14,672,242
Domestic air traffic liabilities	2,076,939	2,396,633
International air traffic liabilities	4,199,523	4,477,730
Receipts in advance	374,194	518,413
Sale of financial assets repurchased		
Fees and commissions payable		
Employee compensations payable	2,037,363	2,533,032
Taxes payable	2,152,831	2,501,162
Interest payable	561,538	610,089
Dividend payable		
Other payables	7,262,713	7,971,574
Amounts payable on reinsurance		
Reserves on insurance contracts		
Brokerage payable		
Underwriting fees payable		
Held-for-sale liabilities		
Non-current liabilities due within a year	15,367,628	14,999,650
Other current liabilities		
Total current liabilities	69,849,882	71,363,600

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
NON-CURRENT LIABILITIES:		
Long-term loans	6,118,745	7,608,289
Debentures payable	15,000,000	14,500,000
Including: Preference shares		
Perpetual bonds		
Long-term payables	3,800,323	3,669,405
Obligations under finance leases	36,649,223	37,798,582
Defined benefit obligations	263,575	263,575
Specific payables		
Accrued liabilities	475,769	492,869
Deferred income	3,785,082	3,568,127
Deferred tax liabilities	1,085,417	1,130,054
Other non-current liabilities		
Total non-current liabilities	67,178,134	69,030,901
Total liabilities	137,028,016	140,394,501
OWNER'S EQUITY		
Issued capital	14,524,815	14,524,815
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	26,270,841	26,270,841
Less: Treasury shares		
Other comprehensive income	-2,562,561	-1,693,743
Specific reserves		
Surplus reserves	9,177,905	9,177,905
General risk provisions	69,742	69,742
Retained earnings	40,772,865	38,144,663
Total owner's equity attributable to equity shareholders of the Company	88,253,607	86,494,223
Non-controlling interests	9,339,296	8,829,092
Total owner's equity	97,592,903	95,323,315
Total liabilities and owner's equity	234,620,919	235,717,816

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

BALANCE SHEET OF THE COMPANY*31 March 2018*

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
CURRENT ASSETS:		
Cash and bank	3,576,579	3,172,520
Financial assets at fair value through profit or loss		
Derivative financial assets		
Bills receivable		
Accounts receivable	3,621,654	3,534,850
Prepayments	668,002	2,612,939
Interest receivable		
Dividend receivable		
Other receivables	1,766,000	1,913,843
Inventories	107,680	97,900
Held-for-sale assets	194,303	283,562
Non-current assets due within a year	1,020,000	–
Other current assets	1,576,356	1,173,376
Total current assets	12,530,574	12,788,990

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
NON-CURRENT ASSETS:		
Financial assets at fair value through other comprehensive income	22,783	–
Entrusted loans	–	1,020,000
Available-for-sale financial assets	–	22,783
Held-to-maturity investments		
Long-term receivables	427,379	449,913
Long-term equity investments	27,515,969	27,325,997
Investment properties		
Fixed assets	106,888,415	106,694,613
Construction in progress	22,513,260	20,856,626
Construction materials		
Disposal of fixed assets		
Biological assets for production		
Oil and gas assets		
Intangible assets	2,734,141	2,758,672
Development expenses		
Goodwill		
Long-term deferred expenses	303,878	312,285
Deferred tax assets	2,103,103	2,034,870
Other non-current assets		
Total non-current assets	162,508,928	161,475,759
Total assets	175,039,502	174,264,749

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
CURRENT LIABILITIES:		
Short-term loans	11,674,723	11,538,000
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Bills payable		
Accounts payable	12,644,177	11,975,550
Domestic air traffic liabilities	1,483,040	1,702,630
International air traffic liabilities	3,842,322	4,097,351
Receipts in advance	73,421	183,194
Employee compensations payable	657,539	852,023
Taxes payable	1,173,668	1,240,223
Interest payable	464,749	542,539
Dividend payable		
Other payables	7,615,386	7,737,002
Held-for-sale liabilities		
Non-current liabilities due within a year	8,499,410	8,738,784
Other current liabilities		
Total current liabilities	48,128,435	48,607,296
NON-CURRENT LIABILITIES:		
Long-term loans	1,831,800	1,871,198
Debentures payable	14,500,000	14,500,000
Including: Preference shares		
Perpetual bonds		
Long-term payables	2,027,956	1,928,023
Obligations under finance leases	22,594,206	23,643,577
Defined benefit obligations		
Specific payables		
Accrued liabilities	141,611	158,711
Deferred income	3,149,413	2,935,541
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	44,244,986	45,037,050
Total liabilities	92,373,421	93,644,346

Items	Balance at the end of the Period	Balance at the beginning of the year (Restated)
OWNER'S EQUITY:		
Issued capital	14,524,815	14,524,815
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	30,618,680	30,618,680
Less: Treasury shares		
Other comprehensive income	219,029	219,029
Specific reserves		
Surplus reserves	9,140,799	9,140,799
Retained earnings	28,162,758	26,117,080
Total owner's equity	82,666,081	80,620,403
Total liabilities and owner's equity	175,039,502	174,264,749

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

CONSOLIDATED INCOME STATEMENT

January to March 2018

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
I. Revenue from operations	31,606,754	28,968,982
Including: Revenue		
Interest income		
Premium earned		
Fees and commission income		
II. Total operating costs	28,230,239	26,455,261
Including: Operating costs	26,602,726	23,435,307
Interest expenses		
Fees and commission expenses		
Returned premium		
Net reimbursement paid		
Net amounts of provisions on insurance contracts drawn		
Bonus paid on insurance policy		
Reinsurance premium		
Taxes and other levies	34,984	62,818
Selling expenses	1,498,159	1,528,115
General and Administrative expenses	1,092,113	925,965
Finance expenses	-997,160	496,915
Impairment loss of assets	-583	6,141
Add: Gains from changes in fair value		
(loss is represented by “-” sign)	4,364	82
Investment income (loss is represented by “-” sign)	133,484	-141,592
Including: Share of profits less losses of associates and joint ventures	124,259	-153,770
Gains on disposal of assets (loss is represented by “-” sign)	-568	-
Exchange gains (loss is represented by “-” sign)		
Other income	503,353	-

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
III. Profit from operations (loss is represented by “-” sign)	4,017,148	2,372,211
Add: Non-operating income	13,358	53,977
Including: Gains arising from disposal of non-current assets	1,028	145
Less: Non-operating expenses	6,219	6,366
Including: Loss arising from disposal of non-current assets	2,002	1,635
IV. Total profit (total loss is represented by “-” sign)	4,024,287	2,419,822
Less: Income Taxation	846,567	610,832
V. Net profit (net loss is represented by “-” sign)	3,177,720	1,808,990
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by “-” sign)	3,177,720	1,808,990
2. Net profit from discontinued operations (net loss is represented by “-” sign)		
(II) Classified by ownership of equity		
1. Net profits attributable to non-controlling interests	549,518	342,590
2. Net profits attributable to shareholders of the Company	2,628,202	1,466,400
VI. Other comprehensive income after taxation	-903,232	-157,907
Other comprehensive income after taxation attributable to shareholders of the Company	-868,818	-155,530
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Change arising from re-measurement of net liabilities or net assets in defined benefit plans		
2. Share of other comprehensive income of the investees accounted for using the equity method that cannot be reclassified to profit or loss		

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
(II) Other comprehensive income that will be subsequently reclassified to profit or loss	-868,818	-155,530
1. Share of other comprehensive income of the investees accounted for using the equity method that will be subsequently reclassified to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-10,491	2,389
3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
4. Effective portion of profit or loss on cash flow hedge		
5. Exchange difference on translation of financial statements in foreign currency	-858,327	-157,919
6. Others		
Other comprehensive income after taxation attributable to non-controlling interests	-34,414	-2,377
VII. Total comprehensive income	2,274,488	1,651,083
Total comprehensive income attributable to shareholders of the Company	1,759,384	1,310,870
Total comprehensive income attributable to non-controlling interests	515,104	340,213
VIII. Earnings per share:		
(I) Basic earnings per share (<i>RMB per share</i>)	0.19	0.11
(II) Diluted earnings per share (<i>RMB per share</i>)	N/A	N/A

For the business combination under common control for the Period, the net profit achieved by the combined party before the combination is RMB0, the net profit of last period achieved by the combined party is RMB0.

Legal representative: Mr. Cai Jianjiang
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Zhan Zhong

INCOME STATEMENT OF THE COMPANY

January to March 2018

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
I. Revenue from operations	21,061,803	19,511,606
Less: Operating costs	17,862,405	15,958,142
Taxes and other levies	2,492	18,601
Selling expenses	1,125,788	1,153,433
General and Administrative expenses	409,287	363,780
Finance expenses	-448,853	400,399
Impairment loss of assets		
Add: Gains from changes in fair value (loss is represented by “-” sign)		
Investment income (loss is represented by “-” sign) Including: Share of profits less losses of associates and joint ventures	195,798	85,092
Income from disposal of assets (loss is represented by “-” sign)		
Other income	312,229	–
II. Profit from operations (loss is represented by “-” sign)	2,618,711	1,702,343
Add: Non-operating income	2,169	15,553
Including: Gains arising from disposal of non-current assets	825	13
Less: Non-operating expenses	4,246	2,683
Including: Loss arising from disposal of non-current assets	1,406	–
III. Total profit (total loss is represented by “-” sign)	2,616,634	1,715,213
Less: Income Taxation	570,956	384,468
IV. Net profit (net loss is represented by “-” sign)	2,045,678	1,330,745
(I) Net profit from continuing operations (net loss is represented by “-” sign)	2,045,678	1,330,745
(II) Net profit from discontinued operations (net loss is represented by “-” sign)		

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
V. Other comprehensive income after taxation		
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Change arising from re-measurement of net liabilities or net assets in defined benefit plans		
2. Share of other comprehensive income of the investees accounted for using the equity method that cannot be reclassified to profit or loss		
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		
1. Share of other comprehensive income of the investees accounted for using the equity method that will be subsequently reclassified to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
4. Effective portion of profit or loss on cash flow hedge		
5. Exchange difference on translation of financial statements in foreign currency		
6. Others		
VI. Total comprehensive income	2,045,678	1,330,745
VII. Earnings per share:		
(I) Basic earnings per share (<i>RMB per share</i>)		
(II) Diluted earnings per share (<i>RMB per share</i>)		

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

CONSOLIDATED CASH FLOW STATEMENT

January to March 2018

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	32,612,171	29,017,429
Net increase in deposits from clients and placements from other banks		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash receipt from reinsurance operations		
Net increase in reserve of the insured and investment		
Net increase in disposal of financial assets at fair value through profit or loss		
Cash received from interests, fees and commission		
Net increase in contributions received		
Net increase in cash from repurchase operations		
Refund of tax and levy	52,298	7,267
Other cash received relating to operating activities	2,073,744	725,989
Subtotal of cash inflows of operating activities	34,738,213	29,750,685
Cash paid for goods purchased and services received	17,045,091	18,515,079
Net increase in loans and advances to clients		
Net increase in deposits in central bank and other banks		
Cash paid in respect of claims under original insurance contracts		
Cash paid for interests, fees and commission		
Cash paid for bonus paid on insurance policy		
Cash paid to or on behalf of employees	6,098,999	5,378,811
Tax and levies paid	1,977,075	1,401,135
Other cash paid relating to operating activities	2,379,420	1,983,111
Subtotal of cash outflows from operating activities	27,500,585	27,278,136
Net cash flows from operating activities	7,237,628	2,472,549

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
II. Cash flows from investment activities:		
Cash received from sales and redemption of investments	43,720	–
Recovery of the secured bank deposits	2,114	–
Cash received from investment income	8,825	13,031
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	190,982	372,961
Net cash proceeds from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	42,027	34,144
Subtotal of cash inflows from investment activities	287,668	420,136
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	4,266,407	3,332,804
Cash paid for investments	–	85,551
Net increase in secured loans		
Net cash payments for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	3,620	868
Subtotal of cash outflows from investment activities	4,270,027	3,419,223
Net cash flows from investment activities	-3,982,359	-2,999,087
III. Cash flows from financing activities:		
Cash received from capital injection	–	11,201,374
Including: Cash received from capital injection of non-controlling shareholders in subsidiaries		
Cash received from borrowings	8,991,154	9,558,000
Cash received from issue of debentures	500,000	–
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	9,491,154	20,759,374
Cash paid for repayment of borrowings	9,556,697	8,613,146
Cash paid for repayment of debentures	600,000	1,200,000
Cash paid for distribution of dividends, profits or payment of interest expenses	857,545	851,181
Including: Dividends and profits paid to non-controlling shareholders by subsidiaries	4,900	–
Cash paid for finance leases	1,452,860	1,259,774
Other cash paid relating to financing activities		
Subtotal of cash outflows from financing activities	12,467,102	11,924,101
Net cash flows from financing activities	-2,975,948	8,835,273

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
IV. Effect of exchange rate changes on cash and cash equivalents	-65,147	-12,293
V. Net increase in cash and cash equivalents	214,174	8,296,442
Add: Balance of cash and cash equivalents as at the beginning of the period	5,562,907	6,848,018
VI. Balance of cash and cash equivalents as at the end of the period	5,777,081	15,144,460

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

CASH FLOW STATEMENT OF THE COMPANY

January to March 2018

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	21,296,041	19,071,678
Refund of tax and levy		
Other cash received relating to operating activities	871,437	560,776
Subtotal of cash inflows of operating activities	22,167,478	19,632,454
Cash paid for goods purchased and services received	11,351,029	13,981,210
Cash paid to or on behalf of employees	2,701,246	2,152,973
Tax and levies paid	1,101,422	936,328
Other cash paid relating to operating activities	1,409,773	1,573,503
Subtotal of cash outflows from operating activities	16,563,470	18,644,014
Net cash flows from operating activities	5,604,008	988,440
II. Cash flows from investment activities:		
Cash received from sales and redemption of investments		
Cash received from investment income	5,826	86,818
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	456,996	362,761
Net cash proceeds from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	13,563	14,420
Subtotal of cash inflows from investment activities	476,385	463,999
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	4,078,474	2,252,618
Cash paid for investments		
Net cash payments for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities		
Subtotal of cash outflows from investment activities	4,078,474	2,252,618
Net cash flows from investment activities	-3,602,089	-1,788,619

Items	Amounts for the Period	Amounts for the corresponding period of the previous year
III. Cash flows from financing activities:		
Cash received from capital injection	–	11,201,374
Cash received from borrowings	6,797,791	7,673,000
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	6,797,791	18,874,374
Cash paid for repayment of borrowings	6,688,145	7,757,232
Cash paid for distribution of dividends, profits or payment of interest expenses	580,362	603,237
Cash paid for finance leases	1,104,422	1,067,048
Other cash paid relating to financing activities		
Subtotal of cash outflows from financing activities	8,372,929	9,427,517
Net cash flows from financing activities	-1,575,138	9,446,857
IV. Effect of exchange rate changes on cash and cash equivalents	-22,722	3,946
V. Net increase in cash and cash equivalents	404,059	8,650,624
Add: Balance of cash and cash equivalents as at the beginning of the period	3,172,520	2,221,952
VI. Balance of cash and cash equivalents as at the end of the period	3,576,579	10,872,576

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

4.2 Auditor's Report

Applicable

Not applicable

By Order of the Board
Air China Limited
Zhou Feng Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 26 April 2018

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. John Robert Slosar, Mr. Xue Yasong, Mr. Wang Xiaokang, Mr. Liu Deheng*, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*