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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Air China Limited (the "Company") announced the unaudited interim results of the Company, its subsidiaries and joint ventures (collectively, the "Group") for the six months ended 30 June 2011, with comparative figures for the corresponding period of the last year, as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011
(Prepared under International Financial Reporting Standards)

	Notes	For the six months ended 30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)
TURNOVER			
Air traffic revenue	3	**43,501,561**	33,089,570
Other operating revenue	4	**2,082,424**	1,691,405
		45,583,985	34,780,975
OPERATING EXPENSES			
Jet fuel costs		**(16,251,151)**	(10,612,980)
Movements in fair value of fuel derivative contracts		**80,386**	720,801
Take-off, landing and depot charges		**(4,274,858)**	(3,559,424)
Depreciation		**(4,578,365)**	(4,005,588)
Aircraft maintenance, repair and overhaul costs		**(1,466,398)**	(1,038,642)
Employee compensation costs		**(5,528,179)**	(4,150,838)
Air catering charges		**(1,185,540)**	(853,590)
Aircraft and engine operating lease expenses		**(1,929,207)**	(1,495,065)
Other operating lease expenses		**(371,237)**	(766,736)
Other flight operation expenses		**(2,901,652)**	(2,654,431)
Selling and marketing expenses		**(2,558,298)**	(1,796,598)
General and administrative expenses		**(605,031)**	(466,681)
		(41,569,530)	(30,679,772)
PROFIT FROM OPERATIONS	5	**4,014,455**	4,101,203
Finance revenue	6	**1,595,898**	294,561
Finance costs	6	**(771,100)**	(648,846)
Share of profits and losses of associates		**646,358**	1,718,893
PROFIT BEFORE TAX		**5,485,611**	5,465,811
Tax	7	**(1,214,015)**	(755,746)
PROFIT FOR THE PERIOD		**4,271,596**	4,710,065
Attributable to:			
Owners of the parent		**4,055,547**	4,612,900
Non-controlling interests		**216,049**	97,165
		4,271,596	4,710,065
Earnings per share attributable to equity holders of the parent:	9		
Basic and diluted		**33.3 cents**	39.8 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011
(Prepared under International Financial Reporting Standards)

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**4,271,596**	4,710,065
OTHER COMPREHENSIVE INCOME/(LOSSES)		
Share of other comprehensive income of associates	**199,389**	550
Exchange realignment	**(419,227)**	(145,548)
OTHER COMPREHENSIVE LOSSES FOR THE PERIOD, NET OF TAX	**(219,838)**	(144,998)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**4,051,758**	4,565,067
Attributable to:		
Owners of the parent	**3,836,828**	4,467,995
Non-controlling interests	**214,930**	97,072
	4,051,758	4,565,067

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

(Prepared under International Financial Reporting Standards)

	30 June 2011 *RMB'000* (Unaudited)	31 December 2010 *RMB'000* (Audited) (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**102,899,698**	96,152,542
Lease prepayments	**2,208,946**	2,163,649
Intangible asset	**39,519**	41,076
Goodwill	**1,487,721**	1,657,675
Interests in associates	**13,565,056**	14,189,469
Advance payments for aircraft and flight equipment	**20,458,604**	18,946,626
Deposits for aircraft under operating leases	**364,209**	391,600
Long term receivable from the ultimate holding company	**–**	31,813
Available-for-sale investments	**27,182**	27,182
Deferred tax assets	**2,420,145**	2,193,002
	143,471,080	135,794,634
CURRENT ASSETS		
Flight equipment held for sale	**11,373**	77,682
Inventories	**1,739,937**	1,608,951
Accounts receivable	**3,263,348**	3,092,069
Bills receivable	**559**	14,295
Prepayments, deposits and other receivables	**2,428,355**	2,284,230
Financial assets	**19,748**	27,379
Due from the ultimate holding company	**667,895**	620,565
Due from related companies	**5,466**	3,244
Tax recoverable	**14,978**	6,171
Pledged deposits	**133,304**	843,065
Cash and cash equivalents	**15,763,443**	14,401,714
	24,048,406	22,979,365
TOTAL ASSETS	**167,519,486**	158,773,999

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
CURRENT LIABILITIES		
Air traffic liabilities	**(4,188,829)**	(3,608,700)
Accounts payable	**(10,190,465)**	(8,101,515)
Bills payable	**(190,031)**	(387,327)
Other payables and accruals	**(10,063,242)**	(9,259,833)
Financial liabilities	**(298,225)**	(427,329)
Due to related companies	**(283,514)**	(184,427)
Tax payable	**(1,280,299)**	(2,210,372)
Obligations under finance leases	**(2,301,705)**	(2,223,240)
Interest-bearing bank loans and other borrowings	**(27,082,295)**	(25,482,725)
Provision for major overhauls	**(650,674)**	(503,628)
	(56,529,279)	(52,389,096)
NET CURRENT LIABILITIES	**(32,480,873)**	(29,409,731)
TOTAL ASSETS LESS CURRENT LIABILITIES	**110,990,207**	106,384,903
NON-CURRENT LIABILITIES		
Obligations under finance leases	**(16,127,677)**	(16,061,352)
Interest-bearing bank loans and other borrowings	**(42,020,816)**	(42,159,439)
Provision for major overhauls	**(2,292,206)**	(2,105,150)
Provision for early retirement benefit obligations	**(217,797)**	(220,236)
Long term payables	**(265,095)**	(265,159)
Deferred income	**(3,323,168)**	(3,196,103)
Deferred tax liabilities	**(1,084,794)**	(1,006,227)
	(65,331,553)	(65,013,666)
NET ASSETS	**45,658,654**	41,371,237
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Issued capital	**12,891,955**	12,891,955
Treasury shares	**(2,800,354)**	(2,613,232)
Reserves	**33,619,751**	31,159,231
	43,711,352	41,437,954
NON-CONTROLLING INTERESTS	**1,947,302**	(66,717)
TOTAL EQUITY	**45,658,654**	41,371,237

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2011, the Group’s net current liabilities amounted to approximately RMB32,481 million, which comprised current assets of approximately RMB24,048 million and current liabilities of approximately RMB56,529 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the interim condensed consolidated financial statements for the six months ended 30 June 2011, the Directors of the Company have considered the Group’s sources of liquidity and believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements. Accordingly, the interim condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and therefore should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

Impact of new and revised IFRSs

The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 31 December 2010, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”):

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs (Issued in May 2010)	

In May 2010, the IASB issued its third omnibus of amendment to its standards, including improvements to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13, primarily with a view to removing inconsistencies and clarifying wording.

Other than as further explained below regarding the impact of IAS 24 (Revised), the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The adoption of IAS 24 (Revised) has resulted in the restatement of the comparative related party disclosures.

Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these Interim condensed consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of other comprehensive income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Post-Employment benefits and Termination Benefits projects*[4]
IAS 27 (2011)	*Separate Financial Statements*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Operating segments

The following tables present the Group's consolidated revenue and profit before tax regarding the Group's operating segments in accordance with China Accounting Standards for Business Enterprises ("CASs") for the six months ended 30 June 2011 and 2010:

For the six months ended 30 June 2011

(Unaudited)	**Airline Operations** *RMB'000*	**Other Operations** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE				
Sales to external customers	**45,093,508**	**36,850**	**–**	**45,130,358**
Intersegment sales	**–**	**531,284**	**(531,284)**	**–**
Total revenue	**45,093,508**	**568,134**	**(531,284)**	**45,130,358**
SEGMENT PROFIT BEFORE TAX	**5,421,315**	**105,567**	**–**	**5,526,882**

For the six months ended 30 June 2010

(Unaudited)	Airline Operations *RMB'000*	Other Operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	34,270,125	37,548	–	34,307,673
Intersegment sales	–	359,907	(359,907)	–
Total revenue	34,270,125	397,455	(359,907)	34,307,673
SEGMENT PROFIT BEFORE TAX	5,492,425	66,832	–	5,559,257

The following tables present the segment assets of the Group's operating segments under CASs as at 30 June 2011 and 31 December 2010:

	Airline Operations *RMB'000*	**Others** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
SEGMENT ASSETS				
As at 30 June 2011 (Unaudited)	**162,033,648**	**4,902,383**	**(2,711,490)**	**164,224,541**
As at 31 December 2010 (Audited)	153,816,518	2,968,976	(1,565,881)	155,219,613

The following tables present the reconciliations of reportable segment revenue, profit before tax and assets to the Group's interim condensed consolidated amounts:

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE		
Total revenue for reportable segments	**45,130,358**	34,307,673
Business tax not included in segment revenue	**(1,039,955)**	(671,630)
Other income not included in segment revenue	**384,292**	420,915
Effects of differences between IFRSs and CASs	**1,109,290**	724,017
Revenue for the period	**45,583,985**	34,780,975
PROFIT BEFORE TAX		
Total profit before tax for reportable segments	**5,526,882**	5,559,257
Effects of differences between IFRSs and CASs	**(41,271)**	(93,446)
Profit before tax for the period	**5,485,611**	5,465,811

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
ASSETS		
Total assets for reportable segments	**164,224,541**	155,219,613
Effects of differences between IFRSs and CASs	**3,294,945**	3,554,386
Total assets	**167,519,486**	158,773,999

Geographical information

The following tables present the geographical information of the Group's consolidated revenue under IFRSs for the six months ended 30 June 2011 and 2010:

For the six months ended 30 June 2011

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

For the six months ended 30 June 2010

(Unaudited)	Mainland China *RMB'000*	Hong Kong, Macau and Taiwan *RMB'000*	Europe *RMB'000*	North America *RMB'000*	Japan and Korea *RMB'000*	Asia Pacific and others *RMB'000*	Total *RMB'000*
Sales to external customers and total revenue	20,445,640	2,057,114	4,436,706	3,024,711	2,806,724	2,010,080	34,780,975

3. AIR TRAFFIC REVENUE

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

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Passenger	**38,530,247**	28,627,073
Cargo and mail	**4,971,314**	4,462,497
	43,501,561	33,089,570

Air traffic revenue for all domestic flights were subject to a business tax rate of 3%. Pursuant to the relevant business tax rules and regulations in Mainland China, all international, Hong Kong, Macau and Taiwan regional flights are exempted from business tax with effect from 1 January 2010. Business tax incurred and set off against air traffic revenue for the period ended 30 June 2011 amounted to approximately RMB968 million (six months ended 30 June 2010: RMB639 million).

4. OTHER OPERATING REVENUE

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Aircraft engineering income	**376,506**	334,425
Ground service income	**353,799**	319,637
Government grants and subsidies:		
Recognition of deferred income	**120,559**	54,178
Others	**233,506**	185,456
Service charges on return of unused flight tickets	**283,136**	143,536
Cargo handling service income	**71,652**	69,911
Training service income	**36,839**	24,879
Sale of materials	**7,142**	10,430
Import and export service income	**8,713**	7,235
Others	**590,572**	541,718
	2,082,424	1,691,405

5. PROFIT FROM OPERATIONS

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

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	**(780)**	(3,635)
Loss on derecognition of property, plant and equipment	**19,989**	7,525
Minimum lease payments under operating leases:		
Aircraft and related equipment	**1,929,207**	1,459,593
Land and buildings	**296,239**	604,469
Amortisation of lease prepayments	**27,498**	21,794

6. FINANCE REVENUE AND FINANCE COSTS

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

Finance revenue

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange gains, net	**1,508,288**	279,302
Interest income	**87,610**	15,259
	1,595,898	294,561

Finance costs

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank loans and other borrowings	**866,193**	512,027
Interest on finance leases	**167,710**	124,933
Loss on interest rate derivative contracts and forward foreign exchange contracts, net	**37,499**	138,457
	1,071,402	775,417
Less: Interest capitalised	**(300,302)**	(126,571)
	771,100	648,846

The interest capitalisation rates during the period ranges from 0.8% to 5.9% (six months ended 30 June 2010: 0.8% to 5.9%) per annum relating to the costs of related borrowings during the period.

7. TAX

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for a subsidiary and certain joint ventures of the Company which are taxed at a preferential rate of 24% (six months ended 30 June 2010: 15% to 22%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2010: 25%) during the period. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% (six months ended 30 June 2010:16.5%) and 12% (six months ended 30 June 2010: 12%), respectively.

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

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
Mainland China	**1,362,049**	560,454
Hong Kong and Macau	**542**	492
Deferred income tax	**(148,576)**	194,800
Income tax charge for the period	**1,214,015**	755,746

The Group's share of tax charge attributable to associates amounting to RMB112,272,776 (six months ended 30 June 2010: RMB305,759,000) is included in the "share of profits and losses of associates" on the face of the interim condensed consolidated income statement for the six months ended 30 June 2011.

8. DIVIDEND

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

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of RMB4,055,546,569, and the weighted average of 12,177,025,905 ordinary shares in issue during the period, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding.

The calculation of basic earnings per share for the six months ended 30 June 2010 was based on the profit attributable to equity holders of the Company for the six months ended 30 June 2010 of RMB4,612,900,495, and the weighted average of 11,579,847,377 ordinary shares in issue during that period, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific through reciprocal shareholding.

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

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011
(Prepared under China Accounting Standards for Business Enterprises)

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from operations	**45,130,358**	34,307,673
Less: Cost of operations	**35,803,960**	26,951,413
Business taxes and surcharges	**1,028,098**	662,104
Selling expenses	**3,080,587**	2,421,755
General and administrative expenses	**1,286,222**	959,410
Finance costs	**(730,494)**	288,192
Impairment losses in assets	**20,043**	126,230
Add: Gains from movements in fair value	**39,326**	576,969
Investment income	**640,101**	1,890,209
Including: Share of profits of associates and joint ventures	**638,599**	1,739,454
Profit from operations	**5,321,369**	5,365,747
Add: Non-operating income	**255,555**	213,311
Less: Non-operating expenses	**50,042**	19,801
Including: Loss on disposal of non-current assets	**4,955**	9,657
Profit before tax	**5,526,882**	5,559,257
Less: Tax	**1,174,769**	778,086
Net profit	**4,352,113**	4,781,171
Net profit attributable to owners of the parent	**4,063,214**	4,694,021
Non-controlling interests	**288,899**	87,150
Earnings per share (RMB)		
Basic and diluted	**0.33**	0.41
Other comprehensive loss	**(219,808)**	(142,466)
Total comprehensive income	**4,132,305**	4,638,705
Attributable to:		
Owners of the parent	**3,844,546**	4,551,518
Non-controlling interests	**287,759**	87,187

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

30 June 2011

(Prepared under China Accounting Standards for Business Enterprises)

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
ASSETS		
Current assets:		
Cash and bank balances	**15,623,593**	15,011,027
Financial assets held for trading	**19,748**	27,379
Bills receivable	**559**	14,295
Accounts receivable	**3,451,045**	3,180,638
Other receivables	**1,540,537**	1,138,695
Prepayments	**567,063**	683,781
Inventories	**1,092,316**	932,317
Total current assets	**22,294,861**	20,988,132
Non-current assets:		
Long term receivables	**366,515**	393,492
Long term equity investments	**14,951,114**	15,522,585
Fixed assets	**93,338,497**	88,224,954
Construction in progress	**26,620,719**	23,518,332
Intangible assets	**2,885,195**	2,867,600
Goodwill	**1,279,076**	1,449,030
Long term deferred expenses	**169,249**	181,317
Deferred tax assets	**2,319,315**	2,074,171
Total non-current assets	**141,929,680**	134,231,481
Total assets	**164,224,541**	155,219,613

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

30 June 2011

(Prepared under China Accounting Standards for Business Enterprises)

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short term loans	**14,329,373**	15,703,154
Financial liabilities held for trading	**298,225**	427,329
Bills payable	**190,031**	387,327
Accounts payable	**11,920,759**	9,426,483
Domestic air traffic liabilities	**1,596,300**	1,582,868
International air traffic liabilities	**2,592,529**	2,025,831
Receipts in advance	**110,118**	125,088
Employee compensations payable	**1,727,758**	1,593,762
Taxes payable	**2,074,408**	2,998,802
Interest payable	**314,796**	310,029
Other payables	**5,121,615**	4,630,782
Non-current liabilities repayable within one year	**13,184,360**	11,421,643
Total current liabilities	**53,460,272**	50,633,098
Non-current liabilities:		
Long term loans	**36,020,817**	31,923,371
Corporate bonds	**6,000,000**	9,000,000
Long term payables	**2,447,091**	2,271,951
Obligations under finance leases	**16,127,677**	16,061,353
Accrued liabilities	**68,080**	77,820
Deferred income	**2,953,558**	2,546,860
Deferred tax liabilities	**1,076,412**	1,005,840
Total non-current liabilities	**64,693,635**	62,887,195
Total liabilities	**118,153,907**	113,520,293
Shareholders' equity:		
Issued capital	**12,891,955**	12,891,955
Capital reserve	**16,446,963**	16,245,469
Reserve funds	**2,792,686**	2,178,300
Retained earnings	**14,402,130**	12,515,511
Foreign exchange translation reserve	**(2,596,667)**	(2,178,610)
Equity attributable to owners of the parent	**43,937,067**	41,652,625
Non-controlling interests	**2,133,567**	46,695
Total shareholders' equity	**46,070,634**	41,699,320
Total liabilities and shareholders' equity	**164,224,541**	155,219,613

Effects of Significant Differences Between IFRSs and CASs

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

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the parent under CASs	**4,063,214**	4,694,021
Deferred tax	**(25,995)**	38,000
Differences in value of fixed assets	**31,979**	(122,067)
Government grants	**71,595**	(7,469)
Others	**(85,246)**	10,415
Net profit attributable to owners of the parent under IFRSs	**4,055,547**	4,612,900

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity attributable to owners of the parent under CASs	**43,937,067**	41,652,625
Deferred tax	**88,618**	114,613
Differences in value of fixed assets	**(118,137)**	(150,116)
Government grants	**(364,210)**	(435,805)
Others	**168,014**	256,637
Equity attributable to owners of the parent under IFRSs	**43,711,352**	41,437,954

CHAIRMAN'S STATEMENT

In the first half of 2011, due to the slow recovery of the U.S. and European economies, the political turmoil in certain regions and the earthquakes in Japan, the international aviation market witnessed a constantly weak demand while fuel prices remained high, resulting in a more challenging operating environment for the aviation industry. However, benefitting from the stable and relatively fast economic growth of China, demand in the domestic aviation market increased in a steady pace. In spite of a significant 53.13% increase in our fuel costs, the Group achieved relatively satisfactory operating results through its constant efforts in strengthening safety management, uplifting the quality of customer service, effectively responding to changes in the market and seizing opportunities in the growing domestic market. During the reporting period, the Group recorded a turnover of RMB45,584 million, representing an increase of 31.06% compared with the corresponding period of the previous year. Profits attributable to shareholders were RMB4,056 million, representing a decrease of 12.08% over the corresponding period of the previous year, among which, profit from air traffic recorded an increase of 26.16% compared with the corresponding period of the previous year.

The Group's passenger service operations, especially domestic passenger services, had been growing steadily in the first half of the year. Targeting on the features of the growth in the domestic passenger market, the Group fully leveraged on the leading functions of aviation hubs and trunk routes, closely monitored market changes and adjusted its marketing strategies and allocation structure. The Group recorded available seat kilometers ("ASKs") on domestic routes of 48,676 million and revenue passenger kilometers ("RPKs") of 40,123 million, representing an increase of 30.53% and 37.81% respectively over the corresponding period of last year, and carried approximately 28,819,000 passengers with a load factor of 82.43%, representing an increase of 33.58% and 4.35 percentage points respectively over the corresponding period of last year. Meanwhile, the passenger yield increased to RMB0.68, representing an increase of 7.19% over the same period of the previous year. Our output-input efficiency continued to improve while the passenger yield increased steadily.

During the first half of the year, in spite of the constantly weak demand in the international market, the increasing imbalance between supply and demand and market competitions, the Group made a significant improvement on the performance of international passenger service operation in the second quarter as compared with the first quarter, with an overall passenger load factor of 78.25% at a relatively high level in the industry, which resulted from our endeavors in optimizing the allocation structure of traffic capacity and formulating more tailor-made marketing strategies. On the other hand, in order to further tap into new growth areas in the market and explore market opportunities for the Company, we introduced four new international routes by taking advantage of our aviation hubs and route networks, namely Beijing-Dusseldorf, Beijing-Athens, Beijing-Milan and Chengdu-Tokyo.

In the first half of the year, 24 aircraft were acquired by the Group, including B737-800 and A320 series narrow-body aircraft and three A330 wide-body aircraft, while six aircraft were retired from the fleet, including old model aircraft such as B757-200 and B737-300. Currently, the Group maintains 411 aircraft with an average age of 7.02 years. In the second half of the year, in addition to the existing aircraft models, the Group will acquire another four new B777-300ER wide-body aircraft, one of which was successfully introduced into our fleet in July 2011 and is put in operation. The acquisition of new model aircraft further optimized the Group's fleet structure and placed us in a better position to enhance our operation efficiency and to advance the aviation hub network strategy.

In the first half of the year, the Group was committed to enhancing service quality by focusing on refining passenger experience. We improved our service efficiency through the development of means of offering services, such as strengthening our e-commerce service and flight information management. We enhanced the service experience of our customers through upgrading service standards, such as standardizing catering services and upgrading and renovating air cabinet facilities. We strengthened our management capability on the standardization and systematization of the service management through the establishment of service management systems. In June 2011, the Company was awarded the 4-Star Airline ranking by Skytrax, a world-recognized rating agency for airline services, marking a milestone in our service development.

During the first half of the year, in particular the second quarter, demand in the international air cargo market experienced a significant slowdown while the cargo capacity in the industry had been on increase since 2010, resulting in severe challenges to the air cargo business. In face of acute changes in the market, the Group timely optimized its network and allocation structure, actively pursued market opportunities and improved the overall operation efficiency of our cargo business. The input of Air China Cargo Co., Ltd ("Air China Cargo") to domestic cargo operation decreased by 2.23% and its output increased by 3.78%; and its input to international cargo operation increased by 7.01% and output increased by 2.99%. During the period, it carried approximately 570,040 tonnes of cargo and mails with a load factor of 58.53%, representing an increase of 4.76% and a decrease of 0.67 percentage points over the same period of the previous year, respectively.

The Company continued to strengthen our strategic collaboration with Shenzhen Airlines Company Limited ("Shenzhen Airlines") through deepening the cooperation in various aspects including key clients, frequent-flyers, aircraft maintenance, information and centralized procurement with increasing synergies. Our cargo joint venture with Cathay Pacific Airways Limited ("Cathay Pacific") was duly established in May this year with the intention to develop it into a preferred-choice air cargo company in China. Meanwhile, with an aim to grasping new business opportunities and advancing our strategic plan, Beijing Airlines Company Limited (北京航空有限責任公司), a company positioned as a supplier of the business jet and public air transport, was established in March. Recently, Dalian Airlines Company Limited (大連航空有限責任公司) ("Dalian Airlines"), a company with a foothold in the northeast market, was also established.

In the second half of the year, high risks and great uncertainties are expected to continue to be associated with the global economy. The progress of the economic recovery in the U.S. and Europe will bring great pressure over the rebound of the demand in the international aviation market. The fluctuating fuel price will remain the key factor affecting the improvement of the results of global aviation industry. Furthermore, the operating environment will become more complicated in light of intensifying competitions among domestic airlines, the inadequacy of support resources and the impact from high-speed railways in some of our markets.

Nevertheless, the stable growth of the Chinese economy will create opportunities for the growth of the aviation industry. The "12th Five-Year" industrial development program outlines promising prospects for the civil aviation industry. The Group will continue to uphold its strategies on prudent business operation and sustainable development, improve its service quality, consolidate and enhance its core competitiveness as well as strengthening the close cooperation with Cathay Pacific, our strategic partner, to achieve a stable and healthy development.

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

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

Profit analysis

For the six months ended 30 June 2011, the Group recorded a profit before tax of RMB5,486 million, slightly higher than the amount of RMB5,466 million recorded in the same period of 2010; a profit attributable to owners of the Company of RMB4,056 million, representing a decrease of RMB557 million or 12.08% from RMB4,613 million from the same period of 2010, primarily attributable to the increase in income tax and profit attributable to non-controlling interests of the current period; and earnings per share of RMB0.333, as compared with those of RMB0.398 in the same period of 2010.

Turnover

For the six months ended 30 June 2011, the Group's total turnover (including air traffic revenue and other operating revenue, net of business taxes and surcharges) was RMB45,584 million, representing an increase of RMB10,803 million or 31.06% from the same period of 2010, among which, air traffic revenue amounted to RMB43,502 million, representing an increase of RMB10,412 million or 31.47% from the same period of 2010, primarily due to the strong demand in the domestic passenger market in the first half of the year causing an increase in the air passenger revenue of RMB9,903 million; and other operating revenue was RMB2,082 million, representing an increase of RMB391 million or 23.12% from the same period of 2010, primarily due to the significant increase in the deferred income and service charges together with other revenues as compared with the same period of 2010.

Revenue contribution by geographical segment

	For the six months ended 30 June				
	2011		2010		**Change**
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**13,056,470**	**28.64%**	12,278,221	35.30%	6.34
Domestic	**30,150,208**	**66.14%**	20,445,640	58.79%	47.47
Hong Kong, Macau and Taiwan	**2,377,307**	**5.22%**	2,057,114	5.91%	15.57
Total	**45,583,985**	**100.00%**	34,780,975	100.00%	31.06

Air passenger revenue

For the six months ended 30 June 2011, the Group recorded air passenger revenue of RMB38,530 million, representing an increase of RMB9,903 million or 34.59% from the same period of 2010. This is primarily attributable to the active adjustment to the allocation structure of traffic capacity and marketing strategies in response to the strong demand in domestic passenger market and to the weakening demand in international passenger market. As a result, the output-input efficiency and passenger yield were improved. Among the Group's air passenger revenue, the increase in traffic capacity and passenger load factor contributed to an increase of RMB6,562 million and RMB835 million, respectively, while the increase in passenger yield caused an RMB2,506 million increase in revenue. The Group's traffic capacity, passenger load factor and unit yield of the air passenger operations for the six months ended 30 June 2011 are as follows:

	For the six months ended 30 June		
	2011	2010	**Change**
ASKs *(million)*	**73,667.90**	59,850.19	23.09%
Passenger load factor *(%)*	**80.75**	78.89	1.86 ppts
Yield per RPK *(RMB)*	**0.6477**	0.6056	6.95%

Air passenger revenue contributed by geographical segment

	For the six months ended 30 June				
	2011		2010		**Change**
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**9,306,360**	**24.15%**	8,542,833	29.84%	8.94
Domestic	**27,110,125**	**70.36%**	18,389,147	64.24%	47.42
Hong Kong, Macau and Taiwan	**2,113,762**	**5.49%**	1,695,093	5.92%	24.70
Total	**38,530,247**	**100.00%**	28,627,073	100.00%	34.59

Air cargo revenue

For the six months ended 30 June 2011, the Group's air cargo and mail revenue was RMB4,971 million, representing an increase of RMB509 million or 11.40% from the same period of 2010. Among the Group's air cargo and mail revenue, the increase in traffic capacity contributed to an increase of RMB691 million, while the cargo and mail load factor remain largely unchanged compared with the same period in the previous year and the decrease in cargo yield caused a decrease in revenue of RMB182 million. The traffic capacity, cargo and mail load factor and unit yield of the cargo and mail operations for the six months ended 30 June 2011 are as follows:

	For the six months ended 30 June		
	2011	2010	**change**
Available freight tonne kilometres *(million)*	**4,026.92**	3,725.03	8.10%
Cargo and mail load factor *(%)*	**59.52**	59.45	0.07 ppts
Yield per revenue freight tonne kilometre *(RMB)*	**1.8062**	1.8722	(3.53%)

Air cargo revenue contributed by geographical segment

	For the six months ended 30 June				
	2011		2010		**change**
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
International	**3,750,110**	**75.43%**	3,322,739	74.46%	12.86
Domestic	**957,659**	**19.27%**	905,805	20.30%	5.72
Hong Kong, Macau and Taiwan	**263,545**	**5.30%**	233,953	5.24%	12.65
Total	**4,971,314**	**100.00%**	4,462,497	100.00%	11.40

Given that only the data of Shenzhen Airlines on and after 20 April 2010 were taken into account for calculating the above air cargo and mail revenue for the same period of 2010, if the data of Shenzhen Airlines were excluded, the Group would record an aggregate decrease of RMB115 million in air cargo and mail revenue generated by its other operating segments over the same period of the previous year, primarily attributable to the effect of a clear slowdown in the demand in the global air cargo market combined with the continuous growth of traffic capacity in the first half of the year.

Operating expenses

For the six months ended 30 June 2011, the Group's operating expenses amounted to RMB41,570 million, representing an increase of 35.49% as compared with RMB30,680 million recorded in the same period of 2010. The breakdown of the operating expenses is set out below:

	For the six months ended 30 June				
	2011		2010		**Change**
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	(%)
Jet fuel costs	**16,251,151**	**39.09%**	10,612,980	34.59%	53.13
Movements in fair value of fuel derivative contracts	**(80,386)**	**(0.19%)**	(720,801)	(2.35%)	(88.85)
Take-off, landing and depot charges	**4,274,858**	**10.28%**	3,559,424	11.60%	20.10
Depreciation	**4,578,365**	**11.01%**	4,005,588	13.06%	14.30
Aircraft maintenance, repair and overhaul costs	**1,466,398**	**3.53%**	1,038,642	3.39%	41.18
Employee compensation costs	**5,528,179**	**13.30%**	4,150,838	13.53%	33.18
Air catering charges	**1,185,540**	**2.85%**	853,590	2.78%	38.89
Selling expenses	**2,558,298**	**6.16%**	1,796,598	5.86%	42.40
General and administrative expenses	**605,031**	**1.46%**	466,681	1.52%	29.65
Others	**5,202,096**	**12.51%**	4,916,232	16.02%	5.81
Total	**41,569,530**	**100.00%**	30,679,772	100.00%	35.49

- Jet fuel costs increased by 53.13% to RMB16,251 million for the six months ended 30 June 2011 as compared with RMB10,613 million for the six months ended 30 June 2010, which accounted for 39.09% of total operating expenses as compared with 34.59% for the same period of 2010. The substantial increase in the Group's jet fuel costs was mainly due to the fact that the international fuel price remained high during the period. Moreover, the growing jet fuel consumption as a result of the increase in flight hours and the consolidation of the data relating to Shenzhen Airlines from 20 April 2010 for the reporting period of 2010 also affected the comparison between the current period and the same period of 2010.

- Gains due to the movements in fair value of fuel derivative contracts amounted to RMB80 million, representing a decrease of RMB641 million as compared with RMB721 million recorded during the same period of 2010, which was mainly attributable to the facts that there was a gradual decrease in outstanding contractual volume and that the international fuel price remained at a high level with relatively low fluctuation during the first half of the year.

- Take-off, landing and depot charges amounted to RMB4,275 million, representing an increase of RMB716 million from RMB3,559 million for the same period of 2010, which was mainly due to an increase in the number of aircraft take-offs and landings and the effects arisen from the different consolidation periods for Shenzhen Airlines' data.

- Depreciation expenses increased mainly due to the increase in the number of self-owned and finance leased aircraft and the effects arisen from the different consolidation periods for Shenzhen Airlines' data.

- Aircraft maintenance, repair and overhaul costs increased mainly due to the effects arisen from the different consolidation periods for Shenzhen Airlines' data.

- Employee compensation costs increased significantly as compared with the same period of 2010, which was mainly due to the increase in the number of employees and basic income of employees as well as the effects arisen from the different consolidation periods for Shenzhen Airlines' data.

- Air catering charges increased by 38.89% as compared with the same period of 2010, which was mainly due to the increase in the investment by the Company and in the number of passengers carried, together with the effects arisen from the different consolidation periods for Shenzhen Airlines' data.

- Excluding the effects arisen from the different consolidation periods for Shenzhen Airlines' data, the selling expenses and general and administrative expenses remained largely unchanged as compared with the same period of the previous year.

- Other operating expenses mainly included the aircraft and engines operating lease expenses, CAAC Infrastructure Development Fund and the daily expenses arising from air traffic business not included in the items specifically set forth above.

Finance revenue and finance costs

For the six months ended 30 June 2011, the Group recorded net exchange gain of RMB1,508 million, representing an increase of RMB1,229 million or 440.02% from the same period of 2010, which was mainly due to the accelerating appreciation of Renminbi against U.S. dollars. For the current reporting period, the Group recorded interest expenses (including interest capitalized) of RMB1,034 million, representing an increase of RMB397 million from the same period of 2010, which was mainly due to the fact that most of the Group's interest-bearing debts were those with floating interest rates such that an increase in the floating interest rate in the current reporting period lead to a corresponding increase in interest expenses during the current reporting period. The effects arisen from the different consolidation periods for Shenzhen Airlines' data also contributed to the increase in the interest expenses. During the reporting period, the Group recorded net loss in interest rate derivative contracts and forward foreign exchange contracts of RMB37 million, representing a decrease of RMB101 million from the same period of 2010, which was mainly due to a decrease in the loss caused by the interest rate derivative contracts.

Share of profits and losses of associates

For the six months ended 30 June 2011, the Group's share of profits of its associates was RMB646 million, representing a decrease of RMB1,073 million as compared with the same period of 2010, which was mainly due to a decrease of RMB1,117 million in gains recognized on investment in Cathay Pacific from the same period of 2010 to RMB483 million in the current reporting period, using the equity method of accounting.

Analysis of assets structure

As at 30 June 2011, the total assets of the Group amounted to RMB167,519 million, representing an increase of 5.51% as compared with 31 December 2010, among which the current assets were RMB24,048 million, accounting for 14.36% of the total assets, while the non-current assets were RMB143,471 million, accounting for 85.64% of the total assets.

For the current assets, cash and cash equivalents amounted to RMB15,763 million, representing an increase of 9.46% from 31 December 2010, while accounts receivable increased by 5.54% to RMB3,263 million from 31 December 2010. For the non-current assets, the net book value of property, plant and equipment as at 30 June 2011 was RMB102,900 million, representing an increase of 7.02% from 31 December 2010.

Assets mortgage

As at 30 June 2011, the Group mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB61,362 million (compared with RMB55,885 million as at 31 December 2010), certain number of shares in its associates with an aggregate market value of approximately RMB5,985 million (compared with approximately RMB7,287 million as at 31 December 2010), and land use rights with an aggregate net book value of approximately RMB40 million (compared with approximately RMB40 million as at 31 December 2010) pursuant to certain bank loans and finance lease agreements. In addition, certain bank deposits of the Group of approximately RMB133 million (compared with approximately RMB843 million as at 31 December 2010) were pledged against the obligations in respect of certain bank loans, operating leases and financial derivatives of the Group.

Capital expenditure

For the six months ended 30 June 2011, the aggregate capital expenditure of the Company amounted to RMB9,417 million, of which the total investment in aircraft and engines was RMB8,196 million.

Other capital expenditure amounted to RMB1,221 million, which mainly included the long-term investment (cash portion) of RMB510 million, the purchase of high-cost rotables of RMB347 million, additions and modifications to aircraft of RMB53 million, flight stimulators of RMB52 million, the construction of infrastructure of RMB160 million, information system of RMB51 million and the purchase of equipment and facilities of RMB48 million.

Equity investment

As at 30 June 2011, the equity investment in the Group's associates was RMB13,565 million, representing a decrease of 4.40% as compared with 31 December 2010, of which the equity investment in Cathay Pacific, Shandong Aviation Group Co., Ltd. ("Shandong Aviation Group") and Shandong Airlines Co., Ltd. ("Shandong Airlines") was approximately RMB12,329 million, RMB685 million and RMB378 million, respectively. Cathay Pacific, Shandong Aviation Group and Shandong Airlines recorded a profit of RMB2,362 million, RMB139 million and RMB329 million, respectively, for the six months end 30 June 2011.

Debt structure analysis

As at 30 June 2011, the total liabilities of the Group amounted to RMB121,861 million, representing an increase of 3.80% as compared with 31 December 2010. Among the Group's total liabilities, the total current liabilities were RMB56,529 million, which accounted for 46.39% of the total liabilities, and the total non-current liabilities were RMB65,332 million, which accounted for 53.61% of the total liabilities.

For the current liabilities, payables in respect of the derivative financial instruments amounted to RMB298 million, representing a decrease of RMB129 million as compared with 31 December 2010. The interests-bearing debt (including bank and other loans, obligations under finance leases and bills payable) amounted to RMB29,574 million, representing an increase of 5.27% as compared with 31 December 2010. Other advances and payables amounted to RMB26,657 million, representing an increase of 11.68% as compared with 31 December 2010.

For the non-current liabilities, the interest-bearing debt (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB58,148 million, representing a decrease of 0.12% as compared with 31 December 2010.

Commitments and contingent liabilities

As at 30 June 2011, capital commitments of the Group amounted to RMB110,471 million, representing a decrease of 9.51% from RMB122,085 million as at 31 December 2010, which was primarily used for the purchase of certain aircraft and related equipment to be delivered in the coming years and for the construction of certain properties. The Group had operating lease commitments of RMB18,041 million, representing a decrease of 5.65% as compared with 31 December 2010, which was primarily used for leasing aircraft, office premises and related equipment. The Group had investment commitments of RMB1,039 million, representing an increase of RMB800 million from RMB239 million as at 31 December 2010 which was primarily used for the investment in Dalian Airlines.

Details of contingent liabilities of the Group are set out in note 22 to the condensed consolidated financial statements contained in the 2011 interim report of the Company.

Gearing ratio

As at 30 June 2011, the Group's gearing ratio (total liabilities divided by total assets) was 72.74%, representing a decrease of 1.2 percentage points as compared with that of 73.94% as at 31 December 2010, primarily due to the satisfactory profitability of the Group, for which the shareholders' equity increased from RMB41,438 million as at 31 December 2010 to RMB43,711 million. Considering that the prevailing gearing ratios of air carriers in the aviation industry were at a relatively high level, the current gearing ratio of the Group remains in a relatively better position in the domestic aviation industry and the long-term insolvency risks are within its control.

Working capital and its sources

As at 30 June 2011, the net current liabilities of the Group (current liabilities minus current assets) amounted to RMB32,481 million, representing an increase of RMB3,071 million as compared with 31 December 2010. The Group's current ratio (current assets divided by current liabilities) was 0.43, representing a decrease of 0.01 from 0.44 as at 31 December 2010. The increase in the net current liabilities was mainly due to the significant increase in the Group's current liabilities.

The Group mainly met its working capital needs through the proceeds from its operating activities and external financing activities. During the first half of 2011, the Group recorded a net cash inflow from operating activities of RMB9,310 million, representing an increase of 34.76% from RMB6,909 million for the same period of 2010, primarily due to the increase in air traffic revenue for the reporting period and the effects arisen from the different consolidation periods for Shenzhen Airlines' data. Net cash outflow from investment activities was RMB9,224 million, representing an increase of 82.98% from RMB5,041 million from the same period of 2010, primarily due to the effects arisen from the different consolidation periods for Shenzhen Airlines' data and the increase in expenditure on purchase of fixed assets during the reporting period. The Group recorded a net cash inflow from financing activities of RMB293 million, representing a decrease of RMB423 million from RMB716 million from the same period of 2010, primarily due to the payment of dividends by the Company to its shareholders during the reporting period. The Group's cash and cash equivalent increased by RMB287 million in the first half of 2011 (as opposed to the increase of RMB2,536 million in the same period of 2010). The Company obtained bank facilities with an aggregate maximum amount of RMB141,685 million from a number of banks in the PRC, of which approximately RMB50,964 million was utilized, sufficient to meet its own demands on working capital and on its future capital commitments.

Objectives and policies of financial risks management

The Group is exposed to the risk of fluctuations in jet fuel prices in its daily operations. International jet fuel prices have historically been, and will continue to be, subject to market volatility and fluctuations in supply and demand. The Group's strategy for managing jet fuel price risk aims at protecting itself against sudden and significant price increases. 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. Considering the high volatility of international fuel prices and their high sensitivity towards the Group's costs, the Group will continue to utilize the hedging instruments to manage and control the risk in relation to rising fuel prices.

As at 30 June 2011, the total amount of interest-bearing debts of the Group was RMB87,722 million, which accounted for 71.99% of the Group's total liabilities. Most of such debts were foreign debts and mainly denominated in U.S. dollars, Hong Kong dollars and Euros. In addition, the Group also had sales revenues and expenses denominated in foreign currencies. The Group endeavoured to minimize any risks relating to the fluctuations in foreign exchange rates and interest rates by adjusting the structure of the interest rates and currency denomination of its debts and by making use of the financial derivatives.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

During the first half of 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company (the term "securities" has the meaning ascribed to it under paragraph 1 of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

INTERIM DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2011.

CORPORATE GOVERNANCE

1. Compliance with the Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

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

After making specific enquiries, the Company confirmed that each director and each supervisor of the Company have complied with the required standards of the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2011.

DISCLOSURE REQUIRED BY THE LISTING RULES

In compliance with paragraph 46 of Appendix 16 to the Listing Rules, the Company confirms that in relation to those matters set out in paragraph 46(3) of Appendix 16 to the Listing Rules, save as disclosed herein, there has been no material change in the Company's existing information from the relevant disclosure in the 2010 Annual Report of the Company.

REVIEW BY AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim report for the six months ended 30 June 2011, the Company's unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

By Order of the Board
Air China Limited
Huang Bin Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 25 August 2011

As at the date of this announcement, the directors of the Company are Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt, Mr. Ian Sai Cheung Shiu, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Fu Yang, Mr. Li Shuang*, Mr. Han Fangming* and Mr. Yang Yuzhong*.*

* *Independent non-executive director of the Company*