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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) hereby announces that the Board has approved, among others, the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 at a meeting of the Board held on 26 August 2014.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of the Company presents the unaudited interim results of the Group for the six months ended 30 June 2014, with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited

(Prepared under International Financial Reporting Standards)

		For the six months ended	
	Notes	30 June 2014 RMB'000	30 June 2013 RMB'000
Turnover			
Air traffic revenue	4	47,511,339	44,465,024
Other operating revenue	5	2,420,861	1,554,011
		49,932,200	46,019,035
Operating expenses			
Jet fuel costs		(17,188,863)	(16,372,097)
Take-off, landing and depot charges		(5,046,006)	(4,452,818)
Depreciation		(5,538,648)	(5,262,453)
Aircraft maintenance, repair and overhaul costs		(1,696,810)	(1,519,473)
Employee compensation costs		(7,069,881)	(6,198,255)
Air catering charges		(1,345,720)	(1,157,761)
Aircraft and engine operating lease expenses		(2,194,347)	(1,949,509)
Other operating lease expenses		(487,313)	(403,824)
Other flight operation expenses		(3,606,992)	(3,960,842)
Selling and marketing expenses		(2,874,533)	(2,754,840)
General and administrative expenses		(539,547)	(560,548)
		(47,588,660)	(44,592,420)
Profit from operations	6	2,343,540	1,426,615
Finance revenue	7	107,081	1,245,233
Finance costs	7	(2,135,459)	(1,293,834)
Share of profits less losses of associates		215,807	100,660
Share of profits less losses of joint ventures		28,823	67,951
Profit before taxation		559,792	1,546,625
Taxation	8	(102,263)	(395,219)
Profit for the period		457,529	1,151,406
Attributable to:			
Equity shareholders of the Company		510,372	1,144,799
Non-controlling interests		(52,843)	6,607
		457,529	1,151,406
Earnings per share	10		
Basic and diluted		4.15 cents	9.31 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited

(Prepared under International Financial Reporting Standards)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited

(Prepared under International Financial Reporting Standards)

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
CURRENT LIABILITIES		
Air traffic liabilities	(4,614,373)	(4,461,448)
Accounts payable	(11,319,809)	(10,349,535)
Bills payable	(441,234)	—
Other payables and accruals	(10,020,504)	(10,785,877)
Financial liabilities	(16,365)	(24,070)
Dividends payable	(592,870)	—
Due to the ultimate holding company	(38,390)	(36,729)
Tax payable	(43,196)	(355,617)
Obligations under finance leases	(4,250,552)	(3,859,317)
Interest-bearing bank loans and other borrowings	(28,241,543)	(39,502,216)
Provision for major overhauls	(874,037)	(699,378)
	<u>(60,452,873)</u>	<u>(70,074,187)</u>
Net current liabilities	<u>(39,723,277)</u>	<u>(44,256,758)</u>
Total assets less current liabilities	<u>143,208,854</u>	<u>135,009,100</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	(27,689,141)	(25,972,715)
Interest-bearing bank loans and other borrowings	(48,923,840)	(42,266,406)
Provision for major overhauls	(3,286,223)	(3,283,480)
Provision for early retirement benefit obligations	(28,981)	(35,331)
Long-term payables	(99,869)	(93,072)
Deferred income	(4,038,858)	(3,797,501)
Deferred tax liabilities	(2,079,324)	(2,014,407)
	<u>(86,146,236)</u>	<u>(77,462,912)</u>
NET ASSETS	<u>57,062,618</u>	<u>57,546,188</u>
CAPITAL AND RESERVES		
Issued capital	13,084,751	13,084,751
Treasury shares	(3,047,564)	(3,047,564)
Reserves	43,401,895	43,720,198
Total equity attributable to equity shareholders of the Company	<u>53,439,082</u>	<u>53,757,385</u>
Non-controlling interests	<u>3,623,536</u>	<u>3,788,803</u>
TOTAL EQUITY	<u>57,062,618</u>	<u>57,546,188</u>

Note:

1. BASIS OF PREPARATION

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

As at 30 June 2014, the Group’s current liabilities exceeded its current assets by approximately RMB 39.72 billion. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB109.79 billion as at 30 June 2014, the Directors of the Company believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements when preparing the interim financial report for the six months ended 30 June 2014. Accordingly, the interim financial report has been prepared on a basis that the Group will be able to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA.

2. IMPACT OF NEW AND REVISED IFRSs

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

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

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

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

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

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

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

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

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

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

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

IFRIC 12, *Levies*

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

3. SEGMENT INFORMATION

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

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

In determining the Group's geographical information, revenue is attributed to the segments based on the origin and destination of each flight. Assets, which consist principally of aircraft and ground equipment, supporting the Group's worldwide transportation network, are mainly located in Mainland China. An analysis of the assets of the Group by geographical distribution has therefore not been included 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 taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2014 and 2013 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2014 (Unaudited)

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

For the six months ended 30 June 2013 (Unaudited)

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

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

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

Geographical information

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

For the six months ended 30 June 2014 (Unaudited)

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

For the six months ended 30 June 2013 (Unaudited)

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

4. AIR TRAFFIC REVENUE

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

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

5. OTHER OPERATING REVENUE

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

6. PROFIT FROM OPERATIONS

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

	For the six months ended	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation	5,538,648	5,262,453
Amortisation of lease prepayments	26,717	24,985
Accrual of bad debt provision, net	5,485	18,144
Loss/(Gain) on disposal of property, plant and equipment, net	17,061	(38,368)
Minimum lease payments under operating leases:		
– Aircraft and related equipment	2,194,347	1,949,509
– Land and buildings	459,003	363,657
	<u>10,298,221</u>	<u>7,648,401</u>

7. FINANCE REVENUE AND FINANCE COSTS

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

Finance revenue	For the six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Exchange gains, net	–	1,119,362
Interest income	101,689	123,981
Others	5,392	1,890
	<u>107,081</u>	<u>1,245,233</u>
Finance costs	For the six months ended	
	30 June 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank loans and other borrowings	1,409,240	1,362,434
Interest on finance leases	218,936	188,674
Loss on interest rate derivative contracts, net	3,596	1,876
Exchange loss, net	721,395	–
	<u>2,353,167</u>	<u>1,552,984</u>
Less: Interest capitalised	<u>(217,708)</u>	<u>(259,150)</u>
	<u>2,135,459</u>	<u>1,293,834</u>

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

8. TAXATION

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

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

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

9. DIVIDEND

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

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

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

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

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

10. EARNINGS PER SHARE

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

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

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014 – unaudited

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

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

CONSOLIDATED BALANCE SHEET

At 30 June 2014 – unaudited

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

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

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

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 2014	30 June 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net profit attributable to shareholders of the Company under CASs	474,381	1,118,892
Deferred taxation	(11,997)	(8,636)
Differences in value of fixed assets and other non-current assets	3,660	(9,786)
Government grants	44,328	44,329
Net profit attributable to shareholders of the Company under IFRSs	510,372	1,144,799
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Equity attributable to shareholders of the Company under CASs	53,799,896	54,154,190
Deferred taxation	91,714	103,711
Differences in value of fixed assets and other non-current assets	(518,566)	(522,226)
Government grants	(73,881)	(118,209)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	139,919	139,919
Equity attributable to shareholders of the Company under IFRSs	53,439,082	53,757,385

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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 conditions and results of operations of the Group as a whole.

Profit Analysis

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

Turnover

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

Revenue Contribution by Geographical Segments

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

Air Passenger Revenue

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

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

Air Passenger Revenue Contributed by Geographical Segment

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

Air Cargo Revenue

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

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

Air Cargo Revenue Contributed by Geographical Segment

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

Operating Expenses

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

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

In particular:

- Jet fuel costs increased by RMB817 million or 4.99% from the corresponding period in the previous year, mainly due to the increase in air traffic volume.
- Take-off, landing and depot charges increased by RMB593 million over the same period of 2013 primarily due to an increase in the number of take-offs and landings.
- Depreciation expenses increased due to an increase in the number of self-owned and financing leased aircraft during the reporting period.
- Aircraft maintenance, repair and overhaul costs recorded an increase of RMB177 million or 11.67% over the same period of last year due to the expansion of fleet size.
- Employee compensation costs increased by RMB872 million, mainly due to an increase in number of employees and the adjustment in employee compensation standard.
- Air catering charges increased by RMB188 million, mainly due to the increase in passenger numbers, improvement in service quality and rising costs of raw materials.

- Sales and marketing expenses increased by RMB120 million as compared to the same period in the previous year due to an increase in commission brought by increasing sales revenue.
- General and administrative expenses decreased by RMB21 million year-on-year, representing a year-on-year decrease of 3.75%.
- Other operating expenses mainly included aircraft and engines operating lease expenses, contributions to the civil aviation fund and ordinary expenses arising from our core air traffic business not included in the aforesaid items. The expenses decreased by 0.40% year-on-year, substantially keeping stable compared to the same period of last year.

Financial Revenue and Financial Costs

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

Share of Profits and Losses of Associates and Joint Ventures

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

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

Analysis of Assets Structure

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

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

Assets Mortgage

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

Capital Expenditure

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

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

Equity Investment

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

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

Debt Structure Analysis

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

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

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

Commitments and Contingent Liabilities

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

Gearing Ratio

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

Working Capital and Its Sources

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

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

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

Financial Risk Management Objectives and Policies

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

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

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

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2014, 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 2014.

CORPORATE GOVERNANCE

1. Compliance with the Code Provisions of the Corporate Governance Code

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

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

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

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 2013 Annual Report of the Company.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

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

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

Beijing, the PRC, 26 August 2014

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

** Independent non-executive director of the Company*