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 2015

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 (the "**Group**") for the six months ended 30 June 2015 at a meeting of the Board held on 27 August 2015.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board presents the unaudited interim results of the Group for the six months ended 30 June 2015, 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 2015 – unaudited
(Prepared under International Financial Reporting Standards)

	Notes	For the six months ended **30 June 2015** *RMB'000*	 30 June 2014 *RMB'000*
Revenue			
Air traffic revenue	*4*	**49,309,857**	47,511,339
Other operating revenue	*5*	**2,552,092**	2,420,861
		51,861,949	49,932,200
Operating expenses			
Jet fuel costs		**(12,059,145)**	(17,188,863)
Take-off, landing and depot charges		**(5,563,306)**	(5,046,006)
Depreciation and amortisation		**(6,265,089)**	(5,538,648)
Aircraft maintenance, repair and overhaul costs		**(1,935,921)**	(1,696,810)
Employee compensation costs		**(8,089,592)**	(7,069,881)
Air catering charges		**(1,452,676)**	(1,345,720)
Aircraft and engine operating lease expenses		**(2,528,364)**	(2,194,347)
Other operating lease expenses		**(441,293)**	(487,313)
Other flight operation expenses		**(3,870,582)**	(3,606,992)
Selling and marketing expenses		**(2,587,719)**	(2,874,533)
General and administrative expenses		**(439,737)**	(539,547)
		(45,233,424)	(47,588,660)
Profit from operations	*6*	**6,628,525**	2,343,540
Finance revenue	*7*	**69,033**	107,081
Finance costs	*7*	**(1,597,335)**	(2,135,459)
Share of profits less losses of associates		**439,346**	215,807
Share of profits less losses of joint ventures		**209,502**	28,823
Profit before taxation		**5,749,071**	559,792
Taxation	*8*	**(1,209,308)**	(102,263)
Profit for the period		**4,539,763**	457,529
Attributable to:			
Equity shareholders of the Company		**4,190,914**	510,372
Non-controlling interests		**348,849**	(52,843)
		4,539,763	457,529
Earnings per share	*10*		
Basic and diluted		**34.09 cents**	4.15 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited
(Prepared under International Financial Reporting Standards)

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
Profit for the period	**4,539,763**	457,529
Other comprehensive income/(expense) for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
– Remeasurement of net defined benefit liability	**(211)**	–
Items that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income/(expense) of associates and joint ventures	**675,895**	(429,878)
– Available-for-sale securities: net movement in fair value reserve	**38,471**	–
– Exchange realignment	**(7,426)**	198,686
Other comprehensive income/(expense) for the period	**706,729**	(231,192)
Total comprehensive income for the period	**5,246,492**	226,337
Attributable to:		
Equity shareholders of the Company	**4,879,991**	274,567
Non-controlling interests	**366,501**	(48,230)
Total comprehensive income for the period	**5,246,492**	226,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited

(Prepared under International Financial Reporting Standards)

		30 June 2015	31 December 2014
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**155,510,149**	148,179,827
Lease prepayments		**3,009,705**	2,633,658
Investment properties		**735,648**	683,655
Intangible assets		**36,393**	36,859
Goodwill		**1,099,975**	1,099,975
Interests in associates		**12,715,361**	11,893,859
Interests in joint ventures		**943,385**	1,392,728
Advance payments for aircraft and flight equipment		**16,830,871**	18,148,989
Deposits for aircraft under operating leases		**532,906**	523,338
Available-for-sale investments		**139,474**	88,179
Deferred tax assets		**3,497,893**	3,576,594
		195,051,760	188,257,661
CURRENT ASSETS			
Aircraft and flight equipment held for sale		**202,563**	460,028
Inventories		**1,661,165**	1,100,179
Accounts receivable	*11*	**3,667,095**	2,834,130
Bills receivable		**382**	155
Prepayments, deposits and other receivables		**4,656,624**	4,250,376
Financial assets		**13,825**	12,534
Due from the ultimate holding company		**178,551**	150,079
Pledged deposits		**95,072**	74,570
Cash and cash equivalents		**9,201,246**	9,659,987
Other current assets		**1,824,329**	2,510,998
		21,500,852	21,053,036
TOTAL ASSETS		**216,552,612**	209,310,697

		30 June 2015 RMB'000	31 December 2014 RMB'000
CURRENT LIABILITIES			
Air traffic liabilities		**(5,248,480)**	(4,830,806)
Accounts payable	*12*	**(9,427,822)**	(9,788,921)
Bills payable		**(475,530)**	(150,000)
Other payables and accruals		**(11,109,020)**	(10,535,972)
Financial liabilities		**(3,912)**	(7,712)
Dividends payable		**(683,417)**	–
Due to the ultimate holding company		**(23,879)**	(21,377)
Tax payable		**(662,547)**	(607,378)
Obligations under finance leases		**(5,334,692)**	(4,751,714)
Interest-bearing bank loans and other borrowings		**(26,116,804)**	(29,292,425)
Provision for major overhauls		**(1,032,032)**	(856,789)
		(60,118,135)	(60,843,094)
Net current liabilities		**(38,617,283)**	(39,790,058)
Total assets less current liabilities		**156,434,477**	148,467,603
NON-CURRENT LIABILITIES			
Obligations under finance leases		**(34,594,344)**	(31,240,298)
Interest-bearing bank loans and other borrowings		**(47,713,582)**	(49,023,196)
Provision for major overhauls		**(3,314,269)**	(3,363,176)
Provision for early retirement benefit obligations		**(18,428)**	(19,210)
Long-term payables		**(21,601)**	(38,855)
Defined benefit obligations		**(264,860)**	–
Deferred income		**(3,743,285)**	(3,336,106)
Deferred tax liabilities		**(2,637,416)**	(2,336,862)
		(92,307,785)	(89,357,703)
NET ASSETS		**64,126,692**	59,109,900
CAPITAL AND RESERVES			
Issued capital		**13,084,751**	13,084,751
Treasury shares		**(3,047,564)**	(3,047,564)
Reserves		**48,163,873**	43,941,101
Total equity attributable to equity shareholders of the Company		**58,201,060**	53,978,288
Non-controlling interests		**5,925,632**	5,131,612
TOTAL EQUITY		**64,126,692**	59,109,900

Notes:

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 27 August 2015.

As at 30 June 2015, the Group's current liabilities exceeded its current assets by approximately RMB38.62 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 RMB110.68 billion as at 30 June 2015, 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 2015. 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 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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. CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 financial report.

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

Operating segments

The following tables present the Group's consolidated revenue and profit before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2015 and 2014 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 2015 (Unaudited)

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	51,015,214	99,928	–	51,115,142
Intersegment sales	–	1,561,123	(1,561,123)	–
Revenue for reportable segments under CASs	51,015,214	1,661,051	(1,561,123)	51,115,142
Business tax not included in segment revenue				(111,247)
Other income not included in segment revenue				828,502
Effects of differences between IFRSs and CASs				29,552
Revenue for the period under IFRSs				51,861,949
SEGMENT PROFIT BEFORE TAXATION				
Profit before taxation for reportable segments under CASs	5,485,908	(792)	–	5,485,116
Effects of differences between IFRSs and CASs				263,955
Profit before taxation for the period under IFRSs				5,749,071

For the six months ended 30 June 2014 (Unaudited)

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

The following tables present the segment assets of the Group's operating segments under CASs as at 30 June 2015 and 31 December 2014 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations *RMB'000*	**Other operations** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
SEGMENT ASSETS				
Total assets for reportable segments as at 30 June 2015 under CASs (Unaudited)	**210,542,270**	**8,949,605**	**(2,830,839)**	**216,661,036**
Effects of differences between IFRSs and CASs				**(108,424)**
Total assets as at 30 June 2015 under IFRSs (Unaudited)				**216,552,612**
Total assets for reportable segments as at 31 December 2014 under CASs	206,322,496	4,243,977	(923,604)	209,642,869
Effects of differences between IFRSs and CASs				(332,172)
Total assets as at 31 December 2014 under IFRSs				209,310,697

Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2015 and 2014, respectively:

For the six months ended 30 June 2015 (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	**33,573,549**	**2,856,164**	**4,674,442**	**4,629,832**	**3,319,508**	**2,808,454**	**51,861,949**

For the six months ended 30 June 2014 (Unaudited)

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

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 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Passenger	**44,988,775**	43,558,749
Cargo and mail	**4,321,082**	3,952,590
	49,309,857	47,511,339

5. OTHER OPERATING REVENUE

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Aircraft engineering income	**79,425**	53,820
Ground service income	**398,957**	398,258
Government grants:		
– Recognition of deferred income	**45,896**	44,328
– Others	**522,847**	817,969
Service charges on return of unused flight tickets	**517,192**	408,847
Training service income	**12,177**	16,518
Sales of materials	**4,939**	7,714
Import and export service income	**15,636**	18,544
Others	**955,023**	654,863
	2,552,092	2,420,861

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation	**6,220,998**	5,538,648
Amortisation of lease prepayments	**29,850**	26,717
Accrual of bad debt provision, net	**5,122**	5,485
Loss on disposal of property, plant and equipment, net	**29,542**	17,061
Minimum lease payments under operating leases:		
– Aircraft and related equipment	**2,528,364**	2,194,347
– Land and buildings	**404,176**	459,003

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 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**65,329**	101,689
Others	**3,704**	5,392
	69,033	107,081

Finance costs	**For the six months ended**	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on borrowings and finance leases	**1,706,766**	1,628,176
Loss on interest rate derivative contracts, net	**–**	3,596
Exchange loss, net	**122,888**	721,395
	1,829,654	2,353,167
Less: Interest capitalised	**(232,319)**	(217,708)
	1,597,335	2,135,459

The interest capitalisation rates during the period ranges from 0.77% to 5.99% (six months ended 30 June 2014: 0.81% to 7.05%) per annum relating to the costs of related borrowings during the period.

8. TAXATION

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	**909,382**	10,786
– Hong Kong and Macau	**–**	2,694
Under/(Over)-provision in respect of prior years	**2,868**	(5,975)
Deferred taxation	**297,058**	94,758
	1,209,308	102,263

Under the relevant Enterprise 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 2014: 15%) and a subsidiary which is exempted from the local income tax of Inner Mongolia Autonomous Region from year 2013 to 2015, all group companies located in Mainland China are subject to a enterprise income tax rate of 25% (six months ended 30 June 2014: 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 2014: 16.5% and 12%), respectively.

In respect of majority of the Group's overseas airline operations, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC government, 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 2015 (six months ended 30 June 2014: 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 2015	30 June 2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the interim period, of RMB0.05223 per share (including tax) (six months ended 30 June 2014: RMB0.04531 per share (including tax))	**683,417**	592,870

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2015 was based on the profit attributable to ordinary equity shareholders of the Company of RMB4.19 billion (six months ended 30 June 2014: RMB0.51 billion) and the weighted average of 12,294,896,740 ordinary shares (six months ended 30 June 2014: 12,294,896,740 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.

11. ACCOUNTS RECEIVABLE

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

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	
Within 30 days	**2,628,160**	2,262,237
31 to 60 days	**479,605**	263,514
61 to 90 days	**164,546**	110,406
Over 90 days	**394,784**	197,973
	3,667,095	2,834,130

12. ACCOUNTS PAYABLE

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	
Within 30 days	**4,752,735**	5,507,172
31 to 60 days	**1,568,754**	789,788
61 to 90 days	**1,159,632**	1,366,348
Over 90 days	**1,946,701**	2,125,613
	9,427,822	9,788,921

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 – unaudited

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

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
Revenue from operations	**51,115,142**	49,117,301
Less: Cost of operations	**40,110,699**	42,299,222
Business taxes and surcharges	**111,247**	84,407
Selling expenses	**3,325,192**	3,597,085
General and administrative expenses	**1,696,158**	1,496,305
Finance costs	**1,588,941**	2,195,246
Impairment losses	**12,527**	7,240
Add: Gains/(Losses) from movements in fair value	**3,704**	(423)
Investment income	**651,396**	246,849
Including: Share of profits less losses of associates and joint ventures	**648,848**	244,630
Profit from operations	**4,925,478**	(315,778)
Add: Non-operating income	**624,252**	877,639
Including: Gain on disposal of non-current assets	**19,636**	22,663
Less: Non-operating expenses	**64,614**	50,057
Including: Loss on disposal of non-current assets	**41,180**	37,969
Profit before taxation	**5,485,116**	511,804
Less: Taxation	**1,198,653**	90,266
Net profit	**4,286,463**	421,538
Net profit attributable to equity shareholders of the Company	**3,937,614**	474,381
Non-controlling interests	**348,849**	(52,843)
Earnings per share (RMB)		
Basic and diluted	**0.32**	0.04
Other comprehensive income for the year		
Other comprehensive income attributed to equity shareholders of the Company after taxation		
Item that will not be reclassified to profit or loss:		
– Remeasurement of net defined benefit liability	**(158)**	–
Item that may be reclassified to profit or loss:		
– Share of other comprehensive income of the investees accounted by the equity method	**676,871**	(429,878)
– Exchange realignment	**(7,256)**	194,073
– Gains or losses arising from changes in fair value of available-for-sale financial assets	**19,620**	–
Other comprehensive income after taxation attributed to non-controlling interests	**17,652**	4,613
Total comprehensive income	**4,993,192**	190,346
Attributable to:		
Equity shareholders of the Company	**4,626,691**	238,576
Non-controlling interests	**366,501**	(48,230)

CONSOLIDATED BALANCE SHEET

At 30 June 2015 – unaudited

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

	30 June 2015 ***RMB'000***	31 December 2014 *RMB'000*
ASSETS		
Current assets		
Cash and bank balances	**9,296,318**	9,734,557
Financial assets at fair value through profit or loss	**13,825**	12,534
Bills receivable	**382**	155
Accounts receivable	**3,845,646**	2,984,209
Other receivables	**3,085,368**	2,846,003
Prepayments	**1,041,865**	843,801
Inventories	**1,661,165**	1,100,179
Held-for-sale assets	**202,563**	457,623
Other current assets	**1,824,329**	2,510,998
Total current assets	**20,971,461**	20,490,059
Non-current assets		
Available-for-sale financial assets	**141,517**	90,222
Long-term receivables	**534,751**	525,184
Long-term equity investments	**13,518,827**	13,368,005
Investment properties	**362,263**	347,992
Fixed assets	**147,277,030**	139,607,933
Construction in progress	**24,673,957**	26,448,536
Intangible assets	**4,134,968**	3,619,450
Goodwill	**1,102,185**	1,102,185
Long-term deferred expenses	**527,546**	558,726
Deferred tax assets	**3,416,531**	3,484,577
Total non-current assets	**195,689,575**	189,152,810
Total assets	**216,661,036**	209,642,869

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loans	**15,157,750**	20,671,494
Short-term bonds payable	**1,240,000**	640,000
Financial liabilities at fair value through profit or loss	**3,912**	7,712
Bills payable	**475,530**	150,000
Accounts payable	**11,849,541**	11,757,797
Domestic air traffic liabilities	**1,560,193**	2,103,215
International air traffic liabilities	**3,688,287**	2,727,591
Receipts in advance	**145,441**	141,037
Employee compensations payable	**1,957,601**	1,663,520
Taxes payable	**1,018,719**	973,620
Interest payable	**952,813**	659,180
Dividends payable	**683,417**	–
Other payables	**5,217,905**	5,251,688
Non-current liabilities repayable within one year	**15,833,026**	13,725,417
Total current liabilities	**59,784,135**	60,472,271
Non-current liabilities		
Long-term loans	**30,518,442**	31,829,076
Corporate bonds	**17,195,140**	17,194,120
Long-term payables	**3,335,870**	3,402,031
Obligations under finance leases	**34,594,344**	31,240,298
Defined benefit obligations	**264,860**	–
Accrued liabilities	**352,428**	360,481
Deferred income	**3,743,285**	3,336,106
Deferred tax liabilities	**2,637,416**	2,336,862
Total non-current liabilities	**92,641,785**	89,698,974
Total liabilities	**152,425,920**	150,171,245
Shareholders' equity		
Issued capital	**13,084,751**	13,084,751
Capital reserve	**16,673,743**	16,647,545
Other comprehensive income	**(4,369,967)**	(5,059,044)
Reserve funds	**6,051,918**	5,766,587
Retained earnings	**26,869,039**	23,900,173
Equity attributable to shareholders of the Company	**58,309,484**	54,340,012
Non-controlling interests	**5,925,632**	5,131,612
Total shareholders' equity	**64,235,116**	59,471,624
Total liabilities and shareholders' equity	**216,661,036**	209,642,869

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 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net profit attributable to shareholders of the Company under CASs	**3,937,614**	474,381
Deferred taxation	**(10,655)**	(11,997)
Differences in value of fixed assets and other non-current assets	**234,403**	3,660
Government grants	**29,552**	44,328
Net profit attributable to shareholders of the Company under IFRSs	**4,190,914**	510,372

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	
Equity attributable to shareholders of the Company under CASs	**58,309,484**	54,340,012
Deferred taxation	**81,362**	92,017
Differences in value of fixed assets and other non-current assets	**(329,705)**	(564,108)
Government grants	**–**	(29,552)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	**139,919**	139,919
Equity attributable to shareholders of the Company under IFRSs	**58,201,060**	53,978,288

CHAIRMAN'S STATEMENT

In the first half of 2015, the world economy as a whole was in a recovery trend while the Chinese economy edged forward steadily. The global aviation industry was generally healthy with sustained growth in demand and relatively low fuel prices. During the first half of 2015, the Group pursued our strategic goals by promoting management innovation and proactively capturing market opportunities, thereby achieving strong performance in our core businesses of passenger and cargo transport business. During the first half of 2015, the Group achieved net profit attributable to shareholders of RMB4.191 billion, an increase of 721.15% compared to the corresponding period last year.

We steadily pursued our hub network strategy. During the first half of 2015, we expanded our international routes with the view of strengthening our hubs. We launched direct service from Beijing to Melbourne, and increased the frequency of our long-haul flights from Beijing to Los Angeles, Paris and Milan. We also expanded our domestic route network coverage by adding 14 routes from our principal hub to second- and third-tier cities. We proactively keep step with the country's "One Road, One Belt" strategy and launched new routes from Beijing to Minsk and to Budapest, as well as from Chengdu to Colombo. We further added services in our routes from Beijing to Guiyang, Lanzhou, Yinchuan, Fuzhou and Zhanjiang. Our domestic and international flight networks complement each other, thus achieving greater balance in our network structure.

As our fleet continued to expand, our first-mover advantage in fleet structure adjustment has become more prominent. During the first half of 2015, the Group took delivery of 28 new aircraft including B747-8s, B777-200Fs and B737-800s, and retired 9 old aircraft. The average age of our fleet was 6.11 years. As the share of wide-body jets in our fleet (the ratio of our wide-body jet seats to narrow-body jet seats was 1:2.65) increased, our fleet structure was further optimized, thus lending stronger support to our hub network strategy and contributing to further reduction in our operating and maintenance costs.

Driven by market demand, we have adjusted our capacity deployment and prudently managed our operations. In the first half of 2015, demand in the domestic market grew at a relatively faster pace. With domestic consumption moving up-market, out-bound travel remained hot, creating strong demand in the international market as well. We took advantage of the growth in domestic and international markets by deploying additional capacity in the two sectors at the most opportune time to ensure that our aircraft could match the routes and cater to the market demand. In the first half of 2015, our capacity measured in available seat kilometer reached 102,881 million and our revenue passenger kilometer reached 82,174 million, representing an increase of 10.47% and 9.49% respectively compared to the same period last year. Net revenue (excluding fuel surcharge) for the reporting period amounted to RMB47.50 billion, representing a year-on-year growth of 11.77%.

We continued to transform our sales and marketing mode and strengthened the management of our channels. In the first half of 2015, we focused on improving the operations of our e-commerce platform by launching an upgraded mobile customer service application and optimising our direct-sales channels. By enhancing the control and service capability of our end customers, our direct sales proportion has risen to 27%, an increase of 4.7 percentage points from the corresponding period last year. The e-commerce platform accounted for 16% of total sales, an increase of 6 percentage points compared to the same period last year. We continuously paid close attention to our operating performance in the international long-haul routes, new routes and key domestic markets and focused on price stability in our principal hub. We also adopted a series of effective measures in marketing and sales policy to improve our performance and raised the yield level markedly. During the first half of 2015, the Group's yield (excluding fuel surcharge) per RPK reached RMB0.50, an increase of 1.56% year-on-year.

We continued to strengthen our cost controls and maintained our cost advantage. By continuously monitoring the timing of our capacity deployment, tracking the changes in flight arrangements, and furthering the overall linkage of the fleet, we enabled our operations to better meet our market demand, thus improving our operating efficiency. By strengthening the construction of our direct sales channels, we have transformed our sales and marketing and increased the proportion of direct sales. Our agency expenses were lowered by 21.97% year-on-year. We also optimised our funding structure by increasing our controls over the amounts and frequency of borrowings. In the first half of 2015, our operating cost per available tonne kilometer was RMB3.00, representing a decline of 17.21% from the corresponding period last year. Excluding the impact of fuel cost changes, operating cost per available tonne kilometer decreased by 4.95% year-on-year.

By focusing on both innovation and management, we have steadily improved our service quality. In the first half of 2015, the group accelerated the construction of in-flight Internet system and deployed 21 wifi-enabled aircraft on key domestic and international routes. We worked with the State Administration of Radio, Film and Television to become the first carrier to offer in-cabin satellite TV programs. We also actively pushed forward our "Quick and Easy Journey" project to promote our full-process self-service products. To add to the varieties of in-flight entertainment, we are actively developing our own entertainment programs. By strengthening the management of flight punctuality, we further reduced flight delays caused by internal factors. We also added a seat agent of service support in our operation control center, thereby enhancing our capability and efficiency in handling emergency events.

We have promoted our specialisation strategy, and deepened the strategic synergy among Group members and external cooperation. In the first half of 2015, we smoothly completed the capital injection into Aircraft Maintenance and Engineering Corporation (AMECO) and increased the Company's stake in AMECO to 75%. This was a key step towards building an aircraft MRO business and achieving profit diversification for the Group. We continued to promote strategic synergy among Group members in areas such as routes, fleet, sales and MRO. We deepened our strategic cooperation with Cathay Pacific and advanced the preparation of joint venture arrangements with Lufthansa, Air Canada and Air New Zealand. When these joint venture arrangements are formally launched, our passengers will enjoy more convenience in their travels and we will be able to increase our service quality and competitiveness in the relevant markets.

Our cargo business achieved steady growth. In the first half of 2015, the Group deployed a total of 5,818 million available freight tonne kilometers, representing an increase of 22.48% over that of the corresponding period last year, and achieved 3,166 million freight revenue tonne kilometers, a year-on-year increase of 23.54%. Cargo load factor for the reporting period was 54.41%, representing a 0.47 percentage point rise from the same period last year. Air China Cargo was able to continue to optimise its route structure after completing the replacement of its fleet for US and European routes. The round-the-world route operated smoothly with a steady increase in cargo volume for the US to Europe sector. We have continued to upgrade our product range by adding competitive high value-added and transit products. By enhancing our sales management, we have made use of passenger-cargo combination operation to achieve complementary advantages. In the first half of 2015, Air China Cargo achieved profit of RMB108 million, representing a turnaround of RMB239 million.

For the second half of 2015, we maintain our optimistic view on the aviation market. We expect domestic passenger service to continue the growth trend seen in the first half of 2015, international outbound travelling to continue to grow rapidly, and fuel price to maintain at a relatively low level. Further, industry competition will further intensify while foreign exchange fluctuation will increase. In light of these opportunities and challenges, the Group will adhere to its prudent management precepts, firmly implement its strategies, and solidify and expand its competitive advantages, in order to provide our shareholders and the society with even better returns.

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 2015, the Group proactively seized market opportunities by adopting various measures such as optimising operational arrangement, enhancing marketing management as well as strengthening stringent cost control. We recorded an operating profit of RMB6,629 million, representing an increase of 182.84% as compared with that of the same period last year. The Group recorded profit attributable to shareholders of the Company of RMB4,191 million, representing a year-on-year increase of 721.15%.

Turnover

For the six months ended 30 June 2015, the Group's turnover was RMB51,862 million, representing an increase of RMB1,930 million, or 3.86%, as compared with that of the same period last year. Among the turnover, revenue from our air traffic operations contributed RMB49,310 million to the total turnover, representing an increase of RMB1,799 million, or 3.79%, over the same period last year. Our other operating revenue was RMB2,552 million, representing an increase of RMB131 million, or 5.42%, as compared with that of the same period last year.

Revenue Contribution by Geographical Segments

	For the six months ended 30 June				
	2015		2014		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
International	**15,432,236**	**29.75%**	14,003,420	28.04%	10.20%
Domestic	**33,573,549**	**64.74%**	32,820,469	65.73%	2.29%
Hong Kong, Macau and Taiwan	**2,856,164**	**5.51%**	3,108,311	6.23%	(8.11%)
Total	**51,861,949**	**100.00%**	49,932,200	100.00%	3.86%

Air Passenger Revenue

For the six months ended 30 June 2015, the Group recorded an air passenger revenue of RMB44,989 million, representing an increase of RMB1,430 million, or 3.28%, over the same period of 2014. Among the Group's air passenger revenue, the increase in capacity contributed to an increase of RMB4,562 million, while the decrease in passenger load factor and passenger yield resulted in a decrease in revenue of RMB429 million and RMB2,703 million, respectively. The Group's capacity, load factor and passenger yield of our passenger operations for the six months ended 30 June 2015 are as follows:

	For the six months ended 30 June		
	2015	2014	Change
Available seat kilometres (million)	**102,881.35**	93,128.72	10.47%
Passenger load factor (%)	**79.87**	80.59	(0.72 ppt)
Yield per RPK (RMB)	**0.5471**	0.5803	(5.72%)

Air Passenger Revenue Contributed by Geographical Segment

	For the six months ended 30 June				
	2015		2014		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
International	**12,295,384**	**27.33%**	11,072,274	25.42%	11.05%
Domestic	**29,986,433**	**66.65%**	29,546,413	67.83%	1.49%
Hong Kong, Macau and Taiwan	**2,706,958**	**6.02%**	2,940,062	6.75%	(7.93%)
Total	**44,988,775**	**100.00%**	43,558,749	100.00%	3.28%

Air Cargo Revenue

For the six months ended 30 June 2015, the Group's air cargo and mail revenue was RMB4,321 million, representing an increase of RMB368 million, or 9.32%, from the same period in 2014. Among the Group's air cargo and mail revenue, the increase in capacity and cargo and mail load factor contributed to an increase in revenue of RMB888 million and RMB42 million respectively, while the decrease in yield of cargo and mail resulted in a decrease in revenue of RMB562 million. The capacity, load factor and yield of our cargo and mail operations for the six months ended 30 June 2015 are as follows:

	For the six months ended 30 June		
	2015	2014	Change
Available freight tonne kilometres (million)	**5,818.22**	4,750.37	22.48%
Cargo and mail load factor (%)	**54.41**	53.95	0.47 ppt
Yield per RFTK (RMB)	**1.3649**	1.5423	(11.51%)

Air Cargo Revenue Contributed by Geographical Segment

	For the six months ended 30 June				
	2015		2014		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
International	**3,029,893**	**70.12%**	2,846,681	72.02%	6.44%
Domestic	**1,144,181**	**26.48%**	939,491	23.77%	21.79%
Hong Kong, Macau and Taiwan	**147,008**	**3.40%**	166,418	4.21%	(11.66%)
Total	**4,321,082**	**100.00%**	3,952,590	100.00%	9.32%

Operating Expenses

For the six months ended 30 June 2015, the Group's operating expenses were RMB45,233 million, representing a decrease of 4.95% as compared with RMB47,589 million recorded in the same period of 2014. The breakdown of the operating expenses is set out below:

	For the six months ended 30 June				
	2015		2014		Change
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Jet fuel costs	**12,059,145**	**26.66%**	17,188,863	36.12%	(29.84%)
Take-off, landing and depot charges	**5,563,306**	**12.30%**	5,046,006	10.60%	10.25%
Depreciation and amortisation	**6,265,089**	**13.85%**	5,538,648	11.64%	13.12%
Aircraft maintenance, repair and overhaul costs	**1,935,921**	**4.28%**	1,696,810	3.57%	14.09%
Employee compensation costs	**8,089,592**	**17.88%**	7,069,881	14.86%	14.42%
Air catering charges	**1,452,676**	**3.21%**	1,345,720	2.83%	7.95%
Selling and marketing expenses	**2,587,719**	**5.72%**	2,874,533	6.04%	(9.98%)
General and administrative expenses	**439,737**	**0.97%**	539,547	1.13%	(18.50%)
Others	**6,840,239**	**15.13%**	6,288,652	13.21%	8.77%
Total	**45,233,424**	**100.00%**	47,588,660	100.00%	(4.95%)

In particular:

- Jet fuel costs decreased by RMB5,130 million, or 29.84%, from the corresponding period in the previous year, mainly due to the decrease in jet fuel prices.

- Take-off, landing and depot charges increased by RMB517 million over the same period of 2014, 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 RMB239 million over the same period last year, mainly due to the expansion of fleet.

- Employee compensation costs increased by RMB1,020 million, mainly due to an increase in the number of employees and the adjustment in employee compensation standard.

- Air catering charges increased by RMB107 million, mainly due to the increase in the number of passengers carried.

- Sales and marketing expenses decreased by RMB287 million as compared to the same period last year, mainly due to the Group's efforts in actively raising the proportion of direct sales and vigorously lowering agency fee expenses.

- Other operating expenses mainly included aircraft and engines operating lease expenses, contributions to the civil aviation development fund and ordinary expenses arising from our core air traffic business not included in the aforesaid items. Other operating expenses increased by 8.77% as compared to the same period last year, mainly due to a year-on-year increase in the operating lease expenses of aircraft engines and buildings and contributions to the civil aviation development fund for the reporting period.

Finance Revenue and Finance Costs

For the six months ended 30 June 2015, the Group recorded a net exchange loss of RMB123 million, representing a decrease of RMB599 million as compared to the same period in 2014, which was mainly due to the relative stable movement of the exchange rate of RMB against U.S. dollars during the reporting period. The Group incurred interest expenses (excluding the capitalised portion) of RMB1,474 million during the reporting period, representing an increase of RMB64 million from the same period of 2014, which was mainly due to the year-on-year growth in average interest-bearing liabilities of the Group during the reporting period.

Share of Profits or Losses of Associates and Joint Ventures

For the six months ended 30 June 2015, the Group's share in the profits of its associates was RMB439 million, representing an increase of RMB223 million as compared with a share in the profits of associates of RMB216 million for the same period of 2014, mainly due to the increase in the profits of Cathay Pacific Airways Limited ("**Cathay Pacific**"), an associate of the Group, during the reporting period, among which RMB300 million gains on investment of Cathay Pacific was recognised, representing a year-on-year increase of RMB142 million.

For the six months ended 30 June 2015, the Company's share in the profits of its joint ventures was RMB210 million, as compared with a share in the profits of joint ventures of RMB29 million for the same period of 2014, representing a year-on-year increase of RMB181 million. This was mainly due to the recognition of gains on investment of RMB113 million in AMECO during the reporting period, while loss on investment of RMB27 million was recorded for the same period last year.

Analysis of Assets Structure

As at 30 June 2015, the total assets of the Group amounted to RMB216,553 million, representing an increase of 3.46% as compared with 31 December 2014, among which current assets accounted for RMB21,501 million, or 9.93%, of the total assets, while non-current assets accounted for RMB195,052 million, or 90.07%, of the total assets.

Among the current assets, cash and cash equivalents were RMB9,201 million, representing a decrease of 4.75% from 31 December 2014. Accounts receivable amounted to RMB3,667 million, representing an increase of 29.39% as compared with 31 December 2014. Among the non-current assets, the net book value of property, plant and equipment as at 30 June 2015 was RMB155,510 million, representing an increase of 4.95% from 31 December 2014.

Assets Mortgage

As at 30 June 2015, the Group, pursuant to certain bank loans and finance leasing agreements, mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB105,771 million (RMB98,674 million as at 31 December 2014) and land use rights with a net book value of approximately RMB36 million (RMB37 million as at 31 December 2014). At the same time, the Group had approximately RMB95 million (approximately RMB75 million as at 31 December 2014) in bank deposits pledged for certain bank loans, operating leases and other security of the Group.

Capital Expenditure

For the six months ended 30 June 2015, the Company's capital expenditure amounted to RMB6,827 million, of which the total investment in aircraft and engines was RMB5,861 million.

Other capital expenditure amounted to RMB966 million, which was mainly spent on rotables, flight simulators, infrastructure construction, IT system construction, procurement of equipment and facilities as well as the cash component of long-term investments.

Equity Investment

As at 30 June 2015, the Group's equity investment in its associates was RMB12,715 million, representing an increase of 6.91% as compared with 31 December 2014, of which the equity investment in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines Co., Ltd. was RMB10,607 million, RMB1,042 million and RMB643 million, respectively. Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines Co., Ltd. recorded a profit of RMB1,555 million, RMB91 million and RMB217 million, respectively, for the six months ended 30 June 2015.

As at 30 June 2015, the Group's equity investment in its joint ventures was RMB943 million, representing a decrease of 32.26% from 31 December 2014. AMECO, originally a joint venture of the Company, became a controlled subsidiary of the Company on 31 May 2015 and its corresponding investment costs were transferred into investment costs on subsidiaries.

Debt Structure Analysis

As at 30 June 2015, the total liabilities of the Group amounted to RMB152,426 million, representing an increase of 1.48% from 31 December 2014, among which current liabilities accounted for RMB60,118 million and non-current liabilities accounted for RMB92,308 million, representing 39.44% and 60.56% 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 RMB31,927 million, representing a decrease of 6.63% from 31 December 2014. Other payables and accruals amounted to RMB28,191 million, representing an increase of 5.79% from 31 December 2014.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB82,308 million, representing an increase of 2.55% from 31 December 2014.

Details of interest-bearing liabilities of the Group by currency are set out below:

	30 June 2015		31 December 2014		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	Change
US dollars	**81,453,619**	**71.30%**	83,334,290	72.81%	(2.26%)
RMB	**29,504,295**	**25.83%**	30,163,637	26.35%	(2.19%)
Others	**3,277,038**	**2.87%**	959,706	0.84%	241.46%
Total	**114,234,952**	**100.00%**	114,457,633	100.00%	(0.19%)

Commitments and Contingent Liabilities

As at 30 June 2015, capital commitments of the Group amounted to RMB100,872 million, a decrease compared with RMB104,516 million as at 31 December 2014, which was primarily used in purchasing certain aircraft, office and related equipment to be delivered in coming years. The Group had operating lease commitments of RMB31,424 million as at 30 June 2015, a decrease of 11.06% from 31 December 2014, which was primarily used in leasing certain aircraft, office premises and related equipment. Investment commitments of the Group was RMB56 million as at 30 June 2015, a decrease of RMB1,397 million from RMB1,453 million as at 31 December 2014, which was primarily used for the investment agreements signed.

Gearing Ratio

As at 30 June 2015, the Group's gearing ratio (total liabilities divided by total assets) was 70.39%, representing a decrease of 1.37 percentage points from 71.76% as at 31 December 2014, which was mainly attributable to the sustainable profit during the period which led to an increase in the total equity as compared to the beginning of the year. Given that high gearing ratios are common among aviation enterprises, the Group continued to maintain a reasonable gearing ratio and the long-term insolvency risks are under control.

Working Capital and Its Sources

As at 30 June 2015, the Group's net current liabilities (current liabilities minus current assets) were RMB38,617 million, a decrease of RMB1,173 million from 31 December 2014. The Group's current ratio (current assets divided by current liabilities) was 0.36, a rise of 0.01 from 0.35 as at 31 December 2014. The decrease in net current liabilities was primarily due to the decrease in short-term borrowings.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In the first half of 2015, the Group's net cash inflow generated from operating activities was RMB12,316 million, an increase of 84.07% from RMB6,691 million over the same period in 2014, primarily due to the increase in cash inflow from operating activities, together with a decrease in operating expenses brought by lower jet fuel costs during the reporting period. Net cash outflow from investment activities was RMB4,830 million, a decrease of 2.29% from RMB4,943 million over the same period of 2014, primarily due to a year-on-year decrease in aircraft procurement. The Group recorded a net cash outflow from financing activities of RMB7,950 million, as compared to RMB7,505 million during the same period of 2014. The change was primarily due to the strong cash flow generated from operating activities and a decrease in funding demand compared to the same period last year.

The Company obtained bank facilities with an aggregate maximum amount of RMB147,909 million from a number of banks in the PRC, of which approximately RMB37,225 million has been utilised, sufficient to meet our working capital demand.

Financial Risk Management Objectives and Policies

The Group is exposed to fluctuations in jet fuel prices, interest rates and exchange rates in its daily operation. International jet fuel prices are affected by market volatility and fluctuation in supply and demand. The Group's strategy for managing jet fuel price risk aims at managing and controlling the risk arising from the rise in fuel price. The Group has 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 of 30 November 2011, all fuel derivatives of the Company had expired and no new position has been established so far. Considering the volatility of international jet fuel prices and cost sensitivity, the Company will develop its fuel hedging business in compliance with the regulatory requirements so as to respond to changes in the jet fuel market.

Certain finance lease liabilities, bank loans and other loans of the Group are principally denominated in US dollars, while certain expenses of the Group are denominated in currencies other than RMB. The Group timely remits the foreign currency income arising from the sales of tickets at the overseas office branches to China for payment of foreign currency expenses incurred in 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, which was the main reason for the exchange loss recognised by the Group during the reporting period.

As to interest rate risk management, the Company reasonably adjusts the proportion of fixed interest rates and floating 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 2015, 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 2015.

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2015, 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 2015.

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 2014 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 2015, 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, 27 August 2015

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

* *Independent non-executive director of the Company*