



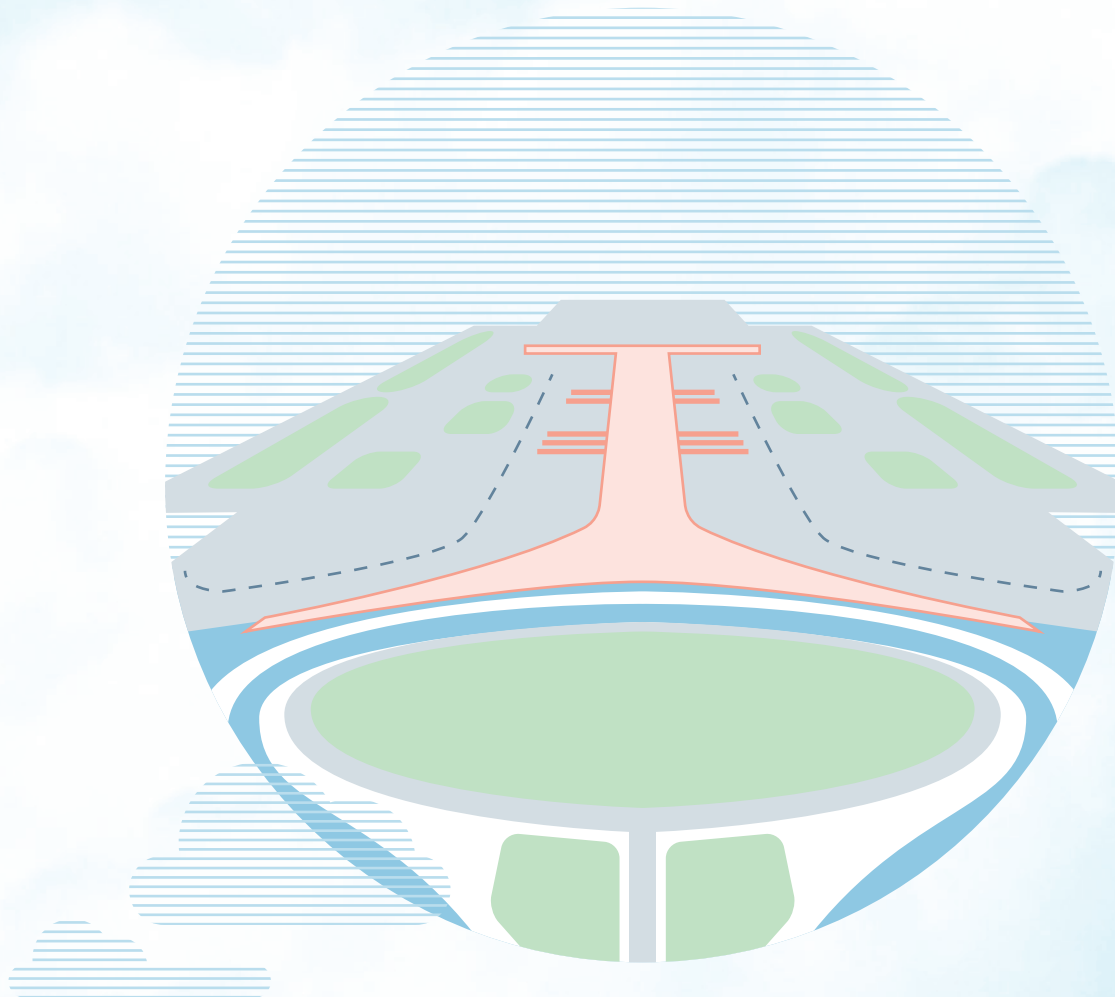
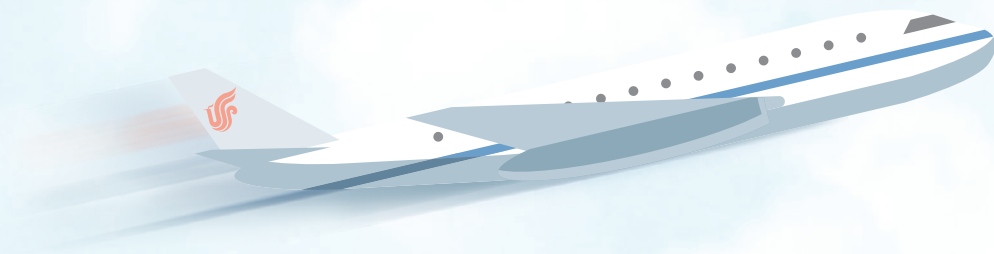
A STAR ALLIANCE MEMBER 

Air China Limited

Stock code: 00753 HongKong 601111 Shanghai AIRC London



Interim Report
2015

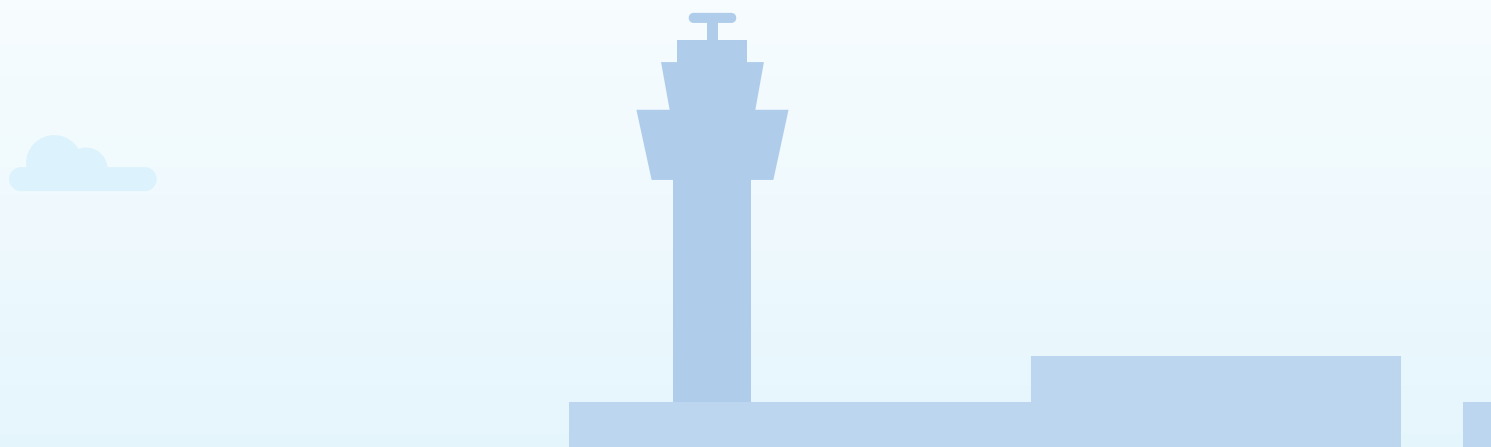


Air China is the only national flag carrier of China and a member of Star Alliance, the world's largest airline alliance. It is also the only Chinese civil aviation enterprise listed in "The World's 500 Most Influential Brands".

Air China is actively implementing the strategic objectives of ranking among the top in terms of global competitiveness, continuously strengthening our development potentials, providing our customers with a unique and excellent experience and realising sustainable growth to create value for all related parties.

Air China is headquartered in Beijing, the capital of China, with two increasingly important hubs in Shanghai and Chengdu. Through Star Alliance, our network covered 1,321 destinations in 193 countries as at 30 June 2015. Air China is dedicated to provide passengers with safe, convenient, comfortable and personalised services.

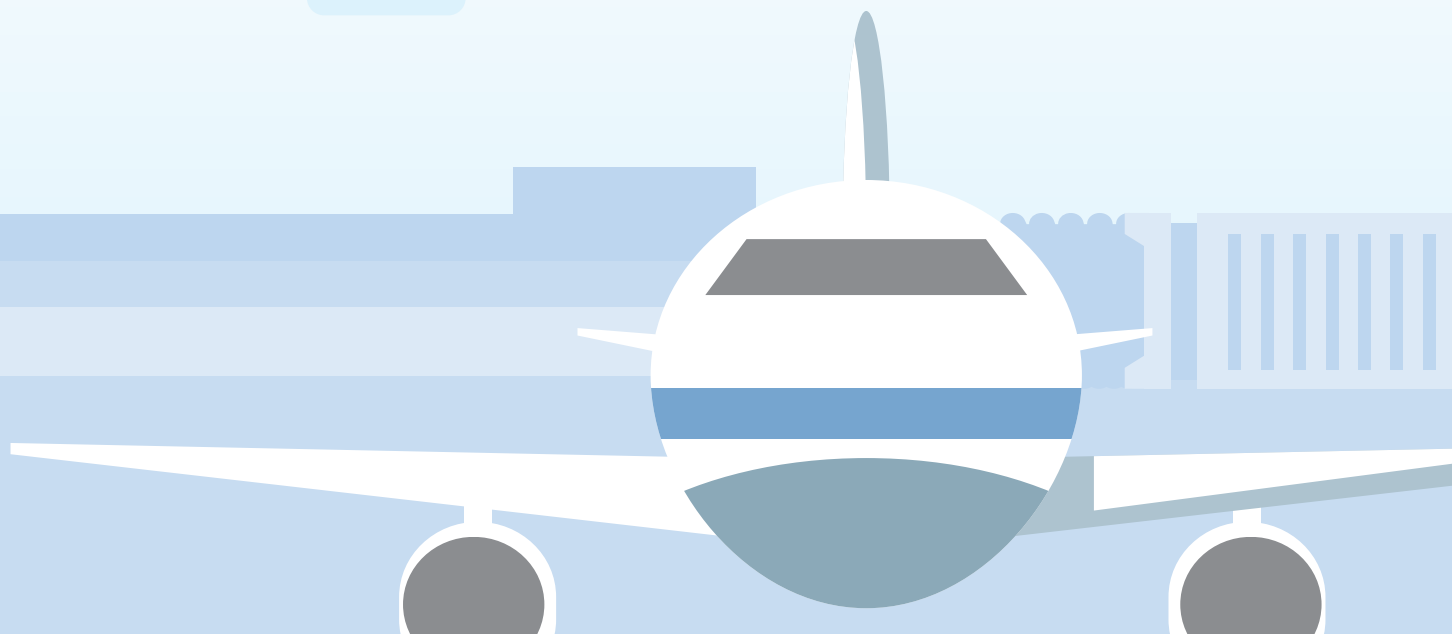
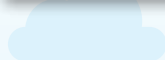
In addition, Air China also holds direct or indirect interests in the following airlines: Air China Cargo Company Limited, Shenzhen Airlines Company Limited, Air Macau Company Limited, Beijing Airlines Company Limited, Dalian Airlines Company Limited, Air China Inner Mongolia Company Limited, Cathay Pacific Airways Limited, Shandong Airlines Company Limited and Tibet Airlines Company Limited.



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REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

Blue Sky Mansion
28 Tianzhu Road
Airport Industrial Zone
Shunyi District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

5th Floor, CNAC House
12 Tung Fai Road
Hong Kong International Airport
Hong Kong

WEBSITE ADDRESS:

www.airchina.com.cn

DIRECTORS:

Cai Jianjiang
Wang Yinxiang
Cao Jianxiong
Feng Gang
John Robert Slosar
Ian Sai Cheung Shiu
Song Zhiyong
Fan Cheng
Fu Yang
Pan Xiaojiang
Simon To Chi Keung
Stanley Hui Hon-chung

SUPERVISORS:

Li Qinglin
He Chaofan
Zhou Feng
Xiao Yanjun
Shen Zhen

LEGAL REPRESENTATIVE OF THE COMPANY:

Cai Jianjiang

JOINT COMPANY SECRETARIES:

Rao Xinyu
Tam Shuit Mui

AUTHORISED REPRESENTATIVES:

Cai Jianjiang
Tam Shuit Mui

LEGAL ADVISORS TO THE COMPANY:

DeHeng Law Offices (*as to PRC Law*)
Sullivan & Cromwell (*as to Hong Kong and English Law*)

INTERNATIONAL AUDITORS:

KPMG

H SHARE REGISTRAR AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING LOCATIONS:

Hong Kong, London and Shanghai



SUMMARY OF FINANCIAL INFORMATION

(RMB'000)	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Change
Revenue	51,861,949	49,932,200	3.86%
Profit from operations	6,628,525	2,343,540	182.84%
Profit before taxation	5,749,071	559,792	927.00%
Profit after taxation (including profit attributable to non-controlling interests)	4,539,763	457,529	892.24%
Profit/(Loss) attributable to non-controlling interests	348,849	(52,843)	(760.16%)
Profit attributable to equity shareholders of the Company	4,190,914	510,372	721.15%
EBITDA ⁽¹⁾	12,893,614	7,908,905	63.03%
EBITDAR ⁽²⁾	15,863,271	10,590,565	49.79%
Earnings per share attributable to equity shareholders of the Company (RMB)	0.3409	0.0415	721.45%
Return on equity attributable to equity shareholders of the Company (%)	7.20	0.96	6.24 ppts

⁽¹⁾ EBITDA represents earnings before finance revenue, finance costs, income taxes, share of profits less losses of associates and joint ventures, depreciation and amortisation as computed under IFRSs.

⁽²⁾ EBITDAR represents EBITDA before deducting operating lease expenses on aircraft and engines as well as other operating lease expenses.

(RMB'000)	30 June 2015	31 December 2014	Change
Total assets	216,552,612	209,310,697	3.46%
Total liabilities	152,425,920	150,200,797	1.48%
Non-controlling interests	5,925,632	5,131,612	15.47%
Equity attributable to equity shareholders of the Company	58,201,060	53,978,288	7.82%
Equity attributable to equity shareholders of the Company per share (RMB)	4.45	4.13	7.75%

SUMMARY OF OPERATING DATA

The following summary includes the operating data of the Company, Air China Cargo, Shenzhen Airlines (including Kunming Airlines), Air Macau, Dalian Airlines and Inner Mongolia Airlines.

	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Increase/ (decrease)
Capacity			
ASK (in millions)	102,881.35	93,128.72	10.47%
International	32,988.59	28,779.88	14.62%
Domestic	65,043.13	59,684.57	8.98%
Hong Kong, Macau and Taiwan	4,849.63	4,664.27	3.97%
AFTK (in millions)	5,818.22	4,750.37	22.48%
International	3,963.68	3,037.82	30.48%
Domestic	1,692.47	1,549.47	9.23%
Hong Kong, Macau and Taiwan	162.07	163.08	(0.62%)
ATK (in millions)	15,100.32	13,152.09	14.81%
Traffic			
RPK (in millions)	82,174.49	75,053.51	9.49%
International	25,530.84	22,610.75	12.91%
Domestic	53,283.15	49,010.32	8.72%
Hong Kong, Macau and Taiwan	3,360.50	3,432.43	(2.10%)
RFTK (in millions)	3,165.93	2,562.73	23.54%
International	2,380.04	1,811.28	31.40%
Domestic	729.67	697.68	4.58%
Hong Kong, Macau and Taiwan	56.22	53.77	4.55%
Passengers carried (in thousands)	43,672.35	40,143.98	8.79%
International	5,161.35	4,267.73	20.94%
Domestic	36,371.74	33,716.41	7.88%
Hong Kong, Macau and Taiwan	2,139.26	2,159.85	(0.95%)
Cargo and mail carried (tonnes)	798,319.55	729,107.05	9.49%
Kilometres flown (in millions)	567.31	514.75	10.21%
Block hours (in thousands)	906.32	814.92	11.22%
Number of flights	298,057	275,981	8.00%
International	34,509	28,724	20.14%
Domestic	245,693	229,842	6.90%
Hong Kong, Macau and Taiwan	17,855	17,415	2.53%
RTK (in millions)	10,472.65	9,241.53	13.32%



	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Increase/ (decrease)
Load factors			
Passenger load factor (RPK/ASK)	79.87%	80.59%	(0.72 ppts)
International	77.39%	78.56%	(1.17 ppts)
Domestic	81.92%	82.12%	(0.20 ppts)
Hong Kong, Macau and Taiwan	69.29%	73.59%	(4.30 ppts)
Cargo and mail load factor (RFTK/AFTK)	54.41%	53.95%	0.47 ppts
International	60.05%	59.62%	0.42 ppts
Domestic	43.11%	45.03%	(1.91 ppts)
Hong Kong, Macau and Taiwan	34.69%	32.97%	1.72 ppts
Overall load factor (RTK/ATK)	69.35%	70.27%	(0.91 ppts)
Daily utilisation of aircraft (block hours per day per aircraft)			
	9.48	9.51	(0.03 hour)
Yield			
Yield per RPK (RMB) (including fuel surcharge)	0.5471	0.5803	(5.72%)
International	0.4816	0.4897	(1.65%)
Domestic	0.5622	0.6027	(6.73%)
Hong Kong, Macau and Taiwan	0.8055	0.8566	(5.96%)
Yield per RPK (RMB) (excluding fuel surcharge)	0.5039	0.4961	1.56%
International	0.3538	0.3559	(0.59%)
Domestic	0.5595	0.5397	3.66%
Hong Kong, Macau and Taiwan	0.7616	0.7970	(4.44%)
Yield per RFTK (RMB) (including fuel surcharge)	1.3649	1.5423	(11.51%)
International	1.2730	1.5716	(19.00%)
Domestic	1.5681	1.3466	16.45%
Hong Kong, Macau and Taiwan	2.6149	3.0948	(15.51%)
Yield per RFTK (RMB) (excluding fuel surcharge)	1.1088	1.1065	0.20%
International	0.9857	1.0513	(6.24%)
Domestic	1.4516	1.1830	22.71%
Hong Kong, Macau and Taiwan	1.8686	1.9770	(5.49%)
Unit cost (RMB)			
Operating cost per ASK	0.4397	0.5110	(13.96%)
Operating cost per ATK	2.9955	3.6183	(17.21%)

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 kept 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 complemented 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. As of 30 June 2015, 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 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.

Cai Jianjiang
Chairman

Beijing, PRC
27 August 2015

In the first half of 2015, the Group's ATKs and RTKs reached 15,100 million and 10,473 million, representing an increase of 14.81% and 13.32%, respectively, from the same period last year. The Group's overall load factor was 69.35%, a decrease of 0.91 percentage point from the same period last year.

DEVELOPMENT OF FLEET

In the first half of 2015, the Group acquired 28 aircraft, including 3 B747-8s, 1 B777-200F, 6 A320s and 18 B737-800s. We phased out 9 old aircraft, comprising 1 A319, 1 A320, 1 B757-200, 2 A340s and 4 B737-800s. As of 30 June 2015, the Group operated a fleet of 559 aircraft with an average age of 6.11 years (excluding aircraft under wet leases).

Details of the Group's fleet are set out in the table below:

	30 June 2015				Average age	Introduction Plan		
	Subtotal	Self-owned	Finance leased	Operating leased		2015	2016	2017
Passenger aircraft	537	229	168	140	6.07	62	45	45
Among which:								
Airbus series	258	99	93	66	5.67	22	17	18
A319	40	25	9	6	9.88	3	0	0
A320/A321	167	62	66	39	4.79	15	17	17
A330	49	10	18	21	4.77	4	0	0
A340	2	2	0	0	16.45	0	0	0
A350	0	0	0	0	-	0	0	1
Boeing series	279	130	75	74	6.44	40	28	27
B737	237	106	60	71	6.28	37	21	21
B747	11	9	2	0	7.46	3	0	0
B757	1	1	0	0	22.89	0	0	0
B777	30	14	13	3	6.82	0	0	0
B787	0	0	0	0	-	0	7	6
Freighters	13	10	3	0	9.29	3	0	0
B747F	3	3	0	0	13.02	0	0	0
B757F	4	4	0	0	18.85	0	0	0
B777F	6	3	3	0	1.04	3	0	0
Business jets	9	1	0	8	4.13	0	0	0
Total	559	240	171	148	6.11	65	45	45

Out of the above, the Company's fleet consisted of 343 aircraft with an average age of 6.11 years (excluding aircraft under wet leases). During the first half of 2015, the Company acquired 16 aircraft and phased out 7.

In the first half of 2015, the Company made new progress in hub network, sales and marketing, synergy and cooperation, product and services as well as cost controls.



HUB NETWORK

We strengthened our hub construction in preparation for an enhanced global network. We expanded the network scope of Beijing routes with new services to Minsk (Budapest), Melbourne and Karamay (Yining), and increased frequency of our flights from Beijing to locations such as Los Angeles, Paris, Milan, Guiyang and Lanzhou. We further optimised our flight bank and increased the weekly OD connections to 5,333, which helped increase the number of domestic-to-international and international-to-domestic transit passengers by 14.6% and 15.1% year-on-year, respectively. The Shanghai international gateway focused its development on expanding the domestic network by launching new routes to Harbin and Fuzhou and increasing the frequency of its flights to Lanzhou and Yinchuan, which helped increase the number of transit passengers to its international services. The Chengdu regional hub launched new routes to Colombo, Taichung and Hongyuan County, and added services of its Urumqi route, thus further enhancing its western regional network. During the first half of 2015, the Company essentially deployed B777-300ER aircraft to all key European and US routes.

As of 30 June 2015, the Company operated 341 passenger routes, including 239 domestic routes, 86 international routes and 16 regional routes. They covered 164 cities in 35 countries, including 103 domestic cities, 57 international cities and 4 regional cities. Through Star Alliance, the Company's network can cover 1,321 destinations in 193 countries.

SALES AND MARKETING

We optimised our sales and marketing management and increased our product ranges. By expanding our direct sales channels, improving the operational management capability of our e-commerce platform, launching an updated Air China application that enabled even more service functions and service pushes for our members, we raised the proportion of direct sales by 4.7 percentage points from the same period last year. By strengthening the scientific management of our distribution channels and regulating our agents' sales activities, we have improved the efficiency of our distribution network. Further reductions in agency fees also helped reduce our cost of sales. We increased our yield level markedly by taking a proactive leadership role in pricing in our principal base market, fully utilising our OD revenue management system, strengthening our brand marketing, and adjusting our fare strategy to ensure that prices in various regional markets could match the local demand. In the face of continued popularity in outbound traveling, we continuously optimised our domestic and overseas sales proportions to stabilise the yield level of international flights. We also continued to develop and market products to generate ancillary revenue, collecting RMB21.71 million from services such as seat selection fees, prepayment for extra luggage and utilisation of excess tonnage. During the first half of 2015, revenue from premium class, e-commerce and frequent flyers recorded year-on-year growth of 8.7%, 82.4% and 11.7%, respectively.

SYNERGY AND COOPERATION

We further strengthened the strategic synergies among all member airlines. We completed the joint procurement with Shenzhen Airlines of 46 Boeing 737 series aircraft and streamlined our sales agency management process with that of Shenzhen Airlines. We smoothly merged Air Macau's frequent flyer program into ours, thus enhancing our sales and marketing synergies and strengthening our brand influence. We also launched on-line check-in and mobile check-in for Air China member airlines' code-shared flights. To allow us to share our resources, we stepped up our coordinated operations with Dalian Airlines and Inner Mongolian Airlines. The linked MRO cost shared with Air China member airlines amounted to over RMB500 million. The new AMECO has been established, and our next step will focus on continued optimisation of product structure, achieving economies of scale, exploring third-party markets, and increasing revenue and profit.

We continued to extend our external cooperation. Preparations for joint venture arrangements with Lufthansa, Air Canada and Air New Zealand have proceeded well. We have launched code-share services with Swissair and Air Serbia, and have expanded code-share services with United Airlines, TAM Airlines of Brazil and Asiana Airlines to improve our network coverage and support. To enhance the efficiency of our resources, we actively participated in the consolidation of Star Alliance's terminal resources in Tokyo, Los Angeles and San Paolo.

PRODUCT AND SERVICES

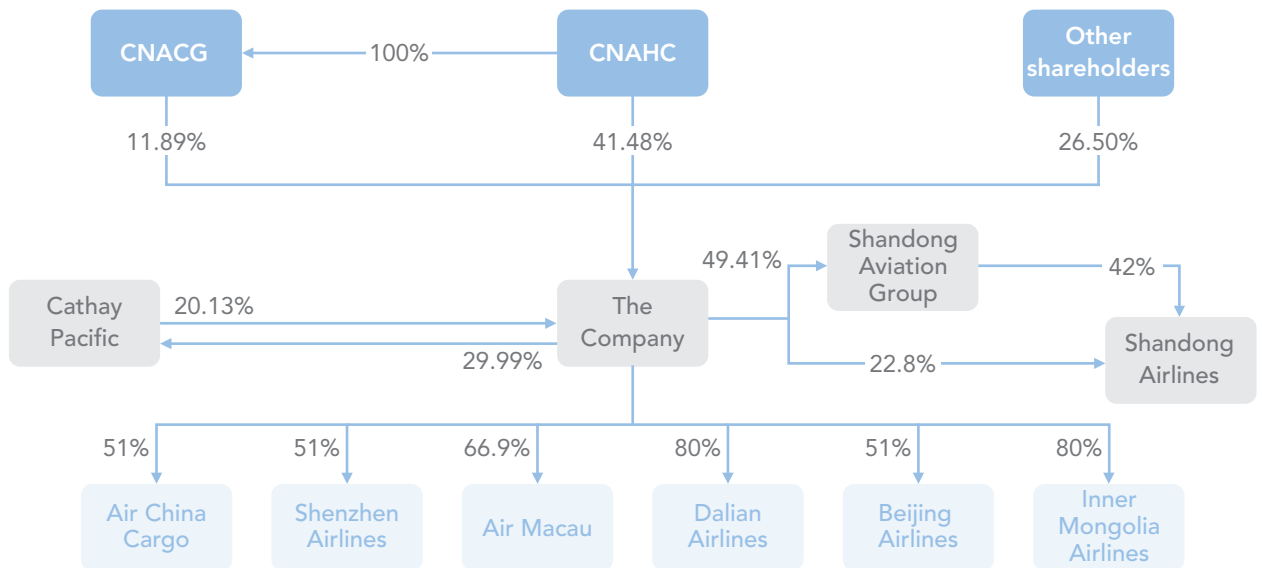
We strived to create product highlights and improve our product quality. In Beijing, we trialed full self-service baggage check-in, opened an exclusive security clearance at Terminal 3D for high-end passengers, implemented exemptions from border control procedures for passengers transiting within 24 hours, and launched an entrusted Customs clearance service of luggage for US-originated international-to-domestic transit passengers. We also accelerated the introduction of full self-service products and innovations, expanded our Internet and mobile check-in services, promoted security clearance using mobile QR codes, and expanded self-service rebooking in widespread flight delays. We proactively pushed the development of the inflight Internet industry alliance, cooperated with JD Finance to offer "Crowdfunding Spring Transport Internet Flights", jointly offered with Viva an inflight feature program on the Boao Forum for Asia, and co-hosted activities such as "Inflight Broadcast of the Two Conferences (of the National People's Congress and the Chinese People's Political Consultative Conference)" and "Expo Themed Flights" with the Xinhua News Agency. To strengthen the monitoring of the service process and control service risks effectively, we have also added a seat of service support in our operation control center. We completed the commissioning of our new lounges in Hangzhou and Tianjin, and proactively pushed forward the renovation of the existing lounges in Beijing and Shanghai and the construction of a new lounge in Chongqing. To increase the varieties of inflight entertainment, we have broadcast the "Mengwa" cartoon series extensively throughout our inflight channels and increased the international contents of our programs through the APEX (Airline Passenger Experience Association) platform. We have also completed the refurbishment and decoration of our cabins, creating a brand new cabin environment throughout our fleet.

COST CONTROLS

Strengthening cost control is instrumental in maintaining our cost advantage. By focusing on increased operational efficiency, adjusted sales and marketing modes and optimised capital structure, we pursued stringent cost controls to achieve higher cost effectiveness. Through various measures, such as continuously monitoring the timing of our capacity deployment, tracking the changes in flight arrangements, optimising our 330 fleet, expanding our 737 fleet, and launching the 320 fleet overall flight sharing, we enabled our operations to better match our market demand. We have conserved the use of fuel oil by promoting the use of FMC system, strengthening the optimisation of flight paths, increasing the coverage of bridge-borne equipment, and using extensively APU data monitoring. By strengthening the construction of our direct sales channel and raising the proportion of direct sales, we have substantially reduced our agency fee expenses. We also achieved outstanding results in reducing our finance costs by improving the efficiency of our use of funds, controlling the amount and frequency of borrowing, and reducing planned borrowings.



MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



(1) Air China Cargo

Air China Cargo was established in 2003. In 2011, Air China completed the cargo joint venture project with Cathay Pacific based on the platform of the former Air China Cargo. The registered capital of the joint venture is RMB3,235,294,118. Air China holds 51% of its equity interest. In 2014, Air China and Cathay Pacific subscribed for an additional amount of registered capital of RMB2 billion in Air China Cargo in proportion to their respective shareholdings in Air China Cargo. Upon completion of the capital injection, the registered capital of Air China Cargo increased to RMB5,235,294,118. At present, the company registration process is still underway.

As at 30 June 2015, Air China Cargo operated a fleet of 13 aircraft with an average age of 9.29 years. During the first half of 2015, it introduced 1 aircraft.

In the first half of 2015, the AFTKs and RFTKs of Air China Cargo reached 5,442 million and 2,911 million, respectively, representing an increase of 22.99% and 25.15%, respectively, from the same period last year. The amount of cargo and mail carried increased by 10.00% to 0.6369 million tonnes, and the cargo and mail load factor increased by 0.92 percentage point to 53.49%, as compared to the same period last year.

In the first half of 2015, Air China Cargo's turnover was RMB4,392 million, representing an increase of 7.59% from the same period last year, of which cargo and mail transportation revenue was RMB3,802 million, representing an increase of 5.41% as compared to the same period last year. Profit after tax reached RMB108 million, compared with a net loss of RMB131 million for the same period last year.

(2) Shenzhen Airlines

Shenzhen Airlines was established in 1992, with its principal operating base located in Shenzhen. Its principal business is the operation of passenger and cargo transportation. The registered capital of Shenzhen Airlines is RMB812,500,000 with Air China holding 51% of its equity interest.

As at 30 June 2015, Shenzhen Airlines (including Kunming Airlines) operated a fleet of 169 aircraft with an average age of 5.66 years. A total of 9 aircraft were introduced in the first half of 2015.

In the first half of 2015, the ASKs and RPKs of Shenzhen Airlines (including Kunming Airlines) reached 25,218 million and 20,705 million, respectively, representing an increase of 12.41% and 12.34%, respectively, from the same period last year. Shenzhen Airlines (including Kunming Airlines) carried a total of 13.8015 million passengers, representing a growth of 11.33% from the same period last year. Its average passenger load factor was 82.10%, a decrease of 0.05 percentage point from that in the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Shenzhen Airlines (including Kunming Airlines) reached 319 million and 234 million, respectively, representing an increase of 15.99% and 6.64%, respectively, from the same period last year. The amount of cargo and mail carried rose by 5.65% to 0.1453 million tonnes and the cargo and mail load factor decreased by 6.42 percentage points to 73.30% as compared to the same period last year.

In the first half of 2015, Shenzhen Airlines recorded a consolidated turnover of RMB11,511 million, representing an increase of 2.57% from the same period last year, of which air traffic revenue was RMB10,944 million, up by 4.07% from the same period last year. Profit attributable to shareholders for the period was RMB549 million, representing an increase of RMB536 million from the same period last year.

(3) Air Macau

Air Macau was established in 1994 and is an airline based in Macau with a registered capital of MOP442,042,000. Air China holds 66.9% of its equity interest.

As at 30 June 2015, Air Macau operated a fleet of 15 aircraft with an average age of 10.49 years. In the first half of 2015, it introduced 1 aircraft and retired 2.

In the first half of 2015, the ASKs and RPKs of Air Macau reached 2,748 million and 1,826 million, respectively, representing an increase of 10.13% and 7.65%, respectively, from the same period last year. A total of 1.0896 million passengers were carried, with an average load factor of 66.44%, representing an increase of 6.51% and a decline of 1.53 percentage points, respectively, as compared to the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Air Macau reached 43.7737 million and 12.2470 million, respectively, representing an increase of 12.17% and 8.76%, respectively, from the same period last year. It carried 8,270.93 tonnes of cargo and mail, representing an increase of 12.12% from the same period last year, with a cargo and mail load factor of 27.98%, representing a decrease of 0.88 percentage point from the same period last year.

In the first half of 2015, Air Macau recorded a turnover of RMB1,214 million, representing a decrease of 9.35% from the same period last year, of which air traffic revenue was RMB1,160 million, representing a decrease of 11.20% from the same period last year, with a profit after tax of RMB1 million, representing a decline of 93.61% from the same period last year.



(4) Dalian Airlines

Dalian Airlines was established in 2011 with a registered capital of RMB1 billion. Air China holds 80% of its equity interest.

As at 30 June 2015, Dalian Airlines operated a fleet of 7 aircraft, with an average age of 3.96 years.

In the first half of 2015, the ASKs and RPKs of Dalian Airlines reached 1,027 million and 849 million, respectively, representing an increase of 18.00% and 19.67%, respectively, from the same period last year. A total of 0.7931 million passengers were carried, representing an increase of 30.11% from the same period last year, with an average passenger load factor of 82.69%, representing an increase of 1.15 percentage points from the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Dalian Airlines reached 11.3046 million and 7.1203 million, respectively, representing an increase of 7.90% and 32.16%, respectively, from the same period last year. The amount of cargo and mail carried by Dalian Airlines was 6,153.92 tonnes, representing an increase of 44.33% from the same period last year, with a cargo and mail load factor of 62.99%, representing an increase of 11.56 percentage points from the same period last year.

In the first half of 2015, Dalian Airlines recorded a turnover of RMB549 million, representing an increase of 31.81% from the same period last year, all of which was air traffic revenue. The net profit was RMB48 million, as compared to a net loss of RMB22 million for the same period last year.

(5) Beijing Airlines

Beijing Airlines was established in 2011 with a registered capital of RMB1 billion. Air China holds 51% of its equity interest.

As at 30 June 2015, Beijing Airlines operated a fleet of 8 entrusted business jets and 1 self-owned business jet, with an average age of 4.13 years.

In the first half of 2015, Beijing Airlines completed 224 flights, recorded 644.9 flying hours and carried a total of 1,788 passengers, representing a decrease of 14.18%, 54.18% and 12.14%, respectively, from the same period last year.

Beijing Airlines recorded a turnover of RMB74 million in the first half of 2015, representing an increase of 13.78% from the same period last year, of which, revenue from charter flight service was RMB33 million, representing an increase of 461.57% from the same period last year, and recorded a profit after tax of RMB8.5 million, representing an increase of 194.31% from the same period last year.

(6) Inner Mongolia Airlines

Inner Mongolia Airlines was established in 2013 with a registered capital of RMB1 billion. Air China holds 80% of its equity interest.

As at 30 June 2015, Inner Mongolia Airlines operated a fleet of 3 aircraft with an average age of 7.63 years. 1 aircraft was introduced in the first half of 2015.

In the first half of 2015, the ASKs and RPKs of Inner Mongolia Airlines reached 202 million and 165 million, respectively, representing an increase of 149.35% and 126.04%, respectively, from the same period last year. A total of 0.2175 million passengers were carried, representing a rise of 62.22% from the same period last year, with an average passenger load factor of 81.45%, representing a decrease of 8.40 percentage points from the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Inner Mongolia Airlines reached 1.9162 million and 1.3790 million, respectively, representing an increase of 107.01% and 182.76%, respectively, from the same period last year. The amount of cargo and mail carried by Inner Mongolia Airlines was 1,631.44 tonnes, representing an increase of 84.08% from the same period last year, with a cargo and mail load factor of 71.97%, representing an increase of 19.28 percentage points from the same period last year.

In the first half of 2015, Inner Mongolia Airlines recorded a turnover of RMB161 million, representing an increase of 83.78% from the same period last year, of which air traffic revenue was RMB160 million, representing an increase of 82.73% from the same period last year. It achieved a profit after tax of RMB4 million, as compared to a net loss of RMB8.6 million for the same period last year.

(7) Shandong Airlines

Shandong Airlines was established in 1999 with a registered capital of RMB400 million. Air China holds 22.8% of its equity interest.

As at 30 June 2015, Shandong Airlines operated a fleet of 78 aircraft (excluding 4 aircraft under wet lease to Air China) with an average age of 4.28 years. 6 aircraft were introduced and 4 aircraft were retired in the first half of 2015.

In the first half of 2015, the ASKs and RPKs of Shandong Airlines reached 12,836 million and 9,792 million, respectively, representing an increase of 18.06% and 15.23%, respectively, from the same period last year. It carried 7.4345 million passengers, representing an increase of 8.47% from the same period last year. Its average passenger load factor was 76.29%, representing a decline of 1.87 percentage points from the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Shandong Airlines reached 280 million and 97 million, respectively, representing an increase of 32.20% and 6.85%, respectively, from the same period last year. The amount of cargo and mail carried by Shandong Airlines increased by 3.33% to 0.0645 million tonnes and the cargo and mail load factor decreased by 8.21 percentage points to 34.61%, as compared to that in the same period last year.

In the first half of 2015, Shandong Airlines recorded a turnover of RMB5,714 million, representing an increase of 2.69% from the same period last year, of which air traffic revenue was RMB5,592 million, representing an increase of 2.45% from the same period last year. Profit after tax amounted to RMB217 million, representing an increase of 363.96% as compared to that in the same period last year.



(8) Cathay Pacific

Cathay Pacific was established in 1946 in Hong Kong and is listed on the Hong Kong Stock Exchange. Air China holds 29.99% of its equity interest.

As at 30 June 2015, Cathay Pacific operated a fleet of 202 aircraft. During the first half 2015, Cathay Pacific introduced 8 aircraft and retired 6.

In the first half of 2015, the ASKs and RPKs of Cathay Pacific reached 69,689 million and 59,835 million, respectively, representing an increase of 6.43% and 9.36%, respectively, from the same period last year. A total of 16.8003 million passengers were carried, representing an increase of 8.83% from the same period last year, with an average passenger load factor of 85.86%, representing a rise of 2.30 percentage points from the same period last year.

In terms of air cargo, the AFTKs and RFTKs of Cathay Pacific reached 7,971 million and 5,107 million, respectively, representing an increase of 8.92% and 10.48%, respectively, from the same period last year. In the first half of 2015, a total of 0.8682 million tonnes of cargo and mail were carried, representing an increase of 7.99% from that of the same period last year. The cargo and mail load factor was 64.06%, representing an increase of 0.90 percentage point from the same period last year.

In the first half of 2015, Cathay Pacific recorded a turnover of RMB39,743 million, a decrease of 1.05% from the same period last year, of which air traffic revenue was RMB37,546 million, a decrease of 1.36% from the same period last year. Profit after tax was RMB1,555 million, representing an increase of 467.40% from the same period last year.

EMPLOYEES

As at 30 June 2015, we had a total of 26,267 employees, and our subsidiaries had a total of 47,699 employees.

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

The following discussion and analysis are based on the Group's interim financial statements and its notes prepared in accordance with IFRSs and are designed to assist the readers in understanding the information provided in this report further so as to better understand the financial position 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%.

REVENUE

For the six months ended 30 June 2015, the Group's revenue 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 total revenue, revenue from our air traffic operations contributed RMB49,310 million, 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

(in RMB'000)	For the six months ended 30 June 2015		For the six months ended 30 June 2014		Change
	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		Change
	2015	2014	
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

(in RMB'000)	For the six months ended 30 June				
	2015		2014		Change
	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		Change
	2015	2014	
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

(in RMB'000)	For the six months ended 30 June 2015		For the six months ended 30 June 2014		Change
	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:

(in RMB'000)	For the six months ended 30 June 2015		For the six months ended 30 June 2014		Change
	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 finance 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 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, 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 lease 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 and Shandong Airlines was RMB10,607 million, RMB1,042 million and RMB643 million, respectively. Cathay Pacific, Shandong Aviation Group and Shandong Airlines 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 subsidiary.



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:

(in RMB'000)	30 June 2015		31 December 2014		Change
	Amount	Percentage	Amount	Percentage	
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.

Details of the Group's contingent liabilities are set out in note 24 of the unaudited interim financial report included in this interim report.

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.



ANTITRUST INVESTIGATION

On 26 February 2007, the Eastern District Court of New York of the Federal Judiciary of the United States filed a civil summons against the Company and Air China Cargo, claiming that they, together with a number of other airlines, have violated certain anti-trust regulations in respect of their air cargo operations in the United States by acting in concert in imposing excessive surcharges to impede the offering of discounts and allocating revenue and customers so as to increase, maintain and stabilize air cargo prices. The District Court recently issued a decision certifying this lawsuit as a class action. The remaining defendant airlines, including the Company, have petitioned the Court of Appeals to review this decision. In addition, the remaining defendants have filed motions in the District Court seeking to have the Complaint dismissed. Because the litigation continues, the Directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.



1. On 22 May 2015, the Company held the 2014 annual general meeting where Mr. Stanley Hui Hon-chung was elected as an independent non-executive director of the Company. Mr. Yang Yuzhong no longer served as an independent non-executive director of the Company.
2. On 16 June 2015, the Board received a resignation letter from Mr. Fu Yang in respect of his resignation from the position as an independent non-executive director of the Company due to work reasons. Mr. Fu Yang's resignation will result in the number of independent non-executive directors of the Company falling below one-third of the total number of the Directors in the Board. Pursuant to the Guiding Opinions on the Establishment of Independent Director Systems by Listed Companies issued by China Securities Regulatory Commission and the relevant provisions of the Company's articles of association, Mr. Fu Yang will continue to serve his current duties until a new independent non-executive director being elected by the general meeting of the Company.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

(I) DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2015, the Company's Directors, Supervisors or chief executives had the following interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which shall be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

Name of corporation and relevant shareholder	Personal interest	Number of shares		Corporate interest	Total	Shareholding percentage as at 30 June 2015
		Interest of children under the age of 18 or spouse				
Cathay Pacific Airways Limited Ian Sai Cheung Shiu	1,000	–	–	–	1,000	0.00%
Air China Limited Zhou Feng	10,000 (A Shares)	–	–	–	10,000 (A Shares)	0.00%
Shen Zhen	33,200 (A Shares)	–	–	–	33,200 (A Shares)	0.00%

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Mr. John Robert Slosar is a non-executive Director of the Company and is concurrently the chairman and executive director of Cathay Pacific. Mr. Ian Sai Cheung Shiu is a non-executive Director of the Company and is concurrently a non-executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,633,725,455 H shares in the Company as at 30 June 2015, which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and it wholly owns Hong Kong Dragon Airlines Limited ("Dragonair"). Mr. Cai Jianjiang, the chairman and a non-executive Director of the Company, and Mr. Song Zhiyong and Mr. Fan Cheng, both executive Directors of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and Dragonair compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations which are also served by the Company.

Save as disclosed above, none of the Directors or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which shall be disclosed under Rule 8.10 of the Listing Rules.

(II) SUBSTANTIAL SHAREHOLDERS' SIGNIFICANT INTERESTS IN THE COMPANY

As at 30 June 2015, to the knowledge of the Directors, Supervisors and chief executives of the Company, the interests and short positions of the following persons (other than a Director, Supervisor or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company which shall be disclosed to the Company pursuant to the SFO are set out as follows:

Name	Type of interests	Type and number of shares of the Company held	Percentage of the total issued shares of the Company	Percentage of the total issued A Shares of the Company	Percentage of the total issued H Shares of the Company	Short position
CNAHC	Beneficial owner	5,427,546,093 A Shares	41.48%	63.69%	-	-
CNAHC ⁽¹⁾	Attributable interests	1,332,482,920 A Shares	10.18%	15.64%	-	-
CNAHC ⁽¹⁾	Attributable interests	223,852,000 H Shares	1.71%	-	4.91%	-
CNACG	Beneficial owner	1,332,482,920 A Shares	10.18%	15.64%	-	-
CNACG	Beneficial owner	223,852,000 H Shares	1.71%	-	4.91%	-
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	20.13%	-	57.72%	-
Swire Pacific Limited ⁽²⁾	Attributable interests	2,633,725,455 H Shares	20.13%	-	57.72%	-
John Swire & Sons (H.K.) Limited ⁽²⁾	Attributable interests	2,633,725,455 H Shares	20.13%	-	57.72%	-
John Swire & Sons Limited ⁽²⁾	Attributable interests	2,633,725,455 H Shares	20.13%	-	57.72%	-

Notes:

Based on the information available to the Directors, Supervisors and chief executive of the Company (including such information as was available on the website of the Hong Kong Stock Exchange) and so far as the Directors, Supervisors and chief executives are aware, as at 30 June 2015:

1. By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 223,852,000 H Shares of the Company directly held by CNACG.
2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their 49.75% equity interest and 61.26% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at 30 June 2015, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as at 30 June 2015, to the knowledge of the Directors, Supervisors and chief executives of the Company, no other person (other than a Director, Supervisor or chief executive of the Company) had any interest or short position in the shares, underlying shares and debentures of the Company which shall be disclosed to the Company pursuant to the SFO.



1. COMPLIANCE WITH 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 of the Listing Rules.

2. COMPLIANCE WITH 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 of 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.

1. PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company in the first half of 2015 (the term “securities” has the meaning ascribed to it under paragraph 1 of Appendix 16 of the Listing Rules).

2. INTERIM DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2015.

3. REVIEW BY AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company’s interim report for the six months ended 30 June 2015, the Company’s unaudited interim financial report and the accounting policies and practices adopted by the Group.

4. OTHER INFORMATION

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirms that the current information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company’s 2014 Annual Report.

5. NON-PUBLIC ISSUE OF A SHARES

On 27 July 2015, the Board approved the proposed issuance of not more than 994,200,497 (inclusive) new A shares to not more than 10 (inclusive) specified investors (including CNAHC, the controlling shareholder of the Company). The gross proceeds to be raised will not be more than RMB12,000 million (inclusive). The issue price of new A shares shall be not less than 90% of the average trading price of the A shares during the 20 trading days preceding the pricing benchmark date, which is RMB12.12193 per share. Pursuant to the profit distribution proposal for the year 2014 approved at the 2014 annual general meeting of the Company, the Company distributed a cash dividend of RMB0.5223 per 10 shares (including applicable tax) on 8 July 2015 based on the total share capital of 13,084,751,004 shares to all shareholders whose names appeared on the register of members of the Company on the date of record. The issue price has been adjusted accordingly to not less than RMB12.07 per share.



Review report to the Board of Directors of Air China Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report of Air China Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 30 to 63, which comprises the consolidated statement of financial position as of 30 June 2015 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Notes	For the six months ended	
		30 June 2015 RMB'000	30 June 2014 RMB'000
Revenue			
Air traffic revenue	5	49,309,857	47,511,339
Other operating revenue	6	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	7	6,628,525	2,343,540
Finance revenue	8	69,033	107,081
Finance costs	8	(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	9	(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	11		
Basic and diluted		34.09 cents	4.15 cents

The notes on pages 37 to 63 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10.

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)
(Expressed in Renminbi)

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 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

The notes on pages 37 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	155,510,149	148,179,827
Lease prepayments	13	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	14	3,667,095	2,834,130
Bills receivable		382	155
Prepayments, deposits and other receivables	15	4,656,624	4,250,376
Financial assets	16	13,825	12,534
Due from the ultimate holding company		178,551	150,079
Pledged deposits	17	95,072	74,570
Cash and cash equivalents	17	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

The notes on pages 37 to 63 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000
CURRENT LIABILITIES			
Air traffic liabilities		(5,248,480)	(4,830,806)
Accounts payable	18	(9,427,822)	(9,788,921)
Bills payable		(475,530)	(150,000)
Other payables and accruals	19	(11,109,020)	(10,535,972)
Financial liabilities	16	(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	20	(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

The notes on pages 37 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000
CAPITAL AND RESERVES			
Issued capital	21	13,084,751	13,084,751
Treasury shares	22	(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

Approved and authorised for issue by the board of directors on 27 August 2015.

Song Zhiyong
Director

Fan Cheng
Director

The notes on pages 37 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company									
	Notes	Issued capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	Foreign exchange translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		13,084,751	(3,047,564)	17,669,952	5,766,587	(3,645,243)	24,149,805	53,978,288	5,131,612	59,109,900
Profit for the period		-	-	-	-	-	4,190,914	4,190,914	348,849	4,539,763
Other comprehensive income		-	-	696,333	-	(7,256)	-	689,077	17,652	706,729
Total comprehensive income		-	-	696,333	-	(7,256)	4,190,914	4,879,991	366,501	5,246,492
Acquisitions of a subsidiary		-	-	26,198	-	-	-	26,198	514,629	540,827
Transfer to reserve funds and others		-	-	-	285,331	-	(285,331)	-	-	-
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(87,110)	(87,110)
Dividends approved in respect of the previous year	10	-	-	-	-	-	(683,417)	(683,417)	-	(683,417)
At 30 June 2015		13,084,751	(3,047,564)	18,392,483	6,051,918	(3,652,499)	27,371,971	58,201,060	5,925,632	64,126,692
At 1 January 2014		13,084,751	(3,047,564)	20,754,776	5,233,245	(3,727,738)	21,459,915	53,757,385	3,788,803	57,546,188
Profit for the period		-	-	-	-	-	510,372	510,372	(52,843)	457,529
Other comprehensive income		-	-	(429,878)	-	194,073	-	(235,805)	4,613	(231,192)
Total comprehensive income		-	-	(429,878)	-	194,073	510,372	274,567	(48,230)	226,337
Transfer to reserve funds and others		-	-	-	248,011	-	(248,011)	-	-	-
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(117,037)	(117,037)
Dividends approved in respect of the previous year	10	-	-	-	-	-	(592,870)	(592,870)	-	(592,870)
At 30 June 2014		13,084,751	(3,047,564)	20,324,898	5,481,256	(3,533,665)	21,129,406	53,439,082	3,623,536	57,062,618

The notes on pages 37 to 63 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Notes	For the six months ended	
		30 June 2015 RMB'000	30 June 2014 RMB'000
Operating activities			
Cash generated from operations		14,669,140	8,273,358
Income tax paid		(934,356)	(319,939)
Interest paid		(1,419,231)	(1,262,633)
Net cash generated from operating activities		12,315,553	6,690,786
Investing activities			
Purchase of items of property, plant and equipment		(2,521,992)	(4,366,300)
Increase in advance payments for aircraft and flight equipment		(2,308,872)	(2,514,340)
Proceeds from disposal of items of property, plant and equipment and held-for-sale assets		54,082	948,338
Cash acquired through acquisition of a subsidiary		145,380	–
Cash flows arising from other investing activities		(198,802)	988,859
Net cash used in investing activities		(4,830,204)	(4,943,443)
Financing activities			
New bank loans and other loans		10,330,587	24,193,699
Proceeds from issue of corporate bonds		600,000	–
Repayment of bank loans and other loans		(16,330,716)	(25,556,542)
Repayment of principals under finance lease obligations		(2,462,330)	(2,325,327)
Repayment of corporate bonds		–	(3,700,000)
Dividends paid		(87,110)	(117,037)
Net cash used in financing activities		(7,949,569)	(7,505,207)
Net decrease in cash and cash equivalents		(464,220)	(5,757,864)
Cash and cash equivalents at 1 January	17	9,659,987	14,761,830
Effect of foreign exchanges rates changes		5,479	58,238
Cash and cash equivalents at 30 June	17	9,201,246	9,062,204

The notes on pages 37 to 63 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

1. CORPORATE INFORMATION

Air China Limited (the “Company”) was established as a joint stock limited company in Beijing, the People’s Republic of China (the “PRC”), on 30 September 2004. The Company’s H shares are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the London Stock Exchange (the “LSE”) while the Company’s A shares are listed on the Shanghai Stock Exchange. In the opinion of the Directors, the Company’s parent and ultimate holding company is China National Aviation Holding Company (“CNAHC”), a PRC state-owned enterprise under the supervision of the State Council.

The principal activities of the Company and its subsidiaries (together referred to the “Group”) consist of the provision of airline, airline-related services, including aircraft engineering services, air catering services and airport ground handling services, mainly in Mainland China, Hong Kong and Macau.

The registered office of the Company is located at Blue Sky Mansion, 28 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing 101312, the PRC.

2. 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 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

2. BASIS OF PREPARATION (Continued)

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. KPMG’s independent review report to the Board of Directors is included in this report.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2015.

3. 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.

4. 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.

**4. SEGMENT INFORMATION** (Continued)**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

(Prepared under International Financial Reporting Standards)
 (Expressed in Renminbi unless otherwise indicated)

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

**4. SEGMENT INFORMATION** (Continued)**Operating segments** (Continued)

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

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4. SEGMENT INFORMATION (Continued)

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

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

**6. OTHER OPERATING REVENUE**

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 RMB'000
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

7. PROFIT FROM OPERATIONS

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

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 RMB'000
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

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8. 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
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
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.



9. TAXATION

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
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 an 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.

10. 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).

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10. DIVIDEND (Continued)

(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

11. 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 (note 22).

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired aircraft and flight equipment with an aggregate cost of RMB11,481 million (six months ended 30 June 2014: RMB9,324 million). Total property, plant and equipment with net book value of RMB69 million were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB444 million), resulting in a loss on disposal of RMB30 million (six months ended 30 June 2014: RMB17 million).

As at 30 June 2015, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB40,851 million (31 December 2014: RMB40,001 million) were pledged to secure certain bank loans of the Group.

The aggregate net book value of aircraft held under finance leases included in the property, plant and equipment of the Group amounted to approximately RMB64,920 million (31 December 2014: RMB58,673 million). These aircraft were pledged under certain lease agreements of the Group.

As at 30 June 2015, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB2,554 million (31 December 2014: RMB1,965 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2015.



13. LEASE PREPAYMENTS

The Group's lease prepayments in respect of land are held under long-term leases and located in Mainland China.

As at 30 June 2015, the Group's land use rights with an aggregate net book value of approximately RMB36 million (31 December 2014: RMB37 million) were pledged to secure certain bank loans of the Group.

As at 30 June 2015, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate net book value of approximately RMB542 million (31 December 2014: RMB604 million). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2015.

14. 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 RMB'000	31 December 2014 RMB'000
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

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15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of prepayments, deposits and other receivables as at the end of the reporting period, net of provision for impairment, is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Prepayments		
Advances and others	556,291	394,389
Manufacturers' credits	981,968	1,375,606
Prepaid aircraft operating lease rentals	485,574	449,412
	2,023,833	2,219,407
Deposits and other receivables	2,632,791	2,030,969
	4,656,624	4,250,376

At the end of each reporting period, the Group would assess the collectability of the receivables and provision will be made if necessary. For those receivables which are individually significant and the possibility of recovery is remote, full impairment will be provided. Should further information obtained in subsequent periods indicate the receivables could be collected partially or entirely, the provision would be partially or entirely reversed accordingly.

As at 30 June 2015, the gross amount due from Shenzhen Huirun Investment Co., Ltd. ("Huirun") was RMB1,075,182,000 (31 December 2014: RMB1,124,325,000) which had been provided the provision of RMB1,075,182,000 (31 December 2014: RMB1,075,182,000). During the interim period, RMB49,143,000 was collected back from Huirun. There is no change on the assessment about the collectability of the receivables as at 30 June 2015.

As at 30 June 2015, the gross amount due from Shenzhen Airlines Property Development Co., Ltd. and its subsidiaries was RMB650,819,000 (31 December 2014: RMB650,819,000). Full provisions for the above receivables were made in prior years. There is no change on the assessment about the collectability of the receivables as at 30 June 2015.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	30 June 2015		31 December 2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	1,154	3,912	1,761	7,712
Listed equity securities	12,671	-	10,773	-
	13,825	3,912	12,534	7,712

The above financial assets and liabilities are accounted for as financial instruments at fair value through profit or loss and any fair value changes are recognised in the profit or loss.



17. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Time deposits with banks and other financial institutions	3,354,857	4,842,264
Less: Pledged deposits	(95,072)	(74,570)
Non-pledged deposits	3,259,785	4,767,694
Cash and bank	5,941,461	4,892,293
Cash and cash equivalents	9,201,246	9,659,987

18. ACCOUNTS PAYABLE

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
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

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19. OTHER PAYABLES AND ACCRUALS

An analysis of other payables and accruals as at the end of the reporting period is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Accrued salaries, wages and benefits	1,957,601	1,814,534
Receipts in advance for employee residence	1,873,765	1,874,773
Accrued operating expenses	1,686,232	1,308,280
Business tax, customs duties and levies tax payable	356,172	366,242
Deposits received from sales agents	779,493	664,490
Due to an ex-shareholder of a subsidiary	100,000	100,000
Interest payable	952,813	659,180
Current portion of deferred income related to frequent-flyer programme	676,066	890,322
Current portion of deferred income related to government grants	47,444	76,588
Current portion of long-term payables	43,111	55,414
Provision for staff housing benefits	88,062	88,062
Others	2,548,261	2,638,087
	11,109,020	10,535,972

20. DEFINED BENEFIT OBLIGATIONS

The liabilities recognised in the consolidated statement of financial position represent:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Post-retirement benefit obligations	292,833	-
Less: current portion	(27,973)	-
Long-term portion	264,860	-

Aircraft Maintenance and Engineering Corporation Beijing ("AMECO"), a newly acquired subsidiary of the Company (Note 25), affords monthly retirement benefits for those staffs who were retired before AMECO adopted its own enterprise annuity plan. These retirement benefits are recognised as defined benefit obligations.

**20. DEFINED BENEFIT OBLIGATIONS** (Continued)**(a) Movements in the defined benefit obligations are set out as follows:**

	2015 RMB'000
At 31 May	294,109
Remeasurements	211
Payments	(2,366)
Interest expense	879
At 30 June	292,833
Less: current portion	(27,973)
Long-term portion	264,860

(b) Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2015 RMB'000
Interest expense	879
Actuarial losses recognised in other comprehensive income	211
Total defined benefit costs	1,090

(c) The net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss:

	2015 RMB'000
Finance costs	879

(d) Significant actuarial assumptions (expressed as weighted averages) are as follows:

	30 June 2015 RMB'000
Discount rate	3.6%
Annual growth rate	0%
Average expected remaining life of eligible employees	14.3

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21. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015		31 December 2014	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered, issued and fully paid:				
H shares of RMB1.00 each:				
Tradable	4,562,683,364	4,562,683	4,562,683,364	4,562,683
A shares of RMB1.00 each:				
Tradable	8,329,271,309	8,329,272	8,329,271,309	8,329,272
Trade-restricted	192,796,331	192,796	192,796,331	192,796
	13,084,751,004	13,084,751	13,084,751,004	13,084,751

The H shares and A shares rank pari passu, in all material respects, with the state legal person shares and non-H foreign shares of the Company.

22. TREASURY SHARES

As at 30 June 2015, the Group owned a 29.99% (31 December 2014: 29.99%) equity interest in Cathay Pacific, which in turn owned a 20.13% (31 December 2014: 20.13%) equity interest in the Company. Accordingly, the 29.99% of Cathay Pacific's shareholding in the Company was recorded in the Group's consolidated financial statements as treasury shares through deduction from equity.

23. SHARE APPRECIATION RIGHTS SCHEME

The Company's "Measures on Management of the Stock Appreciation Rights ("SARs") of Air China Limited (revised)" and "Proposal for the Second Grant of the Stock Appreciation Rights of Air China Limited" (together "the Scheme") were approved by the 2012 Annual General Meeting on 23 May 2013.

Pursuant to the Scheme, 26,200,000 units of SARs were granted to 160 employees of the Group at the exercise price of HK\$6.46 per unit at 6 June 2013, with valid period of 5 years since granted.

No shares will be issued under the Scheme. Upon exercise of the SARs, a recipient will receive an amount of cash equal to the difference between the market share price of the relevant H Share and the exercise price. Upon the satisfaction of certain performance conditions, the total numbers of SARs exercisable will not exceed 30%, 70% and 100%, respectively, of the total SARs granted to the respective eligible participants, since the first trading day after the second, third and fourth anniversary from the grant date.

The fair value of the liability for SARs is measured using the Black-Scholes option pricing model. The exercise price, expected period, expected volatility of the share price, expected dividend yield, the risk free rate and market price are used as the key inputs into the model with reference to the Scheme's provisions and the Company's H Share's historical trading information. 6,937,500 units of SARs for the first exercisable year were forfeited due to certain vesting conditions were not met. The fair value of the liability for SARs as at 30 June 2015 was RMB28,228,000.



24. CONTINGENT LIABILITIES

As at 30 June 2015, the Group had the following contingent liabilities:

- (a) Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the HKSE and the LSE, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.
- (b) On 26 February 2007, the Eastern District Court of New York of the Federal Judiciary of the United States filed a civil summons against the Company and Air China Cargo, claiming that they, together with a number of other airlines, have violated certain anti-trust regulations in respect of their air cargo operations in the United States by acting in concert in imposing excessive surcharges to impede the offering of discounts and allocating revenue and customers so as to increase, maintain and stabilize air cargo prices. The District Court recently issued a decision certifying this lawsuit as a class action. The remaining defendant airlines, including the Company, have petitioned the Court of Appeals to review this decision. In addition, the remaining defendants have filed motions in the District Court seeking to have the Complaint dismissed. Because the litigation continues, the Directors of the Company are of the view that the ultimate outcome of this claim cannot be reliably estimated and consider that no provision for this claim is needed accordingly.
- (c) In May 2011, Shenzhen Airlines received a summons issued by the Higher People's Court of Guangdong Province in respect of a guarantee provided by Shenzhen Airlines on loans borrowed by Huirun from a third party amounting to RMB390,000,000. It was alleged that Shenzhen Airlines had entered into several guarantee agreements with Huirun and the third party, pursuant to which Shenzhen Airlines acted as a guarantor in favour of the third party for the loans borrowed by Huirun. The directors of the Company consider that the provision of RMB130,000,000 which was provided in prior years in respect of this legal claim is adequate.
- (d) Shenzhen Airlines provided guarantees to banks for certain employees in respect of their residential loans as well as for certain pilot trainees in respect of their tuition loans. As at 30 June 2015, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB388,173,000 (31 December 2014: RMB412,301,000) and for pilot trainees' tuition loans amounting to RMB200,374,000 (31 December 2014: RMB225,988,000).

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25. ACQUISITION

AMECO was established by the Company and Deutsche Lufthansa Aktiengesellschaft in 1989 and registered in Beijing, the PRC. Its principal activities are aircrafts and engines maintenance and repair service.

During the period, the Company injected the business in its maintenance and technology branch ("the injected business", including related fixed assets, inventories, cash and staffs) into AMECO to subscribe for the increased registered capital of AMECO. The fair value of the injected business was RMB804 million. After the completion of the capital injection, the Company's interests in AMECO increased from 60% to 75% and AMECO became a subsidiary of the Company. As the Company's interests in the injected business decreased from 100% to 75%, the 25% given up interests in the injected business was treated as part of the consideration of this acquisition. The acquisition date is 31 May 2015 when the Company acquired control of AMECO.

Total consideration and goodwill arising from the acquisition is as below:

	Carrying amount	Fair value
25% interests in the injected business	174,854	201,052
Equity interests in AMECO before acquisition (60%)	595,677	815,459
Total consideration		1,016,511
Less: 75% share of fair value of net identifiable assets		(1,019,324)
Net identifiable assets exceeded the total consideration		(2,813)

The fair value of net identifiable assets of AMECO is determined based on the valuation carried out by a qualified independent valuer. Summary of the information on the AMECO's assets and liabilities as of the acquisition date is as follows:

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value on acquisition RMB'000
Property, plant and equipment	1,634,041	502,828	2,136,869
Deferred tax assets	52,729	3,605	56,334
Inventories	601,117	(14,021)	587,096
Trade and other receivables	983,301	(402)	982,899
Cash and cash equivalents	145,380	–	145,380
Trade and other payables	(1,268,119)	–	(1,268,119)
Interest-bearing borrowings	(857,222)	–	(857,222)
Defined benefit obligations	(294,109)	–	(294,109)
Other long-term payables	(4,322)	–	(4,322)
Deferred tax liabilities	–	(125,707)	(125,707)
Net identifiable assets			1,359,099
Less: Non-controlling interests			(339,775)
75% of net assets acquired			1,019,324

**25. ACQUISITION** (Continued)

After the injection, the Company gives up 25% interests in the injected business which results in the addition of non-controlling interests of RMB174,854,000 in consolidated financial statements. The difference of RMB26,198,000 between the addition of non-controlling interests and the transaction consideration of 25% interests in the injected business was recognised as capital reserve.

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**(a) Financial assets and liabilities measured at fair value****(i) Fair value hierarchy**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2015 RMB'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
– Interest rate swaps	1,154	–	1,154	–
– Listed equity securities	12,671	12,671	–	–
Available-for-sale investments				
– Listed	102,749	–	102,749	–
Financial liabilities:				
– Interest rate swaps	3,912	–	3,912	–

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26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets:				
– Interest rate swaps	1,761	–	1,761	–
– Listed equity securities	10,773	10,773	–	–
Available-for-sale investments				
– Listed	51,454	–	51,454	–
Financial liabilities:				
– Interest rate swaps	7,712	–	7,712	–

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps as at the end of the reporting period was estimated by using the Rendleman-Bartter model, taking into account the terms and conditions of the derivative contracts. The major inputs used in the estimation process include volatility of short term interest rate and the LIBOR curve, which can be obtained from observable markets.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014.



27. COMMITMENTS

(a) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of property, plant and equipment as at the end of the reporting period:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
– Aircraft and flight equipment	99,708,585	102,643,481
– Buildings	530,380	910,042
– Others	116,940	221,815
	100,355,905	103,775,338
Authorised, but not contracted for:		
– Buildings	372,752	688,957
– Others	143,605	51,292
	516,357	740,249
Total capital commitments	100,872,262	104,515,587

(b) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
– Associates and joint ventures	56,417	1,391,055
Authorised, but not contracted for:		
– Associates and joint ventures	–	62,251
	56,417	1,453,306

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi unless otherwise indicated)

27. COMMITMENTS (Continued)

(c) Operating lease commitments

The Group leases certain office premises, aircraft and flight equipment under operating lease arrangements.

At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	5,222,703	5,234,739
After 1 year but within 5 years	13,883,782	15,120,778
Over 5 years	12,317,156	14,976,871
	31,423,641	35,332,388

28. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties of the Group

During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; (iii) its associates; and (iv) other related parties:

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 RMB'000
(i) Service provided to the CNAHC Group		
Sales commission income	8,052	5,489
Sale of cargo space	34,051	35,902
Government charter flights	160,777	142,361
Air catering income	8,248	5,729
Ground services income	937	1,382
Income from advertising media business	14,392	13,756
Interest income	24,833	9,344
Aircraft and flight equipment leasing income	62	62
Others	1,042	865

**28. RELATED PARTY TRANSACTIONS** (Continued)**(a) Transactions with related parties of the Group** (Continued)

	For the six months ended	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
(ii) Service provided by the CNAHC Group		
Sales commission expenses	821	2,920
Air catering charges	440,840	354,599
Airport ground services, take-off, landing and depot expenses	381,713	356,100
Repair and maintenance costs	4,605	112
Management fees	49,358	50,803
Lease charges for land and buildings	81,676	65,163
Interest expenses	50,929	46,351
Other procurement and maintenance	28,834	27,620
Aviation communication expenses	247,837	229,850
Media advertisement expenses	28,689	28,889
Loans	750,000	204,000
Others	293	347
(iii) Service provided to related parties other than CNAHC Group		
Sales commission income	4,030	6,588
Sale of cargo space	–	4,229
Aircraft maintenance income	24,971	19,932
Air catering income	3,514	3,960
Ground services income	53,206	56,771
Frequent-flyer programme income	9,449	5,360
Lease income for land and buildings	7,749	12,037
Airline joint operation income	2,777	3,467
Aircraft and flight equipment leasing income	1,175	4,685
Others	5,894	1,962
(iv) Service provided by related parties other than CNAHC Group		
Sales commission expenses	25,208	19,919
Air catering charges	10,128	10,408
Airport ground services, take-off, landing and depot expenses	203,331	87,673
Repair and maintenance costs	1,702,008	1,063,819
Aircraft and flight equipment leasing fees	242,526	319,013
Lease charges for land and buildings	–	879
Other procurement and maintenance	3,014	6,030
Aviation communication expenses	15,203	14,858
Airline joint operation expenses	7,721	4,517
Frequent-flyer programme expenses	2,158	2,050
Loans	–	980,000
Others	3,000	3,419

(Prepared under International Financial Reporting Standards)
 (Expressed in Renminbi unless otherwise indicated)

28. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties of the Group

	30 June 2015 RMB'000	31 December 2014 RMB'000
(i) Deposits, loans		
Deposits placed with an associate	3,006,446	1,987,652
Loans from associates	3,471,568	2,695,000
(ii) Outstanding balances with related parties		
Due from the ultimate holding company	178,551	150,079
Due from associates	186,601	180,914
Due from joint ventures	4,272	106,120
Due from other related companies	21,851	61,377
Due to the ultimate holding company	23,879	21,377
Due to associates	427,794	270,905
Due to joint ventures	30,841	465,466
Due to other related companies	638,138	777,068

The outstanding balances with related parties are unsecured, interest-free and repayable within one year or have no fixed terms of repayment.

(c) An analysis of the compensation of key management personnel of the Group is as follows:

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 RMB'000
Compensation of key management		
Short term employee benefits	7,691	4,591
Cash-settled share option expense	1,406	-
Post-employment benefits	642	626
	9,739	5,217

**28. RELATED PARTY TRANSACTIONS** (Continued)**(d) Guarantee with related parties****The Group**

Name of guarantor	Name of guarantee	Amount of guaranty USD'000	Inception date of guaranty	Maturity date of guaranty	Guaranty Completed (Y/N)
<i>Long-term loans:</i>					
Cathay Pacific	Air China Cargo	79,540	16/12/2013	15/12/2023	N
Cathay Pacific	Air China Cargo	84,675	12/03/2014	11/03/2024	N
Cathay Pacific	Air China Cargo	84,675	31/03/2014	30/03/2024	N
<i>Obligations under finance leases:</i>					
Cathay Pacific	Air China Cargo	64,136	30/06/2014	30/06/2026	N
Cathay Pacific	Air China Cargo	65,624	29/08/2014	29/08/2026	N
Cathay Pacific	Air China Cargo	69,344	27/02/2015	27/02/2027	N

The Company

Name of guarantor	Name of guarantee	Amount of guaranty USD'000	Inception date of guaranty	Maturity date of guaranty	Guaranty Completed (Y/N)
<i>Long-term loans:</i>					
The Company	Air China Cargo	82,786	16/12/2013	15/12/2023	N
The Company	Air China Cargo	88,131	12/03/2014	11/03/2024	N
The Company	Air China Cargo	88,131	31/03/2014	30/03/2024	N
<i>Obligations under finance leases:</i>					
The Company	Air China Cargo	66,754	30/06/2014	30/06/2026	N
The Company	Air China Cargo	68,303	29/08/2014	29/08/2026	N
The Company	Air China Cargo	72,175	27/02/2015	27/02/2027	N

28. RELATED PARTY TRANSACTIONS (Continued)

(e) Transactions with other state-controlled entities

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations. Other than those transactions with the CNAHC Group, associates, jointly ventures and other related parties of the Group as disclosed in Notes 28(a) above, the Group conducts transactions collectively, but not individually, significant transactions with other state-controlled entities which include but are not limited to the following:

- Purchase of jet fuel
- Leasing arrangements
- Purchase of equipment
- Purchase of ancillary materials and spare parts
- Ancillary and social services; and
- Financial services arrangement

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether or not the counterparties are state-controlled entities.

Having considered the potential for transactions to be impacted by related party relationships, the Group's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) The Group's main transactions with other state-controlled entities

	For the six months ended	
	30 June 2015 RMB'000	30 June 2014 RMB'000
Jet fuel costs	10,236,142	16,499,051

(ii) The Group's balances with other state-controlled entities

	30 June 2015 RMB'000	31 December 2014 RMB'000
Accounts payable – jet fuel costs	1,597,799	1,819,154



29. OTHER EVENTS

(a) Acquisition of China National Aviation Finance Co. Ltd. ("CNAF")

On 24 December 2014, the Company entered into the equity transfer agreements with each of Air China Group Import and Export Trading Co. ("AIE"), Air China Shantou Industrial Development Co. ("Shantou Industrial"), Beijing Phoenix Aviation Industrial Co. ("Phoenix Industrial"), pursuant to which, AIE, Shantou Industrial and Phoenix Industrial agreed to transfer their interests to the Company at consideration of RMB28,065,845.88, RMB4,726,113.94 and RMB2,326,702.25, respectively. The equity interests in CNAF held by the Company will increase to 24.14%.

On 24 December 2014, the Company and CNAHC entered into the capital injection agreement, pursuant to which the Company and CNAHC decided to increase the registered capital of CNAF and inject additional capital into CNAF. According to the capital injection agreement, upon completion of the capital injection, each of the Company and CNAHC will have an interest of 51% and 49% in the total enlarged registered capital of CNAF, respectively, and CNAF will become a non-wholly owned subsidiary of the Company.

As at 30 June 2015, the revised Articles of Association of CNAF is still under approval process of government authorities.

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 RMB'000	30 June 2014 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



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 RMB'000	30 June 2014 RMB'000
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



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
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:

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

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



Notes:

- (i) The differences in deferred taxation were mainly caused by the other differences under CASs and IFRSs as explained below.
- (ii) The differences in the value of fixed assets and other non-current assets mainly consist of the following three types: (1) fixed assets acquired in foreign currencies prior to 1 January 1994 and translated at the equivalent amount of RMB at the then prevailing exchange rates prescribed by the government (i.e., the government-prescribed rates) under CASs. Under IFRSs, the costs of fixed assets acquired in currencies prior to 1 January 1994 should be translated at the then prevailing market rate (i.e., the swap rate) and therefore resulted in differences in the costs of fixed assets in the financial statements prepared under CASs and IFRSs. Such differences are expected to be eliminated gradually through depreciation or disposal of the related fixed assets in future; (2) in accordance with the accounting policies under IFRSs, all assets are recorded at historical cost. Therefore, the revaluation surplus or deficit (and the related depreciation/amortisation or impairment) recorded under CASs should be reversed in the financial statements prepared under IFRSs; (3) the differences were caused by the adoption of component accounting in different years under CASs and IFRSs. Component accounting was adopted by the Group on a prospective basis under IFRSs since 2005 and under CASs since 2007. Such differences are expected to be eliminated through depreciation or disposal of fixed assets in future.
- (iii) Under both CASs and IFRSs, government grants or government subsidies should be debited as government grants/subsidies receivable or the relevant assets and credited as deferred income, which will then be charged to the profit or loss on a straight-line basis over the useful lives of the relevant assets. As the accounting for government grants or government subsidies have had no significant impact on the Group's financial statements, no adjustment has been made to unify the accounting treatments of government grants or government subsidies received before the Group adopted CASs. Therefore, in the Group's financial statements prepared in accordance with CASs, these government grants received were debited as the relevant assets and credited as capital reserve; and government subsidies were debited as cash and bank balances and credited as subsidy income in the profit or loss. Such differences are expected to be eliminated gradually through amortisation of deferred income to the profit or loss in future.
- (iv) The difference was caused by the disposal of Hong Kong Dragon Airlines Limited to Cathay Pacific and is expected to be eliminated when the Group's interest in Cathay Pacific is disposed of.

CAPACITY MEASUREMENTS

"available seat kilometres" or "ASK(s)"	the number of seats available for sale multiplied by the kilometres flown
"available freight tonne kilometres" or "AFTK(s)"	the number of tonnes of capacity available for the carriage of cargo and mail multiplied by the kilometres flown
"available tonne kilometres" or "ATK(s)"	the number of tonnes of capacity available for transportation multiplied by the kilometres flown

TRAFFIC MEASUREMENTS

"revenue passenger kilometres" or "RPK(s)"	the number of revenue passengers carried multiplied by the kilometres flown
"passenger traffic"	measured in revenue passenger kilometres, unless otherwise specified
"revenue freight tonne kilometres" or "RFTK(s)"	the revenue cargo and mail load in tonnes multiplied by the kilometres flown
"cargo and mail traffic"	measured in revenue freight tonne kilometres, unless otherwise specified
"revenue tonne kilometres" or "RTK(s)"	the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown

YIELD MEASUREMENTS

"passenger yield"/"yield per RPK"	revenues from passenger operations divided by RPKs
"cargo yield"/"yield per RFTK"	revenues from cargo operations divided by RFTKs

LOAD FACTORS

"passenger load factor"	revenue passenger kilometres expressed as a percentage of available seat kilometres
"cargo and mail load factor"	revenue freight tonne kilometres expressed as a percentage of available seat kilometres
"overall load factor"	RTKs expressed as a percentage of available tonne kilometres

UTILISATION

"block hour(s)"	each whole and/or partial hour elapsing from the moment the chocks are removed from the wheels of the aircraft for flights until the chocks are next again returned to the wheels of the aircraft
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In this report, the following expressions shall have the following meanings unless the context requires otherwise:

"Air China Cargo"	Air China Cargo Company Limited
"Air Macau"	Air Macau Company Limited
"AMECO"	Aircraft Maintenance and Engineering Corporation
"Beijing Airlines"	Beijing Airlines Company Limited
"Board"	the board of directors of the Company
"Cathay Pacific"	Cathay Pacific Airways Limited
"CNACG"	China National Aviation Corporation (Group) Limited
"CNAHC"	China National Aviation Holding Company
"Company" or "Air China"	中國國際航空股份有限公司 (Air China Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange, and whose principal business is the operation of scheduled airline services
"Dalian Airlines"	Dalian Airlines Company Limited
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards
"Inner Mongolia Airlines"	Air China Inner Mongolia Company Limited
"Kunming Airlines"	Kunming Airlines Company Limited
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers
"MOP"	Macau Pataca, the lawful currency of Macau
"ppts"	percentage points
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shandong Airlines"	Shandong Airlines Company Limited
"Shandong Aviation Group"	Shandong Aviation Group Company Limited
"Shenzhen Airlines"	Shenzhen Airlines Company Limited
"Supervisor(s)"	the supervisor(s) of the Company

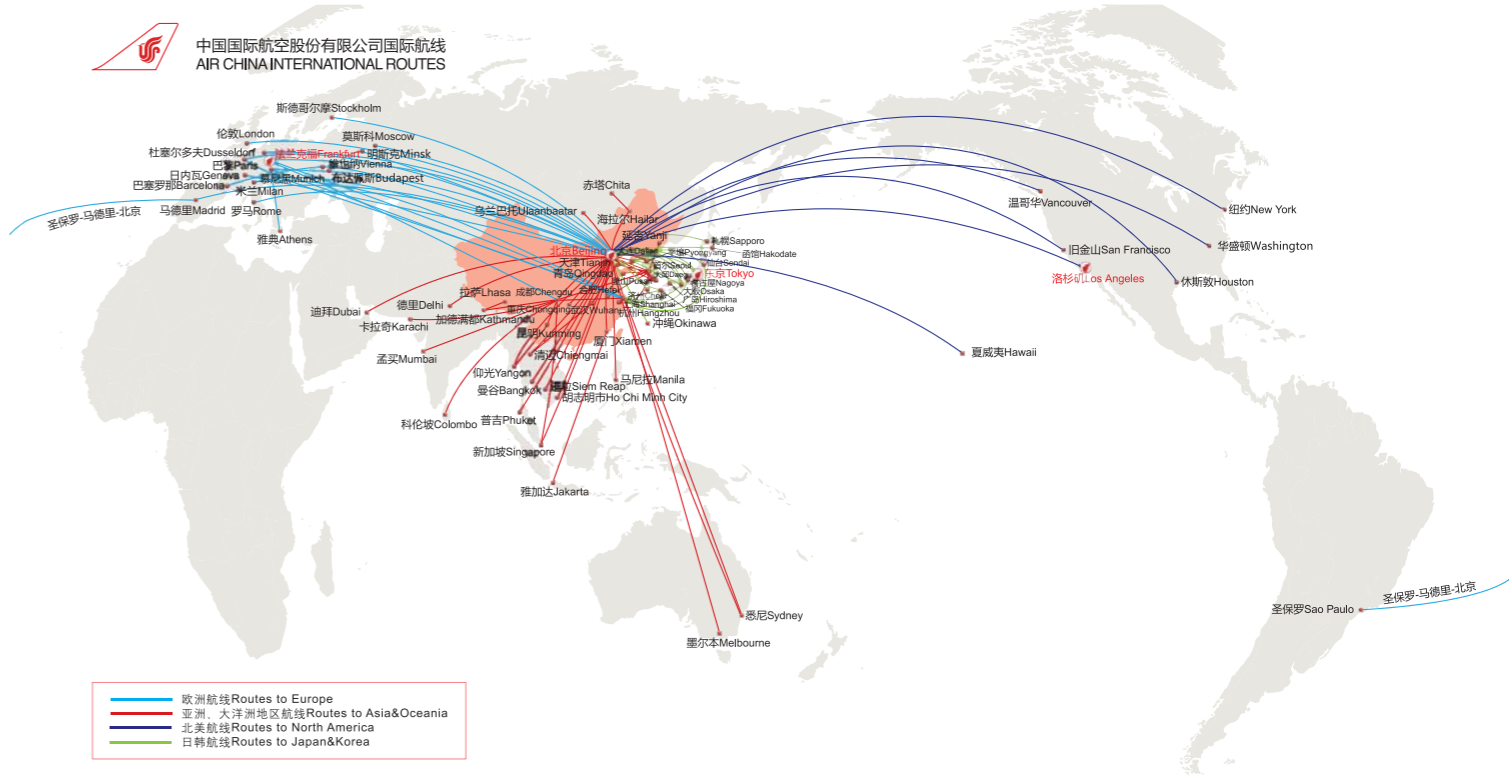
 中国国际航空股份有限公司国内及地区航线
AIR CHINA DOMESTIC & REGIONAL ROUTES



— 国内航线 Domestic Routes
— 地区航线 Regional Routes

注：扬州泰州共用同一机场
Note: The cities of Yangzhou and Taizhou share one airport.

 中国国际航空股份有限公司国际航线
AIR CHINA INTERNATIONAL ROUTES



— 欧洲航线 Routes to Europe
— 亚洲、大洋洲地区航线 Routes to Asia & Oceania
— 北美航线 Routes to North America
— 日韩航线 Routes to Japan & Korea