2017
Interim Report

air

AIR CHINA
中国国际航空公司
A STAR ALLIANCE MEMBER

20 YEARS
CONNECTING PEOPLE AND CULTURES

Air China Limited

Stock code: 00753 HongKong 601111 Shanghai AIRC London

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 headquartered in Beijing, the capital of China, with two increasingly important hubs in Chengdu and Shanghai. With Star Alliance, our network has covered 1,307 destinations in 191 countries as at 30 June 2017. Air China is dedicated to serve passengers with credibility, convenience, comfort and choice.

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".

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, Kunming Airlines 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:

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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[1]:

Cai Jianjiang
Song Zhiyong
Cao Jianxiong
Feng Gang
John Robert Slosar
Ian Sai Cheung Shiu
Wang Xiaokang
Liu Deheng
Stanley Hui Hon-chung
Li Dajin

SUPERVISORS[2]:

Wang Zhengang
He Chaofan
Xiao Yanjun
Shen Zhen

LEGAL REPRESENTATIVE OF THE COMPANY:

Cai Jianjiang

JOINT COMPANY SECRETARIES[3]:

Zhou Feng
Tam Shuit Mui

AUTHORISED REPRESENTATIVES:

Cai Jianjiang
Tam Shuit Mui

LEGAL ADVISERS TO THE COMPANY:

DeHeng Law Offices *(as to PRC Law)*
DLA Piper Hong Kong *(as to Hong Kong and English Law)*

INTERNATIONAL AUDITOR[4]:

Deloitte Touche Tohmatsu

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 VENUES:

Hong Kong, London and Shanghai

1 On 8 May 2017, the Board received resignation letters from independent non-executive Directors Mr. Pan Xiaojiang and Mr. Simon To Chi Keung, who resigned as independent non-executive Directors as their tenures have expired. On 25 May 2017, the Company convened its 2016 Annual General Meeting, at which Mr. Wang Xiaokang and Mr. Liu Deheng were elected as independent non-executive Directors.

2 Due to work rearrangement, Mr. Zhou Feng has conveyed to the Supervisory Committee his request to resign from the position as a Supervisor on 2 August 2017. The resignation of Mr. Zhou Feng did not result in the number of members of the Supervisory Committee falling below the statutory minimum requirement, and will not affect the operation of the Supervisory Committee.

3 On 30 August 2017, the Board received a resignation letter from Ms. Rao Xinyu. Due to work rearrangement, Ms. Rao Xinyu resigned as board secretary and joint company secretary of the Company. On the same date, the Company convened its 48th meeting of the 4th session of the Board, at which Mr. Zhou Feng was appointed as the board secretary and joint company secretary of the Company.

4 After being considered by the 44th meeting of the 4th session of the Board and considered and approved by the 2016 Annual General Meeting, Deloitte Touche Tohmatsu was appointed as the international auditor of the Company for the year of 2017. KPMG has ceased to be the international auditor of the Company.

(RMB'000)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change
Revenue	**58,746,472**	53,984,041	8.82%
Profit from operations	**5,807,705**	7,996,872	(27.38%)
Profit before taxation	**5,173,837**	5,039,086	2.67%
Profit after taxation (including profit attributable to non-controlling interests)	**3,920,783**	3,794,321	3.33%
Profit attributable to non-controlling interests	**580,053**	326,080	77.89%
Profit attributable to equity shareholders of the Company	**3,340,730**	3,468,241	(3.68%)
EBITDA[1]	**12,345,879**	14,669,546	(15.84%)
EBITDAR[2]	**16,502,224**	18,172,792	(9.19%)
Earnings per share attributable to equity shareholders of the Company (RMB)	**0.2532**	0.2821	(10.24%)
Return on equity attributable to equity shareholders of the Company (%)	**4.12**	5.49	(1.37 ppts)

(1) EBITDA represents earnings before other income and gains, finance costs, income taxes, share of results of associates and joint ventures, depreciation and amortisation as computed under the IFRSs.

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

(RMB'000)	At 30 June 2017	At 31 December 2016	Change
Total assets	**229,050,815**	224,050,951	2.23%
Total liabilities	**139,980,074**	147,654,552	(5.20%)
Non-controlling interests	**8,017,809**	7,597,144	5.54%
Equity attributable to equity shareholders of the Company	**81,052,932**	68,799,255	17.81%
Equity per share attributable to equity shareholders of the Company (RMB)	**5.58**	5.26	6.13%

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

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase/ (decrease)
Capacity			
ASK (million)	**118,991.56**	113,386.98	4.94%
International	**42,784.11**	40,208.19	6.41%
Domestic	**71,715.75**	68,327.98	4.96%
Hong Kong, Macau and Taiwan	**4,491.70**	4,850.80	(7.40%)
AFTK (million)	**6,408.22**	6,288.85	1.90%
International	**4,213.16**	4,364.74	(3.47%)
Domestic	**2,057.90**	1,775.61	15.90%
Hong Kong, Macau and Taiwan	**137.16**	148.49	(7.63%)
ATK (million)	**17,142.48**	16,520.02	3.77%
Traffic			
RPK (million)	**96,415.01**	90,508.82	6.53%
International	**33,415.18**	30,807.10	8.47%
Domestic	**59,645.82**	56,108.92	6.30%
Hong Kong, Macau and Taiwan	**3,354.01**	3,592.80	(6.65%)
RFTK (million)	**3,530.75**	3,324.55	6.20%
International	**2,685.84**	2,501.98	7.35%
Domestic	**791.82**	768.32	3.06%
Hong Kong, Macau and Taiwan	**53.09**	54.25	(2.15%)
Passengers carried (thousand)	**49,201.13**	46,856.75	5.00%
International	**6,465.87**	6,368.54	1.53%
Domestic	**40,604.65**	38,189.90	6.32%
Hong Kong, Macau and Taiwan	**2,130.61**	2,298.31	(7.30%)
Cargo and mail carried (tonnes)	**873,733.17**	834,700.39	4.68%
Kilometres flown (million)	**639.04**	623.16	2.55%
Block hours (thousand)	**1,031.73**	995.17	3.67%
Number of flights	**311,873**	320,007	(2.54%)
International	**40,874**	42,410	(3.62%)
Domestic	**254,469**	259,609	(1.98%)
Hong Kong, Macau and Taiwan	**16,530**	17,988	(8.11%)
RTK (million)	**12,092.16**	11,370.57	6.35%

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase/ (decrease)
Load factor			
Passenger load factor (RPK/ASK)	**81.02%**	79.82%	1.20 ppts
International	**78.10%**	76.62%	1.48 ppts
Domestic	**83.17%**	82.12%	1.05 ppts
Hong Kong, Macau and Taiwan	**74.68%**	74.07%	0.61 ppts
Cargo and mail load factor (RFTK/AFTK)	**55.09%**	52.86%	2.23 ppts
International	**63.75%**	57.32%	6.43 ppts
Domestic	**38.48%**	43.27%	(4.79 ppts)
Hong Kong, Macau and Taiwan	**38.71%**	36.54%	2.17 ppts
Overall load factor (RTK/ATK)	**70.54%**	68.83%	1.71 ppts
Daily utilisation of aircraft (block hours per day per aircraft)	**9.47**	9.58	(0.11 hrs)
Yield			
Yield per RPK (RMB)	**0.5294**	0.5219	1.42%
International	**0.4072**	0.4213	(3.33%)
Domestic	**0.5831**	0.5620	3.75%
Hong Kong, Macau and Taiwan	**0.7913**	0.7596	4.18%
Yield per RFTK (RMB)	**1.2707**	1.1279	12.66%
International	**1.2656**	1.0849	16.66%
Domestic	**1.1738**	1.1862	(1.05%)
Hong Kong, Macau and Taiwan	**2.9762**	2.2845	30.28%
Unit cost			
Operating cost per ASK (RMB)	**0.4449**	0.4056	9.69%
Operating cost per ATK (RMB)	**3.0882**	2.7837	10.94%

In the first half of 2017, the Group's passenger capacity, measured by ASK, increased by 4.94% year-on-year to 118,992 million, and the Group's overall passenger traffic, measured by RPK, increased by 6.53% year-on-year to 96,415 million. The passenger load factor was 81.02%, representing a year-on-year increase of 1.20 ppts. The Group's cargo capacity, measured by AFTK, increased by 1.90% year-on-year to 6,408 million, and the Group's overall cargo and mail traffic, measured by RFTK, increased by 6.20% year-on-year to 3,531 million. The Group's cargo and mail load factor was 55.09%, representing a year-on-year increase of 2.23 ppts.

DEVELOPMENT OF FLEET

In the first half of 2017, the Group introduced 16 aircraft (including two B787-9 aircraft, one A330-300 aircraft, four B737-800 aircraft, eight A320 series aircraft (including one A319 aircraft), and one B737-700 aircraft) and phased out 11 aircraft (including three B777-200 aircraft, seven B737-800 aircraft, and one A320 series aircraft). As of 30 June 2017, the Group had a total of 628 aircraft, with an average age of 6.53 years (excluding aircraft under wet leases).

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

	30 June 2017				
	Sub-total	Self-owned	Finance leases	Operating leases	Average age (year)
Passenger aircraft	**606**	**237**	**171**	**198**	**6.46**
Airbus	**298**	**112**	**93**	**93**	**6.47**
A319	43	28	6	9	11.13
A320/A321	199	67	74	58	5.58
A330	56	17	13	26	6.06
Boeing	**308**	**125**	**78**	**105**	**6.46**
B737	261	101	63	97	6.59
B747	11	9	2	0	9.46
B777	27	8	13	6	5.89
B787	9	7	0	2	0.76
Cargo aircraft	**15**	**10**	**5**	**0**	**10.04**
B747F	3	3	0	0	15.02
B757F	4	4	0	0	20.85
B777F	8	3	5	0	2.76
Business jets	**7**	**1**	**0**	**6**	**4.77**
Total	**628**	**248**	**176**	**204**	**6.53**

Among the aircraft set out above, the Company operated a fleet of 385 aircraft in total, with an average age of 6.57 years (excluding aircraft under wet leases). The Company introduced 12 aircraft and phased out 8 aircraft among which 1 was allocated to Dalian Airlines.

Passenger aircraft	Introduction Plan 2017	2018	2019	Phase-out Plan 2017	2018	2019
Airbus	**24**	**22**	**26**	**2**	**2**	**8**
A319	5	0	3	0	2	4
A320/A321	12	13	19	2	0	4
A330	6	4	0	0	0	0
A350	1	5	4	0	0	0
Boeing	**33**	**27**	**35**	**17**	**14**	**12**
B737	24	25	35	15	11	12
B777	3	0	0	2	3	0
B787	6	2	0	0	0	0
Total	**57**	**49**	**61**	**19**	**16**	**20**

HUB NETWORK

The Company continuously optimized its global network, effectively enhancing the value of the hub networks. A total of 15 domestic and international routes were launched or resumed in the first half of 2017. In coordination with strategic development of Belt and Road Initiative and the Integration of Beijing-Tianjin-Hebei, the Company launched international routes from Beijing to Astana, Zurich and other relevant international routes. It also launched a domestic route of Beijing-Zhengzhou-Shaoyang. By adjusting the flight schedules and aircraft models of domestic routes from Beijing to Guangzhou, Wenzhou, Fuzhou and other cities, the banks of flights at Beijing Hub continued to be optimized. We delivered through check-in baggage services on routes from 17 European cities to domestic destinations via Beijing. So far this service has covered 28 waypoints in Europe and America, accounting for approximately 70% of transiting flights from overseas to domestic destinations via Beijing. The connecting capabilities of Beijing hub were further enhanced. The Company kept developing the Shanghai international gateway, as well as Chengdu and Shenzhen regional hubs. Route network has been further developed by launching new international and domestic routes (including resumed routes) such as Shanghai-Barcelona, Chengdu-Shihezi-Yining, Chengdu-Kashgar, Hangzhou-Liupanshui, Tianjin-Taiyuan-Xining, Tianjin-Turpan-Yining, Chongqing-Liupanshui, Guiyang-Yuncheng-Dalian, and Yuncheng-Hong Kong.

As at 30 June 2017, the Company's passenger traffic routes have expanded to 408 in total, across six continents of the world, including 287 domestic, 106 international and 15 regional routes. The Company's network covered 39 countries and regions and 184 cities, including 115 domestic, 66 international and 3 regional cities. Through Star Alliance, the Company's route network extended to 1,307 destinations in 191 countries.

SALES AND MARKETING

The Company continuously enhanced its yield level, accelerated its business model transformation, and enhanced its core brand value. In the first half of 2017, with the gradual recovery in business travel, the Company has significantly increased its deployment of wide-body aircraft for domestic routes in key markets, resulting in the steady growth of domestic traffic. The Company effectively carried out its price priority strategy, further reinforcing its industrial leading position in terms of yield level. Through the optimization of the pricing structure of domestic premium class and the broadening of customer resources of international premium class, the Company has significantly improved both the yield level and revenue contribution of premium class, with domestic and international revenue from premium class rising by 22% and 7% year-on-year respectively. The total number of "Phoenix Miles" members amounted to 46.28 million and with the activities of members enhanced, revenue contribution was up by 23% compared to the same period last year. We have completed the reconstruction of the credit point accumulation platform and the electronization of frequent flier business, as well as expanded the mileage usage channels. This helped to enhance our customers' satisfaction and loyalty, and steadily promoted business model innovation. We launched "Special Official Website Day", "National Birthday Benefits" and other promotional activities for direct sales, and continually promoted our ancillary revenue products. In the first half of 2017, our cumulative sales revenue from ancillary revenue products such as paid seat selection and boarding gate ticket upgrading reached RMB65.27 million, representing a year-on-year increase of 68%. We implemented our brand strategy comprehensively, completed the design of our new brand image and capitalized on Star Alliance's 20th anniversary global celebration campaign as an opportunity to vigorously promote our brands, products and services. In a brand partnership with the "World Horticultural Exposition 2019, Beijing, China", we have become its highest level global partner and the sole sponsor in aviation industry.

EXTERNAL COOPERATION

We further promoted our joint venture arrangement with Lufthansa, which has entered the implementation phase. By joining Lufthansa's SME customer schemes in France and Italy and German corporate customer agreements, we received cumulative revenue of RMB10.67 million from January to May, and added nearly 300 new customers, thereby effectively enhancing our yield level. We have identified the development direction and focus areas in relation to our cooperation with United Airlines, and reached consensus on the expansion of cooperation in terms of code-sharing services and corporate customers. In addition, we also refined our code-sharing cooperation with All Nippon Airways, Virgin Atlantic Airlines and Israel Airlines, and carried out training and exchange activities. We have commenced our cooperation with Cathay Pacific in terms of network cooperation, flight schedule coordination, service enhancement and revenue settlement, and thoroughly discussed the Beijing-Hong Kong express, dual-hubs network coordination, cooperation in the Greater Bay Area and other projects. We actively promoted the cooperation with Star Alliance, facilitated the release of online mileage redemption, VIP member data, membership level renewal and other functions. By recommending Juneyao Airlines to become Star Alliance's connecting partner, the network layout of Star Alliance in Shanghai was improved.

PRODUCTS AND SERVICES

We improved the passengers' experience by continuously enhancing our service capabilities. Our mobile APP has been upgraded six times. The updated version added delayed flight luggage enquiries function, optimized the flight rescheduling function, and promoted the electronic compensation scheme to improve the traveling experience of passengers of irregular flights. We conducted comprehensive optimization of self-services, including promoting direct security check with electronic boarding pass and introducing self-service baggage check with boarding pass, and the proportion of domestic passengers boarding through self-service check-in machines increased to 52%. We also fully accelerated the development of "mobile cabin" project, strengthened the development of air-ground information chain, and promoted synergy between precise service and precise marketing. We selected and updated the contents of the in-flight entertainment system based on big data statistics and feedback from passengers. In the first half of 2017, 96 films and 157 episodes of TV series on average were provided to the whole fleet each month, with a monthly renewal rate of approximately 39.34% and 39.26%, respectively.

AIR CARGO AND MAIL

Through the strengthening of business process control, our business quality continued to improve. We adjusted our route structure according to market demand. We have opened a new destination of Liege, Belgium, and increased frequencies to Tokyo and Amsterdam, realizing a year-on-year increase in the yield level of our remote freighter. We strengthened the passenger and cargo business alignment and carried out interline cooperation with foreign airlines on low-load routes. With the introduction of dangerous cargo transportation services provided in five destinations, the industrial leading position in terms of yield level of belly-hold freights has been further improved. We continuously adjusted our marketing strategy, steadily developed the e-commerce logistics projects, expanded cooperation in international express mail business, and increased the scale of cooperation with high-quality customers. With the newly established partnership with two corporate customers, namely FEDEX and TNT, we continued to improve our customer structure. We actively promoted the infrastructure construction for cold chain storage and transportation capacity, and by introducing cold chain transportation program, we achieved stable operation of cold chain products transportation. Cargo station operation continued to improve, with Chengdu cargo station achieving a year-on-year profit growth of 50%. Mixed ownership reform of air freight logistics was in steady progress.

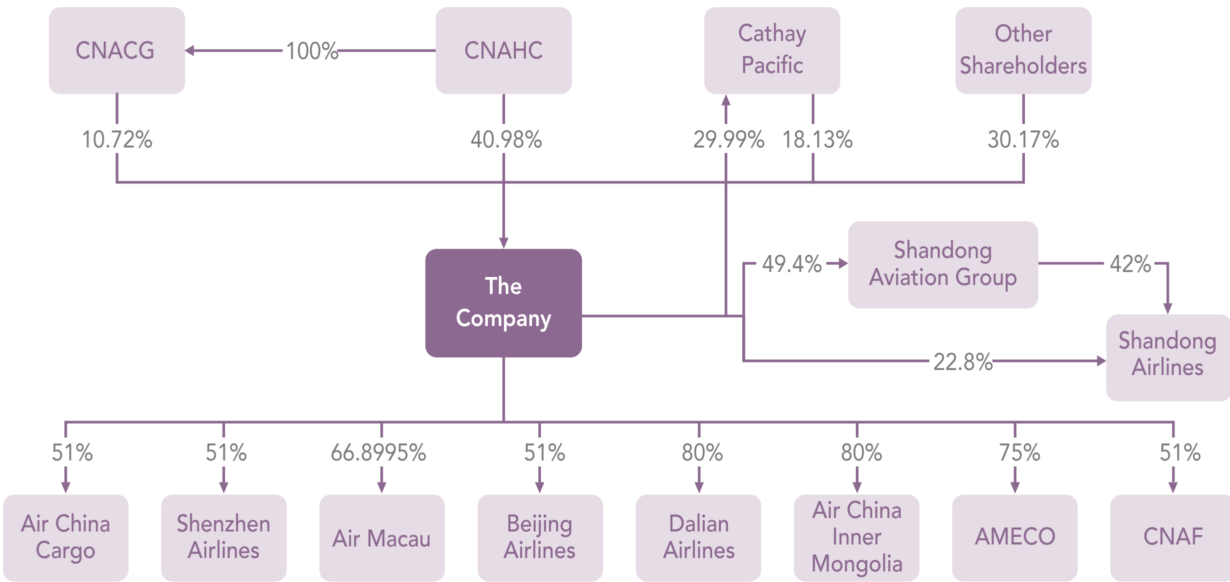
COST CONTROLS

In the first half of 2017, focusing on optimizing the wide-body aircraft operation, the Company carried out a special working plan of cost control by integrating internal resources, refining cost management responsibilities, improving the cost management system and improving the management efficiency. We further promoted fuel-efficient measures such as the optimized control of remaining oil on landing, optimization of routes, and enhancing the loading efficiency of the bellyhold space. We controlled maintenance costs by strengthening the engine condition monitoring and repair cycle control, and carrying out refined management of used serviceable parts of engines. We strengthened communication and coordination with local airports, and actively responded to the reform of domestic flights takeoff and landing fees. We promoted the optimization of the cost structure of in-flight catering services, actively promoted the development of direct sales channels to speed up the implementation of our policy on increasing direct sales and reducing distribution costs, and promoted the integration of service personnel and the resource of vehicles operating in the airport control area.

PROSPECTS

In the second half of 2017, China's economic growth will continue its steady trajectory, and the civil aviation market will continue its rapid pace of growth. The Company looks to capitalize on strategic opportunities, while awares that industry competition, particularly in the international market, will continue to intensify, the business environment will become more complex, and uncertainties from oil price fluctuations and geopolitical risks will persist. In facing of the opportunities and challenges ahead, the Group will remain focused on the goal of becoming a "large network airline with international competitive edge" and on upholding our diligent management philosophy, deepening reform with innovation, and enhancing our competitive advantage in the international market so as to deliver better returns to shareholders and to society.

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



(1) Air China Cargo

Air China Cargo was established in 2003. Headquartered in Beijing, Air China Cargo takes Shanghai as its main long-distance air freighter operation base and is primarily engaged in air cargo and mail transportation. The registered capital of Air China Cargo is RMB5,235,294,118. Air China holds 51% of its equity interest.

As at 30 June 2017, Air China Cargo operated a fleet of 15 aircraft with an average age of 10.04 years.

In the first half of 2017, the AFTKs of Air China Cargo reached 5,842 million, representing a year-on-year increase of 0.50%. Its RFTKs reached 3,236 million, representing a year-on-year increase of 6.43%. The volume of cargo and mail carried was 0.6928 million tonnes, representing a year-on-year increase of 5.35%. The cargo and mail load factor was 55.40%, representing a year-on-year increase of 3.09 ppts.

In the first half of 2017, Air China Cargo's revenue was RMB4,951 million, representing a year-on-year increase of 22.25%, of which cargo and mail transportation revenue amounted to RMB4,304 million, representing a year-on-year increase of 20.43%. The profit attributable to the equity shareholders was RMB282 million, as compared to the net loss of RMB245 million in 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 RMB812.5 million. Air China holds 51% of its equity interest.

As at 30 June 2017, Shenzhen Airlines (including Kunming Airlines) operated a fleet of 187 aircraft with an average age of 6.20 years. In the first half of 2017, three aircraft were introduced, and four aircraft were phased out.

In the first half of 2017, the ASKs of Shenzhen Airlines (including Kunming Airlines) reached 29,065 million, representing a year-on-year increase of 4.12%. Its RPKs reached 23,910 million, representing a year-on-year increase of 3.74%. It carried a total of 15.8661million passengers, representing a year-on-year increase of 5.12%. The average passenger load factor was 82.26%, representing a year-on-year decrease of 0.31 ppts.

In terms of air cargo, the AFTKs of Shenzhen Airlines (including Kunming Airlines) reached 487 million, representing a year-on-year increase of 21.05%. Its RFTKs reached 265 million, representing a year-on-year increase of 2.31%. The volume of cargo and mail carried by Shenzhen Airlines (including Kunming Airlines) was 0.1590 million tonnes, representing a year-on-year increase of 0.57%, while the cargo and mail load factor was 54.36%, representing a year-on-year decrease of 9.96 ppts.

In the first half of 2017, Shenzhen Airlines recorded a revenue of RMB13,307 million, representing a year-on-year increase of 7.20%, of which air traffic revenue amounted to RMB12,781 million, representing a year-on-year increase of 7.48%. The profit attributable to equity shareholders was RMB851million, representing a year-on-year increase of 10.04%.

(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 66.8995% of its equity interest.

As at 30 June 2017, Air Macau operated a fleet of 18 aircraft with an average age of 7.80 years. In the first half of 2017, one aircraft was introduced.

In the first half of 2017, the ASKs of Air Macau reached 3,016 million, representing a year-on-year decrease of 6.17%. Its RPKs reached 2,171 million, representing a year-on-year decrease of 6.97%. It carried a total of 1.2989 million passengers, representing a year-on-year decrease of 5.49%, with an average passenger load factor of 71.96%, representing a year-on-year decrease of 0.62 ppts.

In terms of air cargo, the AFTKs of Air Macau reached 48.0244 million, representing a year-on-year decrease of 6.71%. Its RFTKs reached 15.9655 million, representing a year-on-year increase of 18.32%. It carried 10,083.74 tonnes of cargo and mail, representing a year-on-year increase of 14.64%. The cargo and mail load factor was 33.24%, representing a year-on-year increase of 7.03 ppts.

In the first half of 2017, Air Macau recorded a revenue of RMB1,404 million, representing a year-on-year increase of 8.00%, of which air traffic revenue amounted to RMB1,354 million, representing a year-on-year increase of 7.12%. It recorded a net loss of RMB15 million, as compared to a net loss of RMB38 million in the same period last year.

(4) 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 2017, Beijing Airlines operated a fleet of six entrusted business jets and one self-owned business jet with an average age of 4.77 years.

In the first half of 2017, Beijing Airlines completed 251 flights, representing a year-on-year increase of 17.84%. It completed 816.95 flying hours, representing a year-on-year increase of 29.80%. It carried a total of 1,000 passengers, representing a year-on-year decrease of 34.55%.

In the first half of 2017, Beijing Airlines recorded a revenue of RMB56 million, representing a year-on-year increase of 7.17%, of which charter service revenue amounted to RMB13 million, representing a year-on-year decrease of 44.58%. It recorded a net loss of RMB22 million, as compared to profit after taxation of RMB1 million in the same period last year.

(5) 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 2017, Dalian Airlines operated a fleet of 10 aircraft with an average age of 4.53 years. In the first half of 2017, one aircraft was introduced.

In the first half of 2017, the ASKs of Dalian Airlines reached 1,334 million, representing a year-on-year increase of 15.29%. Its RPKs reached 1,120 million, representing a year-on-year increase of 15.44%. It carried a total of 1.0532 million passengers, representing a year-on-year increase of 10.67%, with an average passenger load factor of 83.95%, representing a year-on-year increase of 0.11 ppts.

In terms of air cargo, the AFTKs of Dalian Airlines reached 17.6927 million, representing a year-on-year increase of 13.20%. Its RFTKs reached 8.0315 million, representing a year-on-year increase of 15.17%. It carried a total of 6,947.77 tonnes of cargo and mail, representing a year-on-year increase of 10.29%, with cargo and mail load factor of 45.39%, representing a year-on-year increase of 0.77 ppts.

In the first half of 2017, Dalian Airlines recorded a revenue of RMB703 million, all of which was air traffic revenue, representing a year-on-year increase of 15.23%. Profit after taxation was RMB75 million, representing a year-on-year increase of 20.52%.

(6) Air China Inner Mongolia

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

As at 30 June 2017, Air China Inner Mongolia operated a fleet of six aircraft (including three self-owned aircraft) with an average age of 6.93 years.

In the first half of 2017, the ASKs of Air China Inner Mongolia reached 788 million, representing a year-on-year increase of 39.26%. Its RPKs reached 649 million, representing a year-on-year increase of 42.20%. It carried a total of 0.6784 million passengers, representing a year-on-year increase of 47.29%, with an average passenger load factor of 82.37%, representing a year-on-year increase of 1.70 ppts.

In terms of air cargo, the AFTKs of Air China Inner Mongolia reached 13.5137 million, representing a year-on-year increase of 110.45%. Its RFTKs reached 5.4576 million, representing a year-on-year increase of 23.70%. It carried 4,847.09 tonnes of cargo and mail, representing a year-on-year increase of 26.77%. The cargo and mail load factor was 40.39%, representing a year-on-year decrease of 28.32 ppts.

In the first half of 2017, Air China Inner Mongolia recorded a revenue of RMB551 million, representing a year-on-year increase of 46.44%, of which, air traffic revenue amounted to RMB545 million, representing a year-on-year increase of 47.70%. Profit after taxation was RMB55 million, representing a year-on-year decrease of 1.04%.

(7) AMECO

AMECO was established in 1989 and principally engaged in the repair business of aircraft, engines and components. The registered capital of AMECO is US$300,052,800, with Air China holding 75% of its equity interest.

In the first half of 2017, AMECO recorded a revenue of RMB2,901 million, representing a year-on-year decrease of 7.38%, and a net loss of RMB39 million as compared to the net profit of RMB30 million in the same period last year.

(8) CNAF

CNAF was established in 1994 and principally engaged in the provision of financial services to CNAHC Group and the Group. The registered capital of CNAF is RMB1,127,961,864, with Air China holding 51% of its equity interest.

In the first half of 2017, CNAF recorded a revenue of RMB127 million, representing a year-on-year increase of 22.74%, and profit after taxation of RMB42 million, representing a year-on-year decrease of 6.91%.

(9) Cathay Pacific

Cathay Pacific was incorporated 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 2017, Cathay Pacific operated a fleet of 203 aircraft. Six aircraft were introduced and five aircraft were phased out during the first half of 2017.

In the first half of 2017, the ASKs of Cathay Pacific reached 73,444 million, representing a year-on-year increase of 1.10%. Its RPKs reached 62,242 million, representing a year-on-year increase of 1.42%. A total of 17.163 million passengers were carried, representing a year-on-year decrease of 0.50%, with an average passenger load factor of 84.75%, representing a year-on-year increase of 0.28 ppts.

In terms of air cargo, the AFTKs of Cathay Pacific reached 8,206 million, representing a year-on-year increase of 2.31%. Its RFTKs reached 5,435 million, representing a year-on-year increase of 8.92%. It carried a total of 0.9657 million tonnes of cargo and mail, representing a year-on-year increase of 11.53%. The cargo and mail load factor was 66.23%, representing a year-on-year increase of 4.02 ppts.

In the first half of 2017, Cathay Pacific recorded a revenue of RMB40,411 million, representing a year-on-year increase of 4.53%, of which air traffic revenue amounted to RMB37,558 million, representing a year-on-year increase of 3.63%. Cathay Pacific recorded a loss attributable to equity shareholders of RMB1,807 million, as compared to the profit attributable to equity shareholders of RMB299 million in the same period last year.

(10) Shandong Airlines

Shandong Airlines was established in 1999 with a registered capital of RMB400 million. Air China and Shandong Aviation Group Corporation hold 22.8% and 42% of its equity interest, respectively, while Air China holds 49.4% of equity interest of Shandong Aviation Group Corporation.

As at 30 June 2017, Shandong Airlines operated a fleet of 107 aircraft (excluding two aircraft on wet leases to Air China) with an average age of 4.71 years. Nine aircraft were introduced during the first half of 2017.

In the first half of 2017, the ASKs of Shandong Airlines reached 18,715 million, representing a year-on-year increase of 18.28%. Its RPKs reached 15,395 million, representing a year-on-year increase of 27.83%. It carried a total of 10.6957 million passengers, representing a year-on-year increase of 26.90%, with an average passenger load factor of 82.26%, representing a year-on-year increase of 6.17 ppts.

In terms of air cargo, the AFTKs of Shandong Airlines reached 329 million, representing a year-on-year increase of 15.88%. Its RFTKs reached 129 million, representing a year-on-year increase of 14.74%. It carried a total of 0.0772 million tonnes of cargo and mail, representing a year-on-year increase of 9.39%. The cargo and mail load factor was 39.07%, representing a year-on-year decrease of 0.25 ppts.

In the first half of 2017, Shandong Airlines recorded a revenue of RMB7,551 million, representing a year-on-year increase of 19.67%, of which air traffic revenue amounted to RMB7,325 million, representing a year-on-year increase of 19.62%. The profit attributable to equity shareholders was RMB90 million, representing a year-on-year decrease of 68.24%.

EMPLOYEES

As at 30 June 2017, the Company had a total of 26,932 employees and its subsidiaries had a total of 55,572 employees.

The Company adheres to the principles of combining incentives with control and aligning the improvement in performance with the increase in wages, and upholds a remuneration concept of "paying salary with reference to the value of job, personal ability as well as performance appraisal" in developing and implementing the remuneration policies primarily based on the value of job. The Group values and is committed to the continuous education and training of employees and provides training courses to relevant employees based on the employees' needs. Furthermore, the Group also provides diversified training programmes such as APP-based micro-classes, Wechat communities, E-learning and face-to-face teaching, which makes leadership training more flexible and convenient.

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

PROFIT ANALYSIS

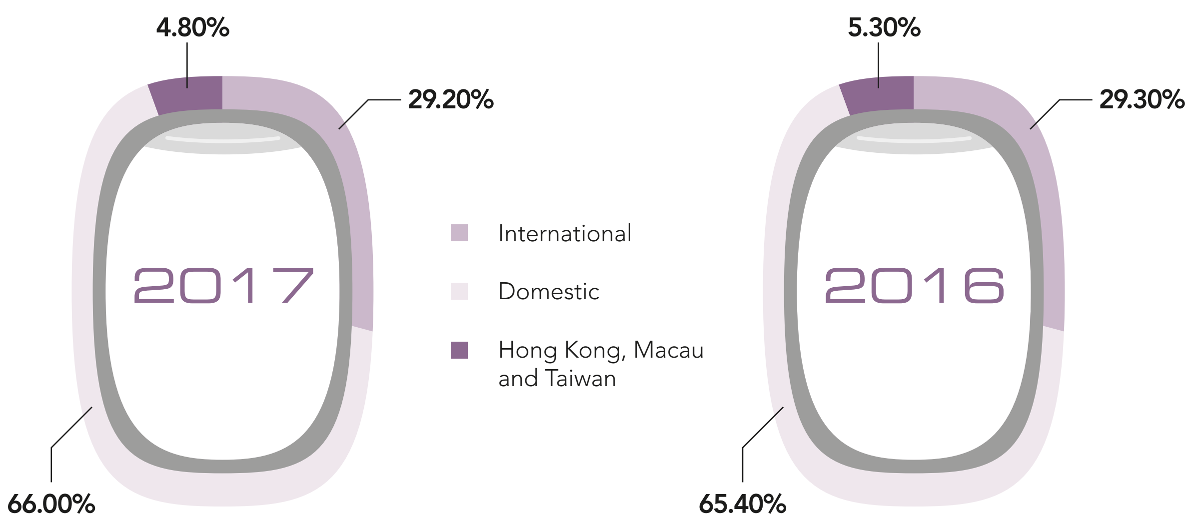
For the six months ended 30 June 2017, the Group proactively grasped market opportunities, and further strengthened the advantages of our core air traffic business by adopting measures including expanding the scale of production, optimising production organization, stabilising the yield level and refining cost control. Despite of influences of unfavorable factors including the oil price rebound, the Group still achieved satisfactory results. During the reporting period, the Group recorded a profit after tax of RMB3,921 million, representing a year-on-year increase of 3.33%.

REVENUE

For the six months ended 30 June 2017, the Group's revenue was RMB58,746 million, representing an increase of RMB4,762 million, or 8.82%, on a year-on-year basis. Among the total revenue, revenue from our air traffic operations contributed RMB55,539 million, representing an increase of RMB4,526 million, or 8.87%, on a year-on-year basis. Other operating revenue was RMB3,208 million, representing an increase of RMB237 million, or 7.96%, on a year-on-year basis.

REVENUE CONTRIBUTION BY GEOGRAPHICAL SEGMENTS

	For the six months ended 30 June				
	2017		2016		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	Change
International	**17,154,737**	**29.20%**	15,816,461	29.30%	8.46%
Domestic	**38,769,862**	**66.00%**	35,306,967	65.40%	9.81%
Hong Kong, Macau and Taiwan	**2,821,873**	**4.80%**	2,860,613	5.30%	(1.35%)
Total	**58,746,472**	**100.00%**	53,984,041	100.00%	8.82%



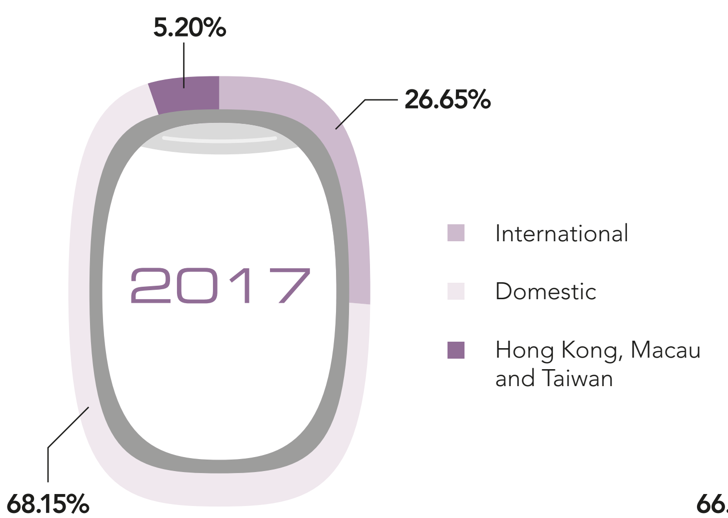
AIR PASSENGER REVENUE

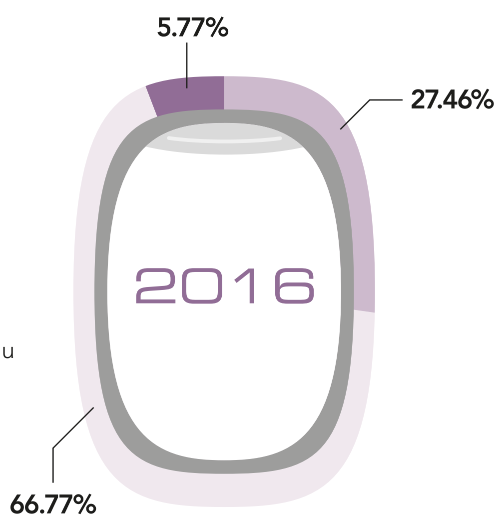
For the six months ended 30 June 2017, the Group recorded an air passenger revenue of RMB51,052 million, representing an increase of RMB3,789 million, or 8.02%, as compared to that of the same period of 2016. Among the Group's air passenger revenue, the increase in capacity contributed to an increase of RMB2,336 million, and the increase in passenger load factor and passenger yield resulted in an increase in revenue of RMB748 million and RMB705 million, respectively. The capacity, load factor and yield of our passenger operations for the six months ended 30 June 2017 are as follows:

	For the six months ended 30 June		
	2017	2016	Change
Available seat kilometres (million)	**118,991.56**	113,386.98	4.94%
Passenger load factor (%)	**81.02**	79.82	1.20 ppts
Yield per RPK (RMB)	**0.5294**	0.5219	1.42%

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June				
	2017		2016		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	Change
International	**13,607,876**	**26.65%**	12,978,371	27.46%	4.85%
Domestic	**34,789,902**	**68.15%**	31,555,519	66.77%	10.25%
Hong Kong, Macau and Taiwan	**2,654,197**	**5.20%**	2,729,169	5.77%	(2.75%)
Total	**51,051,975**	**100.00%**	47,263,059	100.00%	8.02%





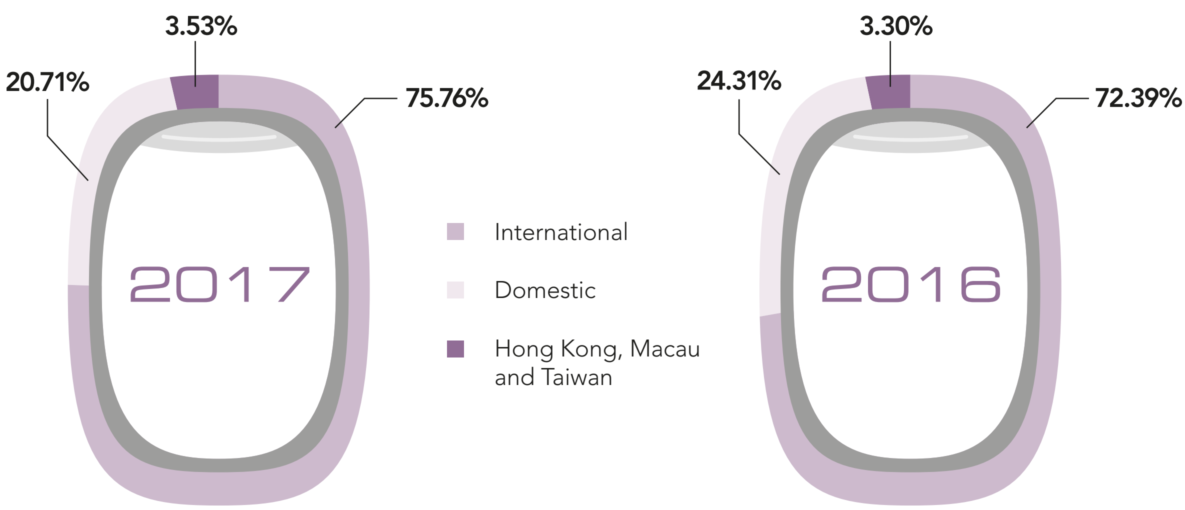
AIR CARGO AND MAIL TRANSPORTATION REVENUE

For the six months ended 30 June 2017, the Group's air cargo and mail transportation revenue was RMB4,487 million, representing an increase of RMB737 million, or 19.65%, as compared to that of the same period of 2016. Among the Group's air cargo and mail transportation revenue, the increase in capacity and cargo and mail load factor contributed to an increase in revenue of RMB71 million and RMB161 million respectively, and the increase in yield of cargo and mail resulted in a revenue increase of RMB505 million. The capacity, load factor and yield of our air cargo and mail operations for the six months ended 30 June 2017 are as follows:

	For the six months ended 30 June		
	2017	2016	Change
Available freight tonne kilometres (million)	**6,408.22**	6,288.85	1.90%
Cargo and mail load factor (%)	**55.09**	52.86	2.23 ppts
Yield per RFTK (RMB)	**1.2707**	1.1279	12.66%

AIR CARGO AND MAIL TRANSPORTATION REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June				
	2017		2016		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	Change
International	**3,399,277**	**75.76%**	2,714,438	72.39%	25.23%
Domestic	**929,415**	**20.71%**	911,409	24.31%	1.98%
Hong Kong, Macau and Taiwan	**158,006**	**3.53%**	123,945	3.30%	27.48%
Total	**4,486,698**	**100.00%**	3,749,792	100.00%	19.65%



OPERATING EXPENSES

For the six months ended 30 June 2017, the Group's operating expenses were RMB52,939 million, representing an increase of 15.12% as compared to that of RMB45,987 million in the same period of 2016. The breakdown of the operating expenses is set out below:

	For the six months ended 30 June				
	2017		2016		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
Jet fuel costs	13,629,016	25.74%	9,727,175	21.15%	40.11%
Take-off, landing and depot charges	6,656,849	12.57%	6,166,595	13.41%	7.95%
Depreciation and amortisation	6,538,174	12.35%	6,672,674	14.51%	(2.02%)
Aircraft maintenance, repair and overhaul costs	3,111,576	5.88%	2,514,900	5.47%	23.73%
Employee compensation costs	10,525,998	19.88%	9,416,298	20.48%	11.78%
Air catering charges	1,638,989	3.10%	1,563,934	3.40%	4.80%
Selling and marketing expenses	2,166,118	4.09%	2,067,576	4.50%	4.77%
General and administrative expenses	649,263	1.23%	520,892	1.13%	24.64%
Others	8,022,784	15.16%	7,337,125	15.95%	9.35%
Total	52,938,767	100.00%	45,987,169	100.00%	15.12%

In particular:

- Jet fuel costs increased by RMB3,902 million, or 40.11%, on a year-on-year basis, mainly due to the increase in jet fuel price.

- Take-off, landing and depot charges increased by RMB490 million on a year-on-year basis, mainly due to an increase in the number of take-offs and landings.

- Depreciation expenses slightly decreased due to the decrease in the number of self-owned and finance leased aircraft during the reporting period.

- Aircraft maintenance, repair and overhaul costs increased by RMB597 million on a year-on-year basis, mainly due to the expansion of fleet.

- Employee compensation costs increased by RMB1,110 million on a year-on-year basis, mainly due to the increase in the number of employees and the adjustment of employee compensation standard.

- Air catering charges increased by RMB75 million on a year-on-year basis, mainly due to the increase in the number of passengers.

- Sales and marketing expenses increased by RMB99 million on a year-on-year basis, mainly due to the increase in fees charged for reservation via computers and system use and maintenance fees.

- General and administrative expenses increased by RMB128 million on a year-on-year basis, mainly due to the full transition from BT to VAT, resulting in the year-on-year increase in tax and surcharges.

- 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 9.35% on a year-on-year basis, mainly due to, among others, the year-on-year increase in the operating lease expenses of aircraft, engines, and houses, etc. and the year-on-year increase in the contributions to the civil aviation development fund for the reporting period.

OTHER INCOME AND GAINS AND FINANCE COSTS

For the six months ended 30 June 2017, the Group recorded a net exchange gain of RMB1,270 million, as compared to the net exchange loss of RMB1,698 million for the same period of 2016, which was mainly due to the depreciation in the exchange rate of US dollars against RMB during the reporting period. The Group incurred interest expenses (excluding the capitalised portion) of RMB1,592 million during the reporting period, representing a year-on-year increase of RMB8 million.

SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2017, the Group's share of results of its associates was a loss of RMB514 million, representing a decrease of RMB676 million as compared to the share of results of associates as a profit of RMB162 million for the same period of 2016, mainly due to the year-on-year decrease in the profits of Cathay Pacific, an associate of the Company, during the reporting period. The Group recorded a loss on investment of Cathay Pacific of RMB665 million during the reporting period, as compared to a loss on investment of RMB70 million in the same period of last year.

For the six months ended 30 June 2017, the Company's share of results of its joint ventures was a profit of RMB113 million, representing a year-on-year increase of RMB15 million as compared to the share of results of joint ventures as a profit of RMB98 million for the same period of 2016. This was mainly due to the increase in the profits of joint ventures during the reporting period.

ANALYSIS OF ASSETS STRUCTURE

As at 30 June 2017, the total assets of the Group amounted to RMB229,051 million, representing an increase of 2.23% from those as at 31 December 2016, among which current assets accounted for RMB24,822 million, or 10.84% of the total assets, while non-current assets accounted for RMB204,229 million, or 89.16% of the total assets.

Among the current assets, cash and cash equivalents were RMB11,135 million, representing an increase of 62.61% from those as at 31 December 2016, which was mainly because the proceeds from the non-public issue of A shares have not been fully utilized by the end of the reporting period. Accounts receivable amounted to RMB3,737 million, representing an increase of 13.72% as compared with those as at 31 December 2016.

Among the non-current assets, the net book value of property, plant and equipment as at 30 June 2017 was RMB155,735 million, representing a decrease of 1.44% from that as at 31 December 2016.

ASSETS MORTGAGE

As at 30 June 2017, the Group, pursuant to certain bank loans and finance lease agreements, mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB81,589 million (RMB84,030 million as at 31 December 2016) and land use rights with a net book value of approximately RMB34 million (RMB35 million as at 31 December 2016). At the same time, the Group had approximately RMB526 million (approximately RMB474 million as at 31 December 2016) in bank deposits with title being restricted, which were mainly reserves deposited in the People's Bank of China.

CAPITAL EXPENDITURE

For the six months ended 30 June 2017, the Company's capital expenditure amounted to RMB11,311 million, of which the total investment in aircraft and engines was RMB9,923 million.

Other capital expenditure amounted to RMB1,388 million, mainly including investments in expensive rotable parts, flight simulators, infrastructure construction, IT system construction, procurement of equipment and facilities and cash component of the long-term investments.

EQUITY INVESTMENT

As at 30 June 2017, the Group's equity investment in its associates was RMB13,043 million, representing a decrease of 8.03% from that as at 31 December 2016, of which the equity investment in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines was RMB10,491 million, RMB1,274 million and RMB814 million, respectively. Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines recorded a loss of RMB1,675 million, a profit of RMB114 million and a profit of RMB90 million, respectively, for the six months ended 30 June 2017.

As at 30 June 2017, the Group's equity investment in its joint ventures was RMB1,124 million, representing a decrease of 0.27% from that as at 31 December 2016.

DEBT STRUCTURE ANALYSIS

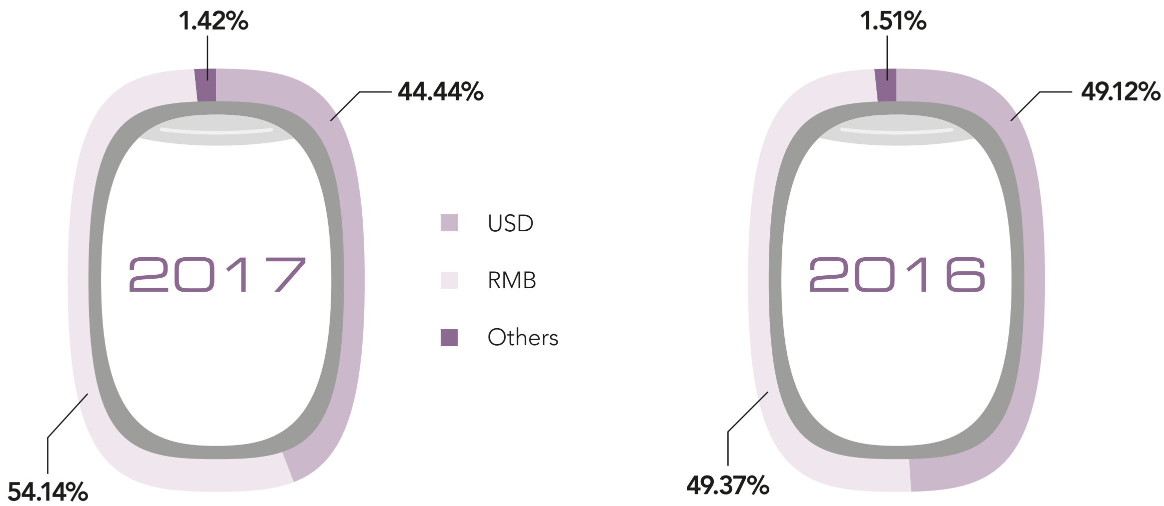
As at 30 June 2017, the total liabilities of the Group amounted to RMB139,980 million, representing a decrease of 5.20% from those as at 31 December 2016, among which current liabilities were RMB64,012 million and non-current liabilities were RMB75,968 million, representing 45.73% and 54.27% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB28,106 million, representing a decrease of 12.38% from those as at 31 December 2016. Other payables and accruals amounted to RMB13,074 million, representing a decrease of 0.16% from those as at 31 December 2016.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and liabilities under finance leases) amounted to RMB67,698 million, representing a decrease of 8.68% from those as at 31 December 2016.

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

	30 June 2017		31 December 2016		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	Change
US dollars	**42,576,657**	**44.44%**	52,170,383	49.12%	(18.39%)
RMB	**51,872,540**	**54.14%**	52,434,834	49.37%	(1.07%)
Others	**1,354,309**	**1.42%**	1,598,669	1.51%	(15.29%)
Total	**95,803,506**	**100.00%**	106,203,886	100.00%	(9.79%)



COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, decreased by 16.44% from those of RMB85,143 million as at 31 December 2016 to RMB71,142 million as at 30 June 2017. The Group's commitments under operating leases, which mainly consisted of the payments in the next few years for leasing certain aircraft, offices and related equipment, amounted to RMB53,571 million as at 30 June 2017, representing a year-on-year increase of 2.68%. The Group's investment commitments, which were mainly used in the investment agreements entered into, amounted to RMB59 million as at 30 June 2017, similar to those as at 31 December 2016.

Details of the Group's contingent liabilities are set out in note 26 of the condensed consolidated financial statements included in this interim report.

GEARING RATIO

As at 30 June 2017, the Group's gearing ratio (total liabilities divided by total assets) was 61.11%, representing a decrease of 4.79 ppts as compared to the gearing ratio of 65.90% as at 31 December 2016, which was mainly due to the impact of non-public issue of A shares during the reporting period. 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 2017, the Group's net current liabilities (current liabilities minus current assets) were RMB39,190 million, representing a decrease of RMB5,004 million from those as at 31 December 2016. The Group's current ratio (current assets divided by current liabilities) was 0.39, representing an increase as compared to that of 0.31 as at 31 December 2016.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In the first half of 2017, the Group's net cash inflow generated from operating activities was RMB9,087 million, representing a decrease of 19.48% as compared with that of RMB11,285 million in the same period of 2016, which was mainly due to the increase of jet fuel costs during the reporting period. Net cash outflow from investment activities was RMB5,185 million, representing a decrease of 64.66% from that of RMB14,669 million in the same period of 2016, mainly due to the year-on-year decrease in the amount paid for aircraft procurement during the reporting period. The Group recorded a net cash inflow from financing activities of RMB446 million, representing a decrease of 88.95% from that of RMB4,035 million in the same period of 2016, which was mainly due to the year-on-year increase in repayment of interest-bearing debts during the reporting period.

The Company has obtained certain bank facilities of up to RMB185,715 million granted by a number of banks in the PRC, among which approximately RMB15,577 million has been utilised, sufficient to meet our demands on working capital.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group holds a substantial amount of financial liabilities and financial assets dominated in foreign currencies. When exchange rate fluctuates, gains and losses resulting from foreign exchanges are substantial enough to affect the Group's operating results. Exchange rate fluctuation also affects the Group's costs generated from overseas purchase of aircraft, equipment, jet fuel and expenses relating to take-off and landing in overseas airports, and it could also have an impact on the demands of Chinese citizens for overseas travel, which in turn affects the operating results of the Group to a certain degree. In addition, interest rate fluctuation could also affect the Group's finance costs, which will affect the Group's operating results.

1 On 8 May 2017, the Board received resignation letters from independent non-executive Directors Mr. Pan Xiaojiang and Mr. Simon To Chi Keung in respect of their resignation from the position of independent non-executive Directors due to expiration of their terms of office.

2. On 18 May 2017, the Company held the 46th meeting of the 4th session of the Board, where Mr. Cao Jianxiong, Mr. Feng Gang and Ms. Feng Rune were appointed as vice presidents of the Company.

3. On 25 May 2017, the Company held the 2016 Annual General Meeting, where Mr. Wang Xiaokang and Mr. Liu Deheng were elected as independent non-executive Directors.

4. Mr. John Robert Slosar was appointed as an independent non-executive director of PureCircle Limited (a company listed on the London Stock Exchange) with effect from 1 July 2017.

5. On 2 August 2017, Mr. Zhou Feng conveyed to the Supervisory Committee his request to resign from the position as a Supervisor due to work rearrangement. The resignation of Mr. Zhou Feng did not result in the number of members of the Supervisory Committee falling below the statutory minimum requirement, and will not affect the operation of the Supervisory Committee.

6. On 9 August 2017, Mr. Wang Xiaokang was appointed as a member of the nomination and remuneration committee of the Board and Mr. Liu Deheng was appointed as the chairman of the audit and risk control committee of the Board.

7. On 30 August 2017, the Board received a resignation letter from Ms. Rao Xinyu in respect of her resignation from the position as the board secretary and joint company secretary of the Company due to work rearrangement.

8. On 30 August 2017, the Company held the 48th meeting of the 4th session of the Board, where Mr. Zhou Feng was appointed as the board secretary and joint company secretary of the Company.

DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2017, 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) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

		Number of shares				
Name of relevant shareholder	Name of corporation	Personal interest	Interest of children under the age of 18 or spouse	Corporate interest	Total	Shareholding percentage as at 30 June 2017
Ian Sai Cheung Shiu	Cathay Pacific	1,000	–	–	1,000	0.00%
Zhou Feng	Air China	10,000 (A Shares)	–	–	10,000 (A Shares)	0.00%
Shen Zhen	Air China	33,200 (A Shares)	–	–	33,200 (A Shares)	0.00%

Save as disclosed above, as at 30 June 2017, 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) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise 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 2017, 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 Cathay Dragon. Mr. Cai Jianjiang, the chairman and a non-executive Director of the Company, and Mr. Song Zhiyong, the executive Director of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and Cathay Dragon 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.

SUBSTANTIAL SHAREHOLDERS' SIGNIFICANT INTERESTS IN THE COMPANY

As at 30 June 2017, to the knowledge of the Directors, Supervisors and chief executives of the Company, the following persons (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Types 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	5,952,236,697 A Shares	40.98%	59.75%	–	–
CNAHC[1]	Attributable interests	1,332,482,920 A Shares	9.17%	13.38%	–	–
CNAHC[1]	Attributable interests	223,852,000 H Shares	1.54%	–	4.91%	–
CNACG	Beneficial owner	1,332,482,920 A Shares	9.17%	13.38%	–	–
CNACG	Beneficial owner	223,852,000 H Shares	1.54%	–	4.91%	–
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	18.13%	–	57.72%	–
Swire Pacific Limited[2]	Attributable interests	2,633,725,455 H Shares	18.13%	–	57.72%	–
John Swire & Sons (H.K.) Limited[2]	Attributable interests	2,633,725,455 H Shares	18.13%	–	57.72%	–
John Swire & Sons Limited[2]	Attributable interests	2,633,725,455 H Shares	18.13%	–	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 2017:

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 approximately 55.03% equity interest and 63.81% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at 30 June 2017, 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 2017, to the knowledge of the Directors, Supervisors and chief executives of the Company, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE AND THE REQUIREMENTS OF THE LISTING RULES ON AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Save and except for code provision A.5.1, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

Code provision A.5.1 requires that the nomination committee shall be chaired by the chairman of the Board or an independent non-executive director, and comprise a majority of independent non-executive directors. Rule 3.21 of the Listing Rules requires that the audit committee shall comprise at least three members and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, and the chairman of the audit committee must also be an independent non-executive director. Rule 3.25 of the Listing Rules requires that the remuneration committee must comprise a majority of independent non-executive directors.

Mr. Pan Xiaojiang and Mr. Simon To Chi Keung resigned as independent non-executive Directors on 8 May 2017, and the resignation became effective from the date of the annual general meeting of the Company held on 25 May 2017, where Mr. Wang Xiaokang and Mr. Liu Deheng were elected as independent non-executive Directors. After the resignation becomes effective, Mr. Pan Xiaojiang is no longer the chairman of the audit and risk control committee of the Board and a member of the nomination and remuneration committee of the Board, and Mr. Simon To Chi Keung is no longer a member of the nomination and remuneration committee of the Board. Therefore, the Company failed to meet the composition requirements of audit committee, remuneration committee and nomination committee under the aforesaid rules of the Listing Rules and code provision. On 9 August 2017, Mr. Wang Xiaokang was appointed as a member of the nomination and remuneration committee of the Board and Mr. Liu Deheng was appointed as the chairman of the audit and risk control committee of the Board. The aforementioned requirements of the Listing Rules and code provision have been fulfilled since then.

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 to the Listing Rules. After making specific enquiries, the Company confirmed that each director and each supervisor of the Company have complied with the required standards of the Model Code and the Company's code of conduct throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the first half of 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company (the term "securities" has the meaning ascribed to it under paragraph 1 of Appendix 16 to the Listing Rules).

INTERIM DIVIDEND

No interim dividend will be paid by the Company for the six months ended 30 June 2017.

SUBSEQUENT EVENTS

On 30 August 2017, the Board resolved to propose to elect Mr. Cai Jianjiang and Mr. John Robert Slosar as non-executive Directors of the fifth session of the Board, to elect Mr. Song Zhiyong as executive Director of the fifth session of the Board, and to elect Mr. Wang Xiaokang, Mr. Liu Deheng, Mr. Stanley Hui Hon-chung and Mr. Li Dajin as independent non-executive Directors of the fifth session of the Board. On the same date, the Supervisory Committee resolved to propose to elect Mr. Wang Zhengang and Mr. He Chaofan as shareholder representative Supervisors of the fifth session of the Supervisory Committee. The aforesaid proposed election of Directors and Supervisors are subject to approval of the shareholders of the Company at a general meeting. For details, please refer to the announcement of the Company dated 30 August 2017.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim report for the six months ended 30 June 2017, the Company's unaudited condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

OTHER INFORMATION

According to paragraph 40 of Appendix 16 to 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 2016 Annual Report.

NON-PUBLIC ISSUE OF A SHARES

On 10 March 2017, the Company completed the non-public issue of 1,440,064,181 A Shares to CNAHC, China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司), Zhongyuan Equity Investment Management Co., Ltd. (中原股權投資管理有限公司), China National Aviation Fuel Group Corporation (中國航空油料集團公司), Caitong Fund Management Co., Ltd. (財通基金管理有限公司), CIB Asset Management Co., Ltd. (興業財富資產管理有限公司), Horizon Asset Management Co., Ltd. (匯安基金管理有限責任公司) and E Fund Management Co., Ltd. (易方達基金管理有限公司) at the issue price of RMB7.79 per Share (the "Non-public A Share Issue"). The Shares subscribed for by CNAHC are subject to a lock-up period of 36 months from the completion date of the Non-public A Share Issue, and those Shares subscribed for by other investors are subject to a lock-up period of 12 months from the completion date of the Non-public A Share Issue. After the completion of the Non-public A Share Issue, CNAHC holds directly and indirectly 7,508,571,617 Shares of the Company in aggregate, representing 51.70% of the total issued share capital of the Company, and CNAHC remains the controlling shareholder of the Company. For details, please refer to the Company's announcements published on the website of the Hong Kong Stock Exchange on 13 March 2017.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 23 January 2017, the Company convened an extraordinary general meeting and approved the resolution relating to the extension of the validity period of the authorisation granted to the Board and the Board's authorised person(s) to handle all relevant matters relating to the Non-public A Share Issue of the Company. After the completion of the Non-public A Share Issue on 10 March 2017, upon the authorisation granted at the general meeting, the chairman of the Board has decided that provisions in relation to the issue of shares and the registered capital of the Company in Article 20 and Article 23 of the Articles of Association will be amended.

On 30 March 2017, the Company convened an extraordinary general meeting where the proposed amendment to the Company's scope of business set out in Article 12 of the Articles of Association was approved.

The amended Articles of Association containing the afore-mentioned amendments has been submitted to the relevant PRC authorities for approval and filing. The relevant authorities have confirmed that the amendments to the Articles of Association are not subject to approval by or filing with them. The amended Articles of Association has come into effect from the date of receipt of the confirmation from the relevant authorities.

TO THE BOARD OF DIRECTORS OF AIR CHINA LIMITED
(中國國際航空股份有限公司)
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Air China Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 30 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to form a conclusion on these condensed consolidated financial statements based on our review, 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue			
Air traffic revenue	5	**55,538,673**	51,012,851
Other operating revenue	6	**3,207,799**	2,971,190
		58,746,472	53,984,041
Operating expenses			
Jet fuel costs		**(13,629,016)**	(9,727,175)
Employee compensation costs		**(10,525,998)**	(9,416,298)
Take-off, landing and depot charges		**(6,656,849)**	(6,166,595)
Depreciation and amortisation		**(6,538,174)**	(6,672,674)
Aircraft and engine operating lease expenses		**(3,675,180)**	(3,013,776)
Aircraft maintenance, repair and overhaul costs		**(3,111,576)**	(2,514,900)
Air catering charges		**(1,638,989)**	(1,563,934)
Other flight operation expenses		**(3,866,439)**	(3,833,879)
Selling and marketing expenses		**(2,166,118)**	(2,067,576)
General and administrative expenses		**(649,263)**	(520,892)
Other operating lease expenses		**(481,165)**	(489,470)
		(52,938,767)	(45,987,169)
Profit from operations	7	**5,807,705**	7,996,872
Other income and gains	8	**1,359,390**	64,738
Finance costs	9	**(1,592,410)**	(3,281,987)
Share of results of associates		**(513,836)**	161,897
Share of results of joint ventures		**112,988**	97,566
Profit before taxation		**5,173,837**	5,039,086
Taxation	10	**(1,253,054)**	(1,244,765)
Profit for the period		**3,920,783**	3,794,321
Attributable to:			
– Equity shareholders of the Company		**3,340,730**	3,468,241
– Non-controlling interests		**580,053**	326,080
Profit for the period		**3,920,783**	3,794,321
Earnings per share			
– Basic and diluted	12	**RMB25.32 cents**	RMB28.21 cents

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**3,920,783**	3,794,321
Other comprehensive (expense) income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
– Remeasurement of net defined benefit liability	**(17,922)**	285
Items that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive (expense) income of associates and joint ventures	**(133,787)**	927,788
– Available-for-sale securities: net change in fair value	**107,727**	7,635
– Exchange realignment	**(636,313)**	386,232
– Income tax relating to items that may be reclassified subsequently to profit or loss	**(26,932)**	(1,909)
Other comprehensive (expense) income for the period	**(707,227)**	1,320,031
Total comprehensive income for the period	**3,213,556**	5,114,352
Attributable to:		
– Equity shareholders of the Company	**2,616,771**	4,776,170
– Non-controlling interests	**596,785**	338,182
Total comprehensive income for the period	**3,213,556**	5,114,352

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	**155,735,443**	158,012,922
Lease prepayments	14	**3,292,755**	3,057,745
Investment properties		**679,517**	695,518
Intangible assets		**95,394**	113,367
Goodwill		**1,099,975**	1,099,975
Interests in associates	15	**13,042,636**	14,181,687
Interests in joint ventures		**1,123,973**	1,126,992
Advance payments for aircraft and flight equipment		**24,045,542**	20,662,867
Deposits for aircraft under operating leases		**697,325**	649,343
Held-to-maturity securities		**–**	10,000
Available-for-sale securities		**1,298,911**	1,150,661
Deferred tax assets		**2,244,866**	3,054,035
Other non-current assets		**872,188**	249,502
		204,228,525	204,064,614
Current assets			
Non-current assets held for sale		**105,862**	913,129
Inventories		**2,065,946**	1,680,633
Accounts receivable	16	**3,736,826**	3,286,091
Bills receivable		**687**	837
Prepayments, deposits and other receivables	17	**4,858,630**	3,729,699
Financial assets	18	**20,173**	222
Restricted bank deposits		**525,928**	474,338
Cash and cash equivalents		**11,135,270**	6,848,018
Held-to-maturity securities		**10,000**	–
Other current assets		**2,362,968**	3,053,370
		24,822,290	19,986,337
Total assets		**229,050,815**	224,050,951

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Current liabilities			
Air traffic liabilities		**(6,303,794)**	(6,313,936)
Accounts payable	19	**(12,277,824)**	(10,832,292)
Dividends payable		**(1,564,468)**	–
Other payables and accruals	20	**(13,073,813)**	(13,094,920)
Current taxation		**(1,202,604)**	(920,508)
Obligations under finance leases	21	**(5,799,979)**	(6,099,453)
Interest-bearing bank loans and other borrowings	22	**(22,305,662)**	(25,975,716)
Provision for major overhauls		**(1,484,099)**	(943,609)
		(64,012,243)	(64,180,434)
Net current liabilities		**(39,189,953)**	(44,194,097)
Total assets less current liabilities		**165,038,572**	159,870,517
Non-current liabilities			
Obligations under finance leases	21	**(33,930,608)**	(36,295,471)
Interest-bearing bank loans and other borrowings	22	**(33,767,257)**	(37,833,246)
Provision for major overhauls		**(3,615,342)**	(3,523,236)
Provision for early retirement benefit obligations		**(6,200)**	(7,919)
Long-term payables		**(63,814)**	(23,350)
Defined benefit obligations		**(277,881)**	(269,742)
Deferred income		**(3,307,775)**	(3,092,841)
Deferred tax liabilities		**(998,954)**	(2,428,313)
		(75,967,831)	(83,474,118)
NET ASSETS		**89,070,741**	76,396,399

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital	23	**14,524,815**	13,084,751
Treasury shares	24	**(3,047,564)**	(3,047,564)
Reserves		**69,575,681**	58,762,068
Total equity attributable to equity shareholders of the Company		**81,052,932**	68,799,255
Non-controlling interests		**8,017,809**	7,597,144
TOTAL EQUITY		**89,070,741**	76,396,399

For the six months ended 30 June 2017

		Attributable to equity owners of the Company									
	Notes	Issued capital RMB'000	Treasury shares RMB'00	Capital reserve RMB'000	Reserve funds RMB'000	General reserve RMB'000	Foreign exchange translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017		**13,084,751**	**(3,047,564)**	**18,183,216**	**7,829,643**	**66,709**	**(1,300,075)**	**33,982,575**	**68,799,255**	**7,597,144**	**76,396,399**
Changes in equity for the six months ended 30 June 2017											
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**3,340,730**	**3,340,730**	**580,053**	**3,920,783**
Other comprehensive (expense) income		**–**	**–**	**(106,023)**	**–**	**–**	**(617,936)**	**–**	**(723,959)**	**16,732**	**(707,227)**
Total comprehensive (expense) income		**–**	**–**	**(106,023)**	**–**	**–**	**(617,936)**	**3,340,730**	**2,616,771**	**596,785**	**3,213,556**
Non-public offering of shares	23	**1,440,064**	**–**	**9,778,036**	**–**	**–**	**–**	**–**	**11,218,100**	**–**	**11,218,100**
Transaction costs related to non-public offering of shares		**–**	**–**	**(16,726)**	**–**	**–**	**–**	**–**	**(16,726)**	**–**	**(16,726)**
Appropriation of discretionary reserve funds		**–**	**–**	**–**	**652,457**	**–**	**–**	**(652,457)**	**–**	**–**	**–**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(176,120)**	**(176,120)**
Dividends declared in respect of the previous year	11	**–**	**–**	**–**	**–**	**–**	**–**	**(1,564,468)**	**(1,564,468)**	**–**	**(1,564,468)**
As at 30 June 2017 (unaudited)		**14,524,815**	**(3,047,564)**	**27,838,503**	**8,482,100**	**66,709**	**(1,918,011)**	**35,106,380**	**81,052,932**	**8,017,809**	**89,070,741**
As at 1 January 2016		13,084,751	(3,047,564)	15,831,794	6,633,105	54,951	(2,593,116)	29,784,090	59,748,011	6,774,742	66,522,753
Changes in equity for the six months ended 30 June 2016											
Profit for the period		–	–	–	–	–	–	3,468,241	3,468,241	326,080	3,794,321
Other comprehensive income		–	–	931,460	–	–	376,469	–	1,307,929	12,102	1,320,031
Total comprehensive income		–	–	931,460	–	–	376,469	3,468,241	4,776,170	338,182	5,114,352
Appropriation of discretionary reserve funds		–	–	–	544,081	–	–	(544,081)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(117,592)	(117,592)
Dividends declared in respect of the previous year	11	–	–	–	–	–	–	(1,400,068)	(1,400,068)	–	(1,400,068)
Others		–	–	–	–	–	–	–	–	8,988	8,988
As at 30 June 2016 (unaudited)		13,084,751	(3,047,564)	16,763,254	7,177,186	54,951	(2,216,647)	31,308,182	63,124,113	7,004,320	70,128,433

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	**12,226,201**	14,204,840
Income tax paid	**(1,618,499)**	(1,473,597)
Interest paid	**(1,520,901)**	(1,446,486)
Net cash generated from operating activities	**9,086,801**	11,284,757
Investing activities		
Payment for the purchase of property, plant and equipment	**(1,990,708)**	(4,368,609)
Increase in advance payments for aircraft and flight equipment	**(5,806,355)**	(11,083,274)
Proceeds from sale of property, plant and equipment and held-for-sale assets	**2,429,830**	165,623
Cash acquired through acquisition of a subsidiary	**–**	28,984
Cash flows arising from other investing activities	**182,632**	588,125
Net cash used in investing activities	**(5,184,601)**	(14,669,151)
Financing activities		
Proceeds from issuance of shares	**11,218,100**	–
Payment of transaction costs attributable to issuance of shares	**(16,726)**	–
New bank loans and other loans	**16,904,831**	11,998,558
Proceeds from issuance of corporate bonds	**–**	10,850,241
Repayment of bank loans and other borrowings	**(24,451,211)**	(14,241,507)
Repayment of principal under finance leases	**(3,033,094)**	(3,054,944)
Dividends paid	**(176,120)**	(1,517,660)
Net cash generated from financing activities	**445,780**	4,034,688
Net increase in cash and cash equivalents	**4,347,980**	650,294
Cash and cash equivalents at 1 January	**6,848,018**	7,138,098
Effect of foreign exchanges rates changes	**(60,728)**	75,415
Cash and cash equivalents at 30 June	**11,135,270**	7,863,807

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 of the Company (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 as the "Group") are provision of airline and airline-related services, including aircraft engineering services and airport ground handling services.

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

The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Boards as well as with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2016.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB39,190 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Group's sources of liquidity and the unutilised bank facilities of RMB170,138 million as at 30 June 2017, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements when preparing these condensed consolidated financial statements for the six months ended 30 June 2017. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and liabilities for cash-settled share-based payment transaction which are measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current period, the Group has applied for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The adoption of amendments to IFRSs in the current interim period does not have any material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 mainly 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 registered/located in Mainland China. An analysis of the assets of the Group by geographical distribution has therefore not been included.

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

Operating segments

The following tables present the Group's consolidated revenue and profit before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2017 and 2016 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2017 (unaudited)

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	57,656,846	498,143	–	58,154,989
Intersegment sales	82,804	3,766,046	(3,848,850)	–
Revenue for reportable segments under CASs	57,739,650	4,264,189	(3,848,850)	58,154,989
Other income not included in segment revenue				591,483
Revenue for the period under IFRSs				58,746,472
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	5,117,946	49,997	(13,186)	5,154,757
Effect of differences between IFRSs and CASs				19,080
Profit before taxation for the period under IFRSs				5,173,837

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2016 (unaudited)

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	52,816,702	707,756	–	53,524,458
Intersegment sales	124,917	3,805,867	(3,930,784)	–
Revenue for reportable segments under CASs	52,941,619	4,513,623	(3,930,784)	53,524,458
Business tax and surcharges net off with segment revenue				(137,426)
Other income not included in segment revenue				597,009
Revenue for the period under IFRSs				53,984,041
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	4,950,659	134,830	(60,563)	5,024,926
Effect of differences between IFRSs and CASs				14,160
Profit before taxation for the period under IFRSs				5,039,086

4. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2017 and 31 December 2016 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets				
Total assets for reportable segments as at 30 June 2017 under CASs (unaudited)	**222,248,755**	**16,213,511**	**(9,348,520)**	**229,113,746**
Effect of differences between IFRSs and CASs				**(62,931)**
Total assets as at 30 June 2017 under IFRSs (unaudited)				**229,050,815**
Total assets for reportable segments as at 31 December 2016 under CASs (audited)	215,918,569	17,435,746	(9,226,123)	224,128,192
Effect of differences between IFRSs and CASs				(77,241)
Total assets as at 31 December 2016 under IFRSs (audited)				224,050,951

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 2017 and 2016, respectively:

For the six months ended 30 June 2017 (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	**38,769,862**	**2,821,873**	**5,144,950**	**4,721,114**	**3,049,580**	**4,239,093**	**58,746,472**

For the six months ended 30 June 2016 (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	35,306,967	2,860,613	4,257,048	4,501,813	3,141,470	3,916,130	53,984,041

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:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Passenger	**51,051,975**	47,263,059
Cargo and mail	**4,486,698**	3,749,792
	55,538,673	51,012,851

6. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Aircraft engineering income	**373,661**	467,891
Ground service income	**462,202**	403,695
Government grants:		
– Recognition of deferred income	**20,464**	18,346
– Others	**508,560**	512,596
Service charges on return of unused flight tickets	**727,150**	671,473
Training service income	**17,133**	17,770
Rental income	**42,758**	70,955
Import and export service income	**39,703**	26,120
Others	**1,016,168**	782,344
	3,207,799	2,971,190

7. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**6,469,650**	6,606,986
Depreciation of investment properties	**14,756**	13,328
Amortisation of lease prepayments	**34,311**	32,986
Amortisation of intangible assets	**19,457**	19,374
Accrual/(reversal) of bad debt provision, net	**6,479**	(13,160)
Loss on disposal of property, plant and equipment, net	**2,194**	8,608
Minimum lease payments under operating leases:		
– Aircraft and related equipment	**3,675,180**	3,013,776
– Land and buildings	**451,560**	441,719
– Others	**29,605**	47,751

8. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains during the period is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains, net	**1,269,684**	–
Interest income	**89,706**	64,738
	1,359,390	64,738

9. FINANCE COSTS

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings and finance leases	**1,794,159**	1,749,709
Exchange loss, net	**–**	1,697,710
	1,794,159	3,447,419
Less: Interest capitalised	**(201,749)**	(165,432)
	1,592,410	3,281,987

The interest capitalisation rates during the period ranges from 3.09% to 3.92% per annum relating to the costs of related borrowings during the period.

10. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	**1,906,068**	1,003,557
– Hong Kong and Macau	**–**	8,179
(Over) under-provision in respect of prior years	**(5,473)**	642
Deferred taxation	**(647,541)**	232,387
	1,253,054	1,244,765

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches which are taxed at a preferential rate of 15% (six months ended 30 June 2016: 15%) during the current period and a subsidiary which is exempted from the local income tax of the Inner Mongolia Autonomous Region from year 2016 to 2020, all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2016: 25%) during the current period. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% and 12% (six months ended 30 June 2016: 16.5% and 12%), respectively.

In respect of majority of the Group's overseas airline activities, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC 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.

11. 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 2017 (six months ended 30 June 2016: Nil).

11. DIVIDEND (Continued)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved during the current interim period, of RMB1.0771 per ten shares (including tax) (six months ended 30 June 2016: RMB1.0700 per ten shares (including tax))	**1,564,468**	1,400,068

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 was based on the profit attributable to ordinary equity shareholders of the Company of RMB3,341 million (six months ended 30 June 2016 (unaudited): RMB3,468 million) and the weighted average of 13,193,942,334 ordinary shares (six months ended 30 June 2016: 12,294,896,740 shares) in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding (note 24).

The Company had no potential ordinary shares in issue during both periods.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired aircraft and flight equipment with an aggregate cost of RMB5,031 million (six months ended 30 June 2016: RMB6,044 million). Total property, plant and equipment with carrying amount of RMB1,620 million were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB27 million), resulting in a loss on disposal of RMB2 million (six months ended 30 June 2016: a loss on disposal of RMB9 million).

As at 30 June 2017, the Group's aircraft and flight equipment, buildings and machinery with an aggregate carrying amount of approximately RMB20,302 million (31 December 2016: RMB21,922 million) were pledged to secure certain bank loans of the Group.

The aggregate carrying amount of aircraft held under finance leases included in the property, plant and equipment of the Group amounted to approximately RMB61,287 million (31 December 2016: RMB62,108 million). These aircraft were pledged under certain lease agreements of the Group.

As at 30 June 2017, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of approximately RMB3,107 million (31 December 2016: RMB3,177 million). The Directors 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 2017.

14. LEASE PREPAYMENTS

The Group's lease prepayments in respect of land are located in Mainland China.

As at 30 June 2017, the Group's land use rights with an aggregate carrying amount of approximately RMB34 million (31 December 2016: RMB35 million) were pledged to secure certain bank loans of the Group.

As at 30 June 2017, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate carrying amount of approximately RMB47 million (31 December 2016: RMB552 million). The Directors 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 2017.

15. INTERESTS IN ASSOCIATES

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Share of net assets		
– Listed shares in the PRC	**746,871**	746,275
– Listed shares in Hong Kong	**8,027,950**	9,056,334
– Unlisted investments	**1,638,741**	1,511,568
Goodwill	**2,675,916**	2,914,352
	13,089,478	14,228,529
Less: impairment	**(46,842)**	(46,842)
	13,042,636	14,181,687
Market value of listed shares	**13,721,707**	12,115,901

15. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of Cathay Pacific, the only individually material associate of the Group, and a reconciliation to the carrying amount in the condensed consolidated financial statements, are disclosed below:

Cathay Pacific

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Gross amounts of the associate's		
Current assets	**25,091,567**	28,080,458
Non-current assets	**130,492,640**	130,624,401
Current liabilities	**(37,790,973)**	(39,440,735)
Non-current liabilities	**(71,597,325)**	(69,595,562)
Equity	**46,195,909**	49,668,562
– Equity contributed to equity shareholders of the associate	**46,066,590**	49,524,546
– Equity contributed to non-controlling interest of the associate's subsidiaries	**129,319**	144,016

	Six months ended 30 June 2017 RMB'000	30 June 2016 RMB'000
Revenue	**40,410,757**	38,658,097
(Loss)/profit for the period	**(1,807,372)**	425,651
Other comprehensive (expense) income	**(208,848)**	2,916,091
Total comprehensive (expense) income	**(2,016,220)**	3,341,742
Dividend received from the associate	**–**	272,247

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**46,066,590**	49,524,546
Group's effective interest	**29.99%**	29.99%
Group's share of net assets of the associate	**13,815,370**	14,852,411
Elimination of reciprocal shareholding	**(5,787,420)**	(5,796,077)
Goodwill	**2,463,131**	2,701,567
Carrying amount	**10,491,081**	11,757,901

15. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Aggregate carrying amounts of individually immaterial associates	**2,551,555**	2,423,786

	Six months ended 30 June 2017 RMB'000	30 June 2016 RMB'000
Aggregate amounts of the Group's share of those associates'		
– Profit for the period	**151,572**	232,261
– Other comprehensive income for the period	**21,870**	9,437
Total comprehensive income for the period	**173,442**	241,698

16. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 30 to 90 days to its sales agents and other customers. 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, based on the transaction date, net of provision for impairment, is as follows:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Within 30 days	**2,432,214**	2,460,470
31 to 60 days	**507,972**	407,875
61 to 90 days	**246,892**	68,167
Over 90 days	**549,748**	349,579
	3,736,826	3,286,091

17. 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:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Prepayments		
Manufacturers' credits	**824,899**	863,950
Prepaid aircraft operating lease rentals	**629,557**	637,427
Prepaid for jet fuel	**2,005,262**	5,816
Other prepayments	**459,794**	493,583
	3,919,512	2,000,776
Deposits and other receivables	**939,118**	1,728,923
	4,858,630	3,729,699

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 doubtful, full impairment will be provided. Should further information be obtained in subsequent periods indicating the receivables could be collected partially or entirely, the provision would be partially or entirely reversed accordingly.

As at 30 June 2017, the gross amounts due from Shenzhen Huirun Investment Co., Ltd. ("Huirun") and Shenzhen Airlines Property Development Co., Ltd. and its subsidiaries were RMB1,075,182,000 (31 December 2016: RMB1,075,182,000) and RMB649,486,000 (31 December 2016: RMB649,486,000), respectively, for which full provision had been provided.

18. FINANCIAL ASSETS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Interest rate swaps	**74**	222
Money market fund	**20,099**	–
	20,173	222

The above financial assets 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.

19. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable, based on the transaction date, as at the end of the reporting period is as follows:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Within 30 days	**4,227,612**	4,288,890
31 to 60 days	**2,486,415**	1,692,454
61 to 90 days	**1,249,212**	1,397,287
Over 90 days	**4,314,585**	3,453,661
	12,277,824	10,832,292

20. OTHER PAYABLES AND ACCRUALS

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

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Accrued salaries, wages and benefits	**2,320,571**	2,191,248
Receipts in advance for employee residence	**588,073**	592,397
Accrued operating expenses	**508,897**	565,292
Other taxes payable	**558,527**	441,234
Deposits received from sales agents	**811,999**	780,302
Due to a non-controlling shareholder of a subsidiary	**100,000**	100,000
Interest payable	**991,714**	761,913
Current portion of deferred income related to the frequent-flyer programme	**747,489**	652,170
Current portion of deferred income related to government grants	**35,931**	36,158
Current portion of long-term payables	**4,037**	2,721
Provision for staff housing benefits	**109,933**	109,850
Deposits received by China National Aviation Finance Co., Ltd. ("CNAF"), a subsidiary of the Company, from related parties	**3,367,745**	3,845,923
Others	**2,928,897**	3,015,712
	13,073,813	13,094,920

21. OBLIGATIONS UNDER FINANCE LEASES

The Group has obligations under finance lease agreements expiring during the years from 2017 to 2027 (31 December 2016: 2017 to 2027) in respect of aircraft. An analysis of the future minimum lease payments under these finance leases as at the end of the reporting period, together with the present values of the minimum lease payments which are principally denominated in foreign currencies, is as follows:

	At 30 June 2017		At 31 December 2016	
	Minimum lease payments RMB'000 (Unaudited)	**Present values of minimum lease payments RMB'000 (Unaudited)**	Minimum lease payments RMB'000 (Audited)	Present values of minimum lease payments RMB'000 (Audited)
Amounts repayable				
– Within 1 year	**6,659,769**	**5,799,979**	7,000,199	6,099,453
– After 1 year but within 2 years	**6,335,625**	**5,584,928**	6,519,323	5,739,351
– After 2 years but within 5 years	**15,132,044**	**13,637,880**	15,562,232	13,957,147
– After 5 years	**15,339,687**	**14,707,800**	17,492,189	16,598,973
Total minimum finance lease payments	**43,467,125**	**39,730,587**	46,573,943	42,394,924
Less: Amounts representing finance costs	**(3,736,538)**		(4,179,019)	
Present values of minimum lease payments	**39,730,587**		42,394,924	
Less: Portion classified as current liabilities	**(5,799,979)**		(6,099,453)	
Non-current portion	**33,930,608**		36,295,471	

The Group's finance leases were secured by the Group's aircraft with net carrying amount of approximately RMB61,287 million (31 December 2016: RMB62,108 million) (Note 13).

At 30 June 2017, the obligations under finance leases of the Group with an aggregate amount of US$292 million (equivalent to RMB1,978 million) (31 December 2016: US$305 million (equivalent to RMB2,118 million)) were guaranteed by an associate of the Group.

Under the terms of the finance lease agreements, the Group has the option to purchase these aircraft at the end of or during the lease term, at market value or at the price as stipulated in the finance lease agreements.

22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Bank loans:		
– Secured	**11,779,213**	20,052,374
– Unsecured	**15,296,435**	12,413,453
	27,075,648	32,465,827
Corporate bonds:		
– Secured	**10,000,000**	10,000,000
– Unsecured	**18,997,271**	21,343,135
	28,997,271	31,343,135
	56,072,919	63,808,962

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Bank loans repayable:		
– Within 1 year	**18,306,915**	19,630,605
– After 1 year but within 2 years	**3,628,973**	3,371,915
– After 2 years but within 5 years	**3,722,089**	6,169,893
– After 5 years	**1,417,671**	3,293,414
	27,075,648	32,465,827
Corporate bonds repayable:		
– Within 1 year	**3,998,747**	6,345,111
– After 1 year but within 2 years	**4,498,524**	4,498,024
– After 2 years but within 5 years	**14,000,000**	14,000,000
– After 5 years	**6,500,000**	6,500,000
	28,997,271	31,343,135
Total interest-bearing bank loans and other borrowings	**56,072,919**	63,808,962
Less: Portion classified as current liabilities	**(22,305,662)**	(25,975,716)
Non-current portion	**33,767,257**	37,833,246

22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

As at 30 June 2017, the range of interest rates of the Group's bank loans ranged from 1.88% to 5.40% (31 December 2016: 0.93% to 5.80%) per annum.

As at 30 June 2017, the range of interest rates of the Group's corporate bonds ranged from 2.84% to 5.60% (31 December 2016: 2.63% to 5.60%) per annum.

The Group's bank loans and corporate bonds of approximately RMB21,779 million as at 30 June 2017 (31 December 2016: RMB30,052 million) were secured by:

(a) Mortgages over certain of the Group's aircraft and flight equipment, buildings and machinery with an aggregate carrying amount of approximately RMB20,302 million as at 30 June 2017 (31 December 2016: RMB21,922 million) (Note 13); and land use rights with an aggregate carrying amount of approximately RMB34 million as at 30 June 2017 (31 December 2016: RMB35 million) (Note 14);

(b) As at 30 June 2017, bank loans of the Group with an aggregate amount of US$184 million (equivalent to RMB1,244 million) were guaranteed by an associate of the Group (31 December 2016: US$204 million (equivalent to RMB1,415 million)); and

(c) As at 30 June 2017, corporate bonds issued by the Group with a face value of RMB10,000 million (31 December 2016: RMB10,000 million) were guaranteed by CNAHC.

As at 30 June 2017, corporate bonds with carrying amount of RMB4,997 million (31 December 2016: RMB7,343 million) were issued by Shenzhen Airlines Company Limited ("Shenzhen Airlines"), a subsidiary of the Company.

23. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	Number of shares	**Nominal value RMB'000 (Unaudited)**	Number of shares	Nominal value RMB'000 (Audited)
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	**8,522,067,640**	**8,522,068**	8,522,067,640	8,522,068
Trade-restricted (Note)	**1,440,064,181**	**1,440,064**	–	–
	14,524,815,185	**14,524,815**	13,084,751,004	13,084,751

Note: On 10 March 2017, the Company completed the non-public offering of 1,440,064,181 A shares (the "Issuance") to 8 specific shareholders including CNAHC, which was approved by China Securities Regulatory Commission on 5 September 2016. The issue price is RMB7.79 per A share. The total proceeds raised through the Issuance amounted to RMB11,218,099,970. After deducting the relevant expenses for the Issuance amounted to RMB16,725,891, the net proceeds from the Issuance amounted to RMB11,201,374,079, of which RMB1,440,064,181 was recognised as share capital and RMB9,761,309,898 was recognised as capital reserve. As such, the total issued share capital of the Company has increased to 14,524,815,185 shares. The new A Shares subscribed by CNAHC are subject to a lock-up period of 36 months from the completion date of the Issuance and are expected to be listed for trading on 10 March 2020. Those new A Shares subscribed by other investors are subject to a lock-up period of 12 months from the completion date of the Issuance and are expected to be listed for trading on 12 March 2018. The new A shares under the Issuance are issued rank pari passu with the existing A shares in all respects.

24. TREASURY SHARES

As at 30 June 2017, the Group owned a 29.99% (31 December 2016: 29.99%) equity interest in Cathay Pacific, which in turn owned a 18.13% (31 December 2016: 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 condensed consolidated financial statements as treasury shares through deduction from equity.

25. 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 on 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 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. The fair value of the liability for SARs as at 30 June 2017 was RMB Nil (31 December 2016: RMB2,028,000).

26. CONTINGENT LIABILITIES

As at 30 June 2017, 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) 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 consider that the provision of RMB130,000,000 which was provided in prior years in respect of this legal claim is adequate.

(c) 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 2017, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB76,285,000 (31 December 2016: RMB111,973,000) and for pilot trainees' tuition loans amounting to RMB210,000 (31 December 2016: RMB264,000). The Directors consider that the fair value of these guarantees are insignificant.

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets 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 2017	Fair value measurements as at 30 June 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
– Interest rate swaps	**74**	**–**	**74**	**–**
– Money market fund	**20,099**	**20,099**	**–**	**–**
Available-for-sale equity securities				
– Listed	**234,655**	**–**	**234,655**	**–**
Available-for-sale debt securities	**1,021,531**	**159,591**	**861,940**	**–**
Total financial assets at fair value	**1,276,359**	**179,690**	**1,096,669**	**–**

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
– Interest rate swaps	222	–	222	–
Available-for-sale equity securities				
– Listed	114,775	–	114,775	–
Available-for-sale debt securities	993,161	164,288	828,873	–
Total financial assets at fair value	1,108,158	164,288	943,870	–

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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 quotations from counterparty banks, 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.

The fair value of available-for-sale debt securities was determined in accordance with the discounted cash flow analysis with the significant input being the discount rate that reflects the credit risk of counterparties.

The fair value of available-for-sale equity securities as at the end of the reporting period was estimated by reference to the quoted prices in an active market with an adjustment of discount of lack of marketability.

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

Except as detailed in the following table, the Directors consider that 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 2017 and 31 December 2016.

	Carrying amounts		Fair values	
	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000	**As at 30 June 2017 RMB'000**	As at 31 December 2016 RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	**26,197,626**	26,196,052	**26,388,309**	26,907,032

28. 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:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
– Aircraft and flight equipment	**70,554,693**	84,450,700
– Buildings and others	**587,200**	691,804
Total capital commitments	**71,141,893**	85,142,504

(b) Investment commitments

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

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
– Associates and joint ventures	**58,710**	59,280

(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:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Within 1 year	**7,113,732**	6,922,872
After 1 year but within 5 years	**22,904,718**	21,787,782
Over 5 years	**23,552,527**	23,460,545
	53,570,977	52,171,199

29. RELATED PARTY TRANSACTIONS

(a) 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 and its associates:

(i) Transactions with related parties

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided to the CNAHC Group		
Sales commission income	**4,780**	380
Sale of cargo space	**31,820**	30,387
Government charter flights	**218,235**	173,626
Air catering income	**8,031**	7,671
Ground services income	**1,425**	1,304
Income from advertising media business	**7,146**	7,162
Aircraft and flight equipment leasing income	**–**	123
Others	**2,573**	1,444
	274,010	222,097
Service provided by the CNAHC Group		
Sales commission expenses	**693**	235
Air catering charges	**529,783**	481,765
Airport ground services, take-off landing and depot expenses	**378,521**	394,396
Management fees	**55,072**	58,962
Aircraft and flight equipment leasing fees	**114,665**	11,490
Lease charges for land and buildings	**74,675**	70,541
Other procurement and maintenance	**52,927**	37,687
Aviation communication expenses	**277,150**	266,603
Interest expenses	**3,975**	25,169
Media advertisement expenses	**62,527**	15,046
Others	**27,805**	3,036
	1,577,793	1,364,930

29. RELATED PARTY TRANSACTIONS (Continued)

(a) **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 and its associates:** (Continued)

(i) **Transactions with related parties** (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to the CNAHC Group by CNAF		
Net granting of loans	**–**	4,000
Interest income	**20,458**	23,334
Deposits from the CNAHC Group received by CNAF		
Decrease in deposits received	**290,126**	605,050
Interest expenses	**28,478**	30,023
Service provided to joint ventures and associates		
Sales commission income	**8,307**	8,522
Aircraft maintenance income	**39,462**	55,919
Air catering income	**1,605**	1,572
Ground services income	**71,803**	50,823
Frequent-flyer programme income	**18,383**	92,660
Airline joint operation income	**–**	8,673
Others	**1,181**	735
	140,741	218,904

29. RELATED PARTY TRANSACTIONS (Continued)

(a) 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 and its associates: (Continued)

(i) Transactions with related parties (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided by joint ventures and associates		
Sales commission expenses	**4,184**	2,970
Air catering charges	**13,271**	11,601
Airport ground services, take-off, landing and depot expenses	**217,201**	226,525
Repair and maintenance costs	**349,518**	401,103
Aircraft and flight equipment leasing fees	**89,753**	161,626
Other procurement and maintenance	**1,080**	2,748
Aviation communication expenses	**25,151**	22,421
Interest expenses	**–**	15,299
Airline joint operation expenses	**11,624**	14,338
Frequent-flyer programme expenses	**966**	1,042
	712,748	859,673
Loans to joint ventures and associates by CNAF		
(Net repayment)/net granting of loans	**(14,800)**	296,000
Interest income	**5,344**	343
Deposits from joint ventures and associates received by CNAF		
Decrease in deposits received	**183,052**	91,407
Interest expenses	**189**	185

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Part of the related transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

29. RELATED PARTY TRANSACTIONS (Continued)

(a) 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 and its associates: (Continued)

(ii) Balances with related parties

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Outstanding balances with related parties*		
Amount due from the ultimate holding company	**343,964**	125,684
Amounts due from associates of the Group	**237,194**	209,077
Amounts due from joint ventures of the Group	**610**	1,700
Amounts due from other related companies	**22,165**	12,729
Amount due to the ultimate holding company	**69,225**	51,384
Amounts due to associates of the Group	**298,627**	256,575
Amounts due to joint ventures of the Group	**153,248**	100,614
Amounts due to other related companies	**1,133,392**	871,603

* Outstanding balances with related parties are excluding borrowing balances with related parties and outstanding balances between CNAF and related parties.

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

29. RELATED PARTY TRANSACTIONS (Continued)

(a) 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 and its associates: (Continued)

(ii) Balances with related parties (Continued)

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Outstanding borrowing balances with related parties		
Interest-bearing bank loans and other borrowings		
Due to the ultimate holding company	**–**	1,000,000
Due to an associate	**980,000**	980,000
Outstanding balances between CNAF and related parties		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	**1,125,000**	1,125,000
Deposits received	**3,386,250**	3,676,376
Interest payable to related parties	**11,770**	14,067
Interest receivable from related parties	**895**	18
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Loans granted	**266,400**	281,200
Deposits received	**495**	183,547
Interest payable to related parties	**3**	59

The outstanding balances between CNAF and related parties represent loans to related parties or deposits received by CNAF from related parties. The applicable interest rates are determined in accordance with the prevailing borrowing rates/deposit saving rates published by the People's Bank of China.

29. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Six months ended 30 June 2016 RMB'000 (Unaudited)
Short term employee benefits	**4,832**	6,326
Retirement scheme contributions	**384**	621
	5,216	6,947

The breakdown of emoluments for key management personal are as follows:

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Six months ended 30 June 2016 RMB'000 (Unaudited)
Directors and supervisors	**541**	739
Senior management	**4,675**	6,208
	5,216	6,947

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties

Amount of guaranty at 30 June 2017:

Name of guarantor	Name of guarantee	Amount of guaranty at 30 June 2017 USD'000	Inception date of guaranty	Maturity date of guaranty
Long-term loans:				
Cathay Pacific	Air China Cargo Company Limited	67,714	10/05/2017	15/12/2025
Cathay Pacific	Air China Cargo Company Limited	61,178	10/05/2017	11/03/2026
Cathay Pacific	Air China Cargo Company Limited	54,806	10/05/2017	30/03/2026
Obligations under finance leases:				
Cathay Pacific	Air China Cargo Company Limited	53,816	30/06/2014	30/06/2026
Cathay Pacific	Air China Cargo Company Limited	55,319	29/08/2014	29/08/2026
Cathay Pacific	Air China Cargo Company Limited	58,641	27/02/2015	27/02/2027
Cathay Pacific	Air China Cargo Company Limited	62,183	13/07/2015	13/07/2027
Cathay Pacific	Air China Cargo Company Limited	62,086	31/08/2015	30/08/2027

Name of guarantor	Name of guarantee	Amount of guaranty at 30 June 2017 RMB'000	Inception date of guaranty	Maturity date of guaranty
Corporate bonds:				
CNAHC	Air China Limited	5,000,000	18/01/2013	18/07/2023
CNAHC	Air China Limited	3,500,000	16/08/2013	16/02/2019
CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties (Continued)

Amount of guaranty at 31 December 2016:

Name of guarantor	Name of guarantee	Amount of guaranty at 31 December 2016 USD'000	Inception date of guaranty	Maturity date of guaranty
Long-term loans:				
Cathay Pacific	Air China Cargo Company Limited	67,714	16/12/2013	15/12/2023
Cathay Pacific	Air China Cargo Company Limited	72,958	12/03/2014	11/03/2024
Cathay Pacific	Air China Cargo Company Limited	63,158	31/03/2014	30/03/2024
Obligations under finance leases:				
Cathay Pacific	Air China Cargo Company Limited	56,450	30/06/2014	30/06/2026
Cathay Pacific	Air China Cargo Company Limited	57,953	29/08/2014	29/08/2026
Cathay Pacific	Air China Cargo Company Limited	61,362	27/02/2015	27/02/2027
Cathay Pacific	Air China Cargo Company Limited	64,812	13/07/2015	13/07/2027
Cathay Pacific	Air China Cargo Company Limited	64,742	31/08/2015	30/08/2027

Name of guarantor	Name of guarantee	Amount of guaranty at 31 December 2016 RMB'000	Inception date of guaranty	Maturity date of guaranty
Corporate bonds:				
CNAHC	Air China Limited	5,000,000	18/01/2013	18/07/2023
CNAHC	Air China Limited	3,500,000	16/08/2013	16/02/2019
CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024

29. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with other government-related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Apart from above transactions with CNAHC and fellow subsidiaries, the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services
- Sales and purchases of goods, properties and other assets
- Lease of assets
- Depositing and borrowing money
- Use of public utilities

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group's business within normal business operations. The Group has established its approval process for providing of services, purchase of products, properties and services, purchase of lease service and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

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 freight tonne kilometres
"overall load factor"	revenue tonne kilometres expressed as a percentage of available tonne kilometres

UTILISATION

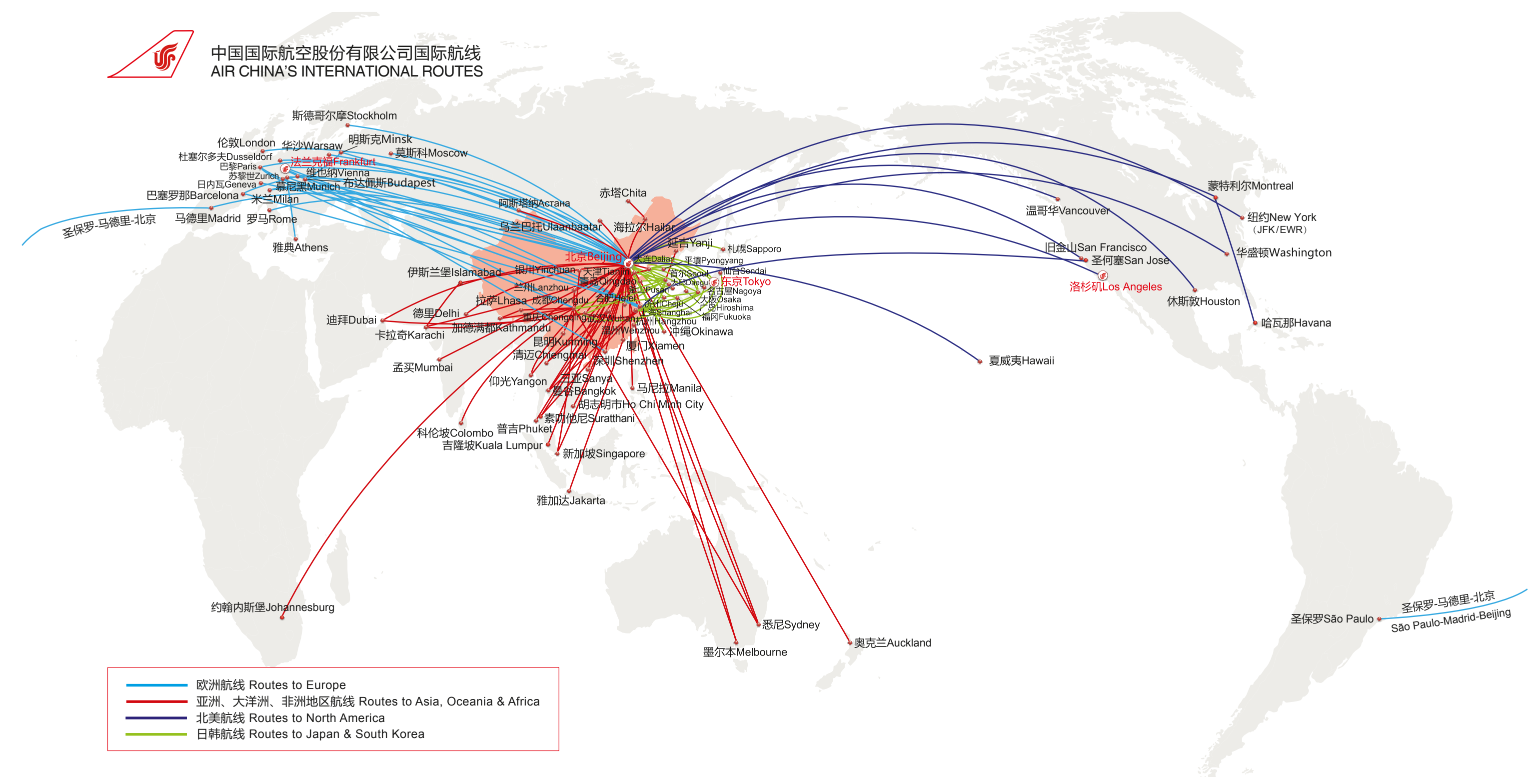
"block hour(s)"	each whole and/or partial hour elapsing from the moment the chocks are removed from the wheels of the aircraft for flights until the chocks are next again returned to the wheels of the aircraft

In this interim report, the following expressions shall have the following meanings unless the context requires otherwise:

"A Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Renminbi and listed on Shanghai Stock Exchange
"Air China Cargo"	Air China Cargo Co., Ltd.
"Air China Inner Mongolia"	Air China Inner Mongolia Co., Ltd.
"Air Macau"	Air Macau Company Limited
"AMECO"	Aircraft Maintenance and Engineering Corporation
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Beijing Airlines"	Beijing Airlines Company Limited
"Board"	the board of directors of the Company
"CASs"	China Accounting Standards for Business Enterprises
"Cathay Dragon"	Hong Kong Dragon Airlines Limited
"Cathay Pacific"	Cathay Pacific Airways Limited
"CNACG"	China National Aviation Corporation (Group) Limited
"CNAF"	China National Aviation Finance Co., Ltd.
"CNAHC"	China National Aviation Holding Company
"CNAHC Group"	China National Aviation Holding Company and its subsidiaries
"Company", "We" or "Air China"	Air China Limited
"CSRC"	China Securities Regulatory Commission
"Dalian Airlines"	Dalian Airlines Company Limited
"Director(s)"	the director(s) of the Company
"Group"	Air China Limited and its subsidiaries
"H Share(s)"	the overseas-listed foreign invested share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange as the primary listing venue and on the Official List of the UK Listing Authority as the secondary listing venue

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards
"Juneyao Airlines"	Juneyao Airlines Co., Ltd.
"Kunming Airlines"	Kunming Airlines Company Limited
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Lufthansa"	Deutsche Lufthansa AG
"reporting period"	the period from 1 January 2017 to 30 June 2017
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shandong Airlines"	Shandong Airlines Co., Ltd.
"Shandong Aviation Group Corporation"	Shandong Aviation Group Company Limited
"Shenzhen Airlines"	Shenzhen Airlines Company Limited
"Supervisor(s)"	The supervisor(s) of the Company
"Supervisory Committee"	The supervisory committee of the Company


中国国际航空股份有限公司国内及地区航线
AIR CHINA'S DOMESTIC & REGIONAL ROUTES
南海诸岛
South China
Sea Islands
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'S INTERNATIONAL ROUTES
欧洲航线 Routes to Europe
亚洲、大洋洲、非洲地区航线 Routes to Asia, Oceania & Africa
北美航线 Routes to North America
日韩航线 Routes to Japan & South Korea