
Management Discussion of March Operating Data

I. Operation

During March 2014, Air China Limited (CA+ZH+NX) continued to record year-over-year increases but slight month-over-month decreases in passenger traffic as measured by Revenue Passenger Kilometers (RPK) and passenger head count.

Passenger capacity (ASK) and passenger traffic (RPK) for March rose by 10.6% and 5.1% year-over-year respectively. The ASK on domestic routes increased by 6.2% year-over-year, while the RPK rose by 0.3%. The ASK and the RPK on international routes rose strongly by 20.8% and 16.0% year-over-year respectively, and also climbed on regional routes by 12.7% and 15.2% year-over-year respectively. The overall passenger load factor was 79.4%, a year-over-year decrease of 4.1 percentage points. The passenger load factor on domestic and international routes dropped by 4.7 and 3.2 percentage points respectively, while it increased by 1.7 percentage points on regional routes.

Starting from 1 March, a Tianjin-Dalian-Osaka route was launched with three flights per week. On 30 March, a Hefei-Beijing-Frankfurt route (seven flights per week), a Beijing-Yangon route (four flights per week), a Chengdu-Kunming-Yangon route (seven flights per week) and a Chongqing-Yangzhou route (four flights per week) also commenced operation.

With respect to cargo operation, Revenue Freight Tonne Kilometers (RFTK) and freighter tonnage carried for March increased both on a year-over-year and month-over-month basis. Available Freight Tonne Kilometers (AFTK) strongly increased by 14.5% year-over-year. RFTK increased by 8.6% year-over-year, while freight tonnage also rose 4.0% year-over-year. The cargo load factor was 56.5%, a year-over-year decrease of 3.1 percentage points.

In March, excluding its subsidiary airlines, Air China (CA) purchased a total of 318,000 tonnes of jet fuel at a price of RMB7,205 per tonne, a year-over-year decrease of 7%. The average jet fuel purchase price at international airports was RMB6,183 per tonne, a year-over-year decrease of 9%. The average jet fuel purchase price for domestic flights was RMB7,469 per tonne, a year-over-year decrease of 7%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route		Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 March	Hong Kong to Mainland China		HK\$225	HK\$211
	Korea to	Mainland China(Except Shandong Qingdao, Jinan)	US\$44	US\$41
		Shandong Qingdao, Jinan	US\$25	US\$24
	Australia to	Beijing	AUS105	AUS175
		Mainland China (Except Beijing)	AUS105	AUS135
	Beijing to Australia		RMB700	RMB820

During the month, the Group added eight airplanes, including one A330, one A321, three B737-800s and one B777-300ER aircraft and two B777 cargo jets. One B747-400COMB and one B737 aircraft have been retired. As at the end of March, the Company operated a fleet of 506 aircraft.

2. Important announcement

Air China announced its 2013 annual results on 26 March. According to International Financial Reporting Standards (IFRS), it recorded a turnover of RMB 98.18 billion and operating profit of RMB 4.12 billion. Profit attributable to shareholders of the Company amounted to RMB 3.26 billion.

According to PRC GAAP, it recorded a turnover of RMB 97.63 billion and operating profit of RMB 3.96 billion. Profit attributable to shareholders of the Company amounted to RMB 3.32 billion.

The Board of Directors recommended the distribution of approximately RMB 593 million as the dividend for the year ended 31 December 2013. Based on 13,084,751,004 issued shares of the Company, every ten shares will receive RMB 0.4531 (tax incl.). The dividend resolution is to be submitted at 2013 general meeting for approval.

3. Other Business Development

Air China's Wechat public account mobile application system commenced a trial run on 1 March.

On 21 March, Air China celebrated the 20th anniversary of "PhoenixMiles". As launched in 1994, "PhoenixMiles" marks the first frequent flyer programme among Chinese airlines. In 2013, the programme was named from "国航知音" to "凤凰知音" in Chinese, and launched a uniform frequent flyer programme operation platform. This turns "PhoenixMiles" into the first frequent flyer branding joined by multiple carriers in Asia.