

Management Discussion of June Operating Data

1. Operation

During June 2014, Air China Limited (CA+ZH+NX) continued to record a year-on-year and month-on-month increase in passenger traffic as measured by Revenue Passenger Kilometers (RPK) and passenger head count.

Passenger capacity (ASK) and passenger traffic (RPK) for June rose by 10.5% and 7.5% year-on-year respectively. The ASK of domestic routes increased by 5.7% year-on-year, while the RPK rose by 3.4%. The ASK and the RPK of international routes rose by 20.2% and 15.5% year-on-year respectively, and also climbed for regional routes by 12.7% and 12.9% year-on-year respectively. The overall passenger load factor was 79.6%, a year-on-year decrease of 2.2 percentage points. The passenger load factor on domestic and international routes declined by 1.9 and 3.2 percentage points respectively, while on regional routes it remained the same as last year.

Starting from 6 June, a Shanghai-Munich route was launched with four flights per week. A Beijing-Washington route (four flights per week) was also launched on 10 June. Flights from Beijing-Jeju (four flights per week) were launched on 11 June. In addition, a route from Wuhan-Yinchuan-Dunhuang (five flights per week) and a route from Beijing-Urumqi-Yining (four flights per week) commenced operation on 15 and 20 June respectively.

With respect to the cargo operation, Revenue Freight Tonne Kilometers (RFTK) and freight tonnage carried for June recorded an increase on a year-on-year basis, but a modest month-on-month decline. Available Freight Tonne Kilometers (AFTK) increased by 12.5% year-on-year. RFTK increased by 4.9% year-on-year, while freight tonnage rose by 2.3% year-on-year. The cargo load factor was 58.5%, a year-on-year decrease of 4.2 percentage points.

In June, excluding its subsidiary airlines, Air China (CA) purchased a total of 323,000 tonnes of jet fuel at a price of RMB7,125 per tonne, a year-on-year increase of 6%. The average jet fuel purchase price at international airports was RMB6,240 per tonne, a year-on-year increase of 4%. The average jet fuel purchase price for domestic flights was RMB7,397 per tonne, a year-on-year increase 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 June | Germany to Mainland China | First Class, Business Class | EUR130 | EUR200 |
| | | Premium Economy Class, Economy Class | EUR130 | EUR150 |
| | Beijing to Bangkok | | RMB450 | RMB500 |
| | Beijing and Chengdu to Singapore | | RMB450 | RMB540 |
| | Mainland China to US | | RMB1,000 | RMB1,100 |
| 20 June | US to Mainland China | | USD135 | USD175 |
| | Canada to Mainland China | | CAD135 | CAD150 |

During the month, the Group added four airplanes, including one A330-300, one A321 and one A320 aircraft and one B777-200F cargo jet. One B737 aircraft has been retired. As at the end of June, the Company operated a fleet of 512 aircraft.

2. Important announcement

On 26 June 2014, Air China and Cathay Pacific China Cargo Holdings Limited (“Cathay Pacific China Cargo Holdings”), Fine Star Enterprises Corporation (“Fine Star”) and Air China Cargo Co., Ltd. (“Air China Cargo”) signed a capital increase agreement, under which the Company will make a cash contribution and a contribution in-kind amounting to RMB1,020,000,000, i.e., RMB 172,219,700 in assets comprising four B757 aircraft and RMB847,780,300 in cash. Cathay Pacific China Cargo Holdings will inject RMB500,000,000 in cash and Fine Star will inject RMB480,000,000 in cash. This will increase the registered capital of Air China Cargo to RMB5,235,294,118, including new registered capital of RMB2,000,000,000. Afterwards, the shareholdings in Air China Cargo of the Company, Cathay Pacific China Cargo Holdings and Fine Star will remain unchanged, i.e., 51%, 25% and 24% respectively.

3. Other Business Development

On 13 June, Air China’s first-of-the-kind “Boarding Gate Stand-by Service” expanded from four domestic routes to 13. Stand-by passengers who fly the Beijing-Shanghai/ Guangzhou/ Shenzhen/ Chengdu/ Harbin/ Changchun/ Shenyang/ Dalian/ Huhhot/ Baotou/ Wuhan/ Hangzhou/ Chongqing (one-way) routes operated by Air China may process to check-in counters and enjoy the service with greater convenience and more flight choices.

On 23 June, Air China announced that it would reduce its domestic commission base rate from 3% to 2% effective 1 July 2014 (based on the ticket issue date).