

Management Discussion of November Operating Data

1. Operation

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

Passenger capacity (ASK) and passenger traffic (RPK) for November rose by 12.1% and 13.1% year-on-year respectively. The ASK of domestic routes increased by 11.9% year-on-year, while the RPK rose by 13.7% year-on-year. The ASK and the RPK of international routes rose by 12.4% and 11.6 % year-on-year respectively, and of regional routes increased by 13.8% and 14.6% year-on-year respectively. The overall passenger load factor was 77.8%, a year-on-year decrease of 0.7 percentage point. The passenger load factor on domestic and regional routes increased by 1.3 and 0.5 percentage points respectively, while that of international routes decreased by 0.5 percentage point. .

With respect to the cargo operation, Revenue Freight Tonne Kilometres (RFTK) for November recorded an increase on year-on-year basis but a slight decrease on month-on-month basis. Freight tonnage carried for November recorded increases on both a year-on-year and month-on-month basis. Available Freight Tonne Kilometres (AFTK) surged by 20.9% year-on-year. RFTK surged by 20.0% year-on-year, while freight tonnage rose by 10.5% year-on-year. The cargo load factor was 58.2%, a year-on-year decrease of 0.4 percentage point.

In November, excluding its subsidiary airlines, Air China (CA) purchased a total of 327,000 tonnes of jet fuel at a price of RMB6,175 per tonne, a year-on-year decrease of 14.8%. The average jet fuel purchase price at international airports was RMB5,220 per tonne, a year-on-year decrease of 16.0%. The average jet fuel purchase price for domestic flights was RMB6,431 per tonne, a year-on-year decrease of 14.5%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 November	Hong Kong to Mainland China	HK\$183	HK\$172
	Mainland China to Hong Kong	RMB171	RMB136
	Korea to Mainland China (Except Qingdao, Jinan and Yantai in Shandong)	US\$38	US\$32
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$22	US\$18

During the month, the Group added seven aircrafts, including three B737-800s, one B747-8, two A320s and one A321. As at the end of November, the Company operated a fleet of 536 aircrafts.

2. Important Announcement

On 24 November 2014, the Board of Directors of Air China Limited received notification from Mr. Yang Yuzhong regarding his resignation from the position of independent non-executive director of the Company, citing age as the reason. Mr. Yang's resignation will take effect upon approval of a new independent non-executive director at general meeting of the Company.

On 27 November 2014, the twelfth meeting of the 4th Board of Air China passed a resolution to appoint Mr. Wang Yingnian as the chief pilot of the Company.

Other Business Developments

On 8 November, Air China and Air Canada signed a cooperative memorandum on passenger business, which stated the basic principal behind their comprehensive joint operation. Both parties will strengthen cooperation in the areas of sales and marketing of routes in China and Canada, as well as in the airport operation of both airlines.

On 10 November, Air China issued a "White Paper on the development of the Air China fleet", representing the first of its kind among domestic airline operators. The White Paper introduces the scale and structure of the fleet, route network and flight services of Air China. It also contains a systematic review of the Company's fleet development, and prospects for future plan.

On 12 November, *Business Traveller China* announced the winners of 2014 Business Traveller China, with Air China snatching the "Best Airline in China".

On 21 November, Air China and Air New Zealand signed a "Strategic Cooperative Letter of Intent between Air China Limited and Air New Zealand" .

Upon establishment of the strategic alliance, Air China intends to add a Beijing to Auckland route, thereby supplementing the existing Shanghai to Auckland route operated by Air New Zealand. The parties will also commence joint operation of the routes.