

Management Discussion of June 2015 Operating Data

1. Operations

During June 2015, Air China Limited (CA+ZH+NX) continued to display growth in passenger traffic as measured by Revenue Passenger Kilometres (RPK) and passenger head count on a year-on-year basis, but recorded a minor decrease on a monthly basis.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 10.4% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 10.6%. Capacity on domestic routes increased by 8.8% year-on-year, with RPK rising by 9.1%. Capacity on international routes increased by 14.4% year-on-year, while RPK rose 15.2% in the same period. Capacity on regional routes increased by 2.3% year-on-year, with RPK falling by 2.3%. The overall passenger load factor was 79.8%, increasing 0.2 percentage points year-on-year. The passenger load factor for regional routes decreased by 3.3 percentage points year-on-year and the passenger load factor for domestic and international routes increased 0.2 and 0.5 percentage points respectively.

As of 1 June, the Company launched a Beijing-Melbourne route (four times a week). On 15 June, a Tianjin-Lanzhou route (seven times a week) was opened, and a Chengdu-Lanzhou route (three times a week) was opened on 19 June.

On cargo operations, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried during June recorded a year-on-year increase, but saw a decrease on a monthly basis. Available Freight Tonne Kilometres (AFTK) rose by 22.3% year-on-year in June. RFTK grew 23.7% and freight tonnage carried increased by 11.9% compared to June 2014. The cargo load factor was 59.2% in June, an increase of 0.7 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 361,000 tonnes of jet fuel at an average price of RMB4,715 per tonne, a year-on-year decrease of 33.8%. The average jet fuel purchase price at international airports was RMB4,004 per tonne, and the average purchase price of jet fuel for domestic flights was RMB4,945 per tonne, representing yearly decreases of 35.8% and 33.1%, respectively.

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	Hong Kong to Mainland China	HK\$46	HK\$47
	Korea to Mainland China (excluding Qingdao, Jinan and Yantai)	US\$5	US\$11
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$3	US\$6

During the month, the Group added six new aircraft, comprised of four B737-800, one B747-8 and one A321 aircraft. As of end-June, the Group operated a fleet of 560 aircraft.

2. Important Notices

On 16 June, Air China's Board of Directors received a resignation notice submitted by Mr Yang Fu, an independent director. Mr Fu chose to leave the independent director role for work-related reasons.

Air China is currently planning to issue non-public shares. In the interest of investors, to ensure fair disclosure and to avoid significantly impacting company stock prices, Air China shares were suspended from 30 June upon application.

3. Other Business Developments

On June 1, Air China officially launched the latest version of their wireless app for mobile phones and tablets. The new edition is accessible in both Chinese and English to meet passengers' communication needs. The app integrates Phoenix Frequent

Flyer Members with the original APP user system to offer passengers a more convenient login and registration process, and provides a better service throughout the entire experience. Passengers can not only search for updated flight schedules, they can also check-in and book online, and can clearly see any cancellation fees that may apply. Phoenix Frequent Flyer Members can also redeem miles through the app.

Air China's subsidiary, Shenzhen Airlines, signed an agreement with Boeing on 3 June to purchase 46 Boeing B737 aircraft at a total cost of \$4.3 billion. The payment will be made in cash instalments, with partial deliveries scheduled from 2016 through to 2020.

On June 15, the Shanghai Stock Exchange, together with the China Securities Index, decided to adjust the SSE180, SSE50, and SSE180 corporate governance indices, of which Air China is included in the SSE180 and SSE180 corporate governance sample stock.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 May	Hong Kong to Mainland China	HK\$48	HK\$46
	Korea to Mainland China (excluding Qingdao, Jinan and Yantai)	US\$8	US\$5
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$4	US\$3

During the month, the Group added five new aircraft, comprised of three B737-800, one B747-8 and one A320 aircraft, and also retired four aircraft, including three B737-800 and one B757 aircraft. As of end-May, the Group operated a fleet of 554 aircraft.

2. Important Notices

On 22 May, the 19th meeting of the fourth Board of Directors of Air China reviewed and passed the proposal to introduce 46 B737 aircraft for the subsidiary, Shenzhen Airlines.

On the same day, Air China held their 2014 Annual General Meeting. Nine ordinary resolutions were duly approved, including the 2014 work report of the Board and the profit distribution proposal for the year 2014.

3. Other Business Developments

On 29 May, the brand new Aircraft Maintenance and Engineering Corporation, Beijing (“New Ameco”) held an opening ceremony in Beijing after integrating resources. New Ameco is a joint venture between Air China and Lufthansa, with a 75% stake held by Air China and 25% held by Lufthansa.

During the month, Air China introduced its new generation Boeing 747-8 passenger jet onto their Chongqing-Beijing-San Francisco route. This marks the second longhaul route in which Air China has flown the “Queen of the Skies” through North America,

following the upgrade of their Beijing-New York route earlier this year. This route is also the Company's first to fly from Chongqing to North America.

Air China launched a new set of online services on their official website, www.airchina.com.cn. Passengers can now apply for Unaccompanied Minor, AVIH and wheelchair services through the self-service section of the website. Whereas passengers were previously required to visit an Air China booking office to handle these requests, these services are now accessible from their own home.