

Management Discussion of July 2015 Operating Data

1. Operations

During July 2015, with the advent of the summer season, Air China Limited (CA+ZH+NX) performed well in passenger traffic as measured by Revenue Passenger Kilometres (RPK) and passenger head count on both a monthly and a yearly basis.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 12.4% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 13.1%. Capacity on domestic routes increased by 11.1% from the same period last year, with RPK rising by 11.7%. Capacity on international routes increased by 16.6% year-on-year, while RPK rose 18.5% in the same period. Capacity on regional routes increased by 0.9% last year-on-year, with RPK falling by 6.2%. The overall passenger load factor was 81.4%, increasing 0.5 percentage points year-on-year. The passenger load factor for regional routes decreased by 5.4 percentage points year-on-year and for domestic and international routes increased 0.4 and 1.3 percentage points respectively.

For its domestic routes, as of 1 July, the Company launched a Chengdu-Dali route (seven times a week). On 6 July, Shanghai-Changchun (seven times a week) was opened. On 15 July, the Company added Shanghai-Harbin-Fuyuan (four times a week). On 16 July, Chengdu-Huizhou (seven times a week) and Beijing-Linzhi (seven times a week) were launched. On 20 July, Hangzhou-Tianjin (seven times a week) was opened. With regard to international routes, the Company added Beijing-Hakodate (two times a week) on 3 July. On 18 July, a Tianjin-Okinawa route (two times a week) was launched.

On cargo operations, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried during July recorded year-on-year and month-on-month increases. Available Freight Tonne Kilometres (AFTK) rose by 28.3% year-on-year in July. RFTK grew 27.1% and freight tonnage carried increased by 14.5% compared to July 2014. The cargo load factor was 57.5% in July, a decrease of 0.5 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 390,000 tonnes of jet fuel at an average price of RMB4,553 per tonne, a decrease of 36.0% from the corresponding period last year. The average jet fuel purchase price at international airports was RMB3,795 per tonne, and the average purchase price of jet fuel for domestic flights was RMB4,793 per tonne, representing yearly decreases of 39.0% and 35.1%, 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 July	Hong Kong to Mainland China	HK\$47	HK\$51

During the month, the Group added seven new aircraft, comprised of three B737-800, three A320 series aircraft and one B777-200 freighter, and also retired one A320 aircraft. As of end-July, the Group operated a fleet of 566 aircraft.

2. Important Notices

On 27 July, the 21st meeting of the fourth Board of Directors of Air China reviewed and passed the proposal to issue non-public A Shares. Air China resumed trading on 29 July.

Air China announced a positive profit alert for the results from the first half of the year. According to the preliminary estimations of the Company in accordance with the China Accounting Standards for Business Enterprises, the net profit attributable to shareholders of the Company for the first half of 2015 is expected to be between RMB3.8 billion to RMB4.0 billion, representing a year-on-year growth of 701% to 743%.

3. Other Business Developments

Air China recruited 752 student pilots during the month, commencing a new round of training and reserving professional flight talent.

The crew from Shenzhen Airlines flight ZH9648 was honored by the CACC for their successful treatment of an in-flight arson case on 26 July.