

Management Discussion of October Operating Data

1. Operation

During October 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 Kilometres (RPK) and passenger head count.

Passenger capacity (ASK) and passenger traffic (RPK) for October rose by 9.3% and 7.1% year-on-year respectively. The ASK of domestic routes increased by 5.0% year-on-year, while the RPK rose by 3.5% year-on-year. The ASK and the RPK of international routes rose by 17.8% and 14.4% year-on-year respectively, and of regional routes increased by 13.3% and 15.3% year-on-year respectively. The overall passenger load factor was 78.6%, a year-on-year decrease of 1.6 percentage points. The passenger load factor on domestic and international routes declined by 1.2 and 2.2 percentage points respectively, while that of regional routes increased by 1.3 percentage points. .

Starting from 26 October, a Xian-Wuhan route, a Kunming-Shenyang route and Qingdao-Wuhan were launched with seven flights per week for each route.

With respect to the cargo operation, Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried for October recorded increases on both a year-on-year and month-on-month basis. Available Freight Tonne Kilometres (AFTK) surged by 23.2% year-on-year. RFTK surged by 24.1% year-on-year, while freight tonnage rose by 11.7% year-on-year. The cargo load factor was 58.7%, a year-on-year increase of 0.4 percentage points.

In October, excluding its subsidiary airlines, Air China (CA) purchased a total of 341,000 tonnes of jet fuel at a price of RMB6,694 per tonne, a year-on-year decrease of 9.3%. The average jet fuel purchase price at international airports was RMB5,645 per tonne, a year-on-year decrease of 10.5%. The average jet fuel purchase price for domestic flights was RMB7,012 per tonne, a year-on-year decrease of 8.6%.

Fuel Surcharge Adjustment

Effective Date (Based on Ticket Issue Date)	Route	Previous Rate (Per Head Per Sector)	New Rate (Per Head Per Sector)
1 October	Hong Kong to Mainland China	HK\$190	HK\$183
	Japan to Mainland China	JPY7000	JPY5500
	Korea to Mainland China (Except Qingdao, Jinan and Yantai in Shandong)	US\$41	US\$38
	Korea to Shandong, China (Qingdao, Jinan and Yantai)	US\$24	US\$22

During the month, the Group added seven aircrafts, including two 737-800s, one A320, three A321s and one A330. One B737-300 has been retired. As at the end of October, the Company operated a fleet of 529 aircrafts.

2. Important Announcement

Air China announced its results for the third quarter of 2014 on 29 October 2014. During the reporting period, the Group's revenue rose by 6.68% year-on-year to RMB29,794 million. Operating cost increased by 8.30% year-on-year to RMB23,018 million. Operating profit declined by 7.58% year-on-year to RMB3,716 million while net profit dropped 8.82% to RMB2,683 million when compared to RMB2,942 million recorded in the corresponding period of 2013.

On 28 October 2014, the 11th meeting of the fourth Board of Air China passed the resolution regarding the signing of a new framework agreement (2015-2017) with China National Aviation Holding Company for licensing of the use of trademarks. The resolution will be presented to the 2014 Second extraordinary general meeting of the Company for consideration and approval.

Other Business Developments

During the Golden Week of the National Day holiday from 1 to 7 October, Air China (excluding its subsidiary airlines) increased capacity oned 13 international and regional routes and added 26 flights. The passenger capacity increased by 34,410,000 Available Seat Kilometres (“ASK”). Domestic routes for popular travel destinations such as Beijing to Sanya increased by 261 flights and the capacity increased by 57,000,000 ASK. The number of flights operated by the Company grew by 3.9% year-on-year to 7,165 flights from 1 to 7 October. The passenger capacity rose by 9.2% year-on-year to 2,800,000,000 ASK.