
Management Discussion of May 2015 Operating Data

1. Operations

Air China Limited (CA+ZH+NX) continued to display monthly and yearly growth in passenger traffic in May 2015.

Passenger capacity, measured in Available Seat Kilometers (ASK), grew 12.8% year-on-year, while passenger traffic, measured by Revenue Passenger Kilometers (RPK), rose by 12.5%. Capacity on domestic routes increased by 12.6% year-on-year, with RPK rising by 12.1%. Capacity on international routes increased by 14.9% year-on-year, while RPK rose 14.6% in the same period. Capacity on regional routes increased by 1.8% year-on-year, with RPK falling by 2.5%. The overall passenger load factor was 78.6%, down 0.2 percentage points year-on-year. The passenger load factor for regional routes increased by 0.5 percentage points year-on-year and the passenger load factor for domestic and international routes fell 0.3 and 0.2 percentage points respectively.

As of 1 May, the Company launched a Beijing-Minsk-Budapest route (four times a week). On 15 May, a Tianjin-Dalian-Tokyo route (four times a week) and a Beijing-Karamay-Yining route (four times a week) were opened.

On cargo operations, both Revenue Freight Tonne Kilometres (RFTK) and freight tonnage carried during May recorded a year-on-year and month-on-month increase. Available Freight Tonne Kilometres (AFTK) rose by 25.6% year-on-year in May. RFTK grew 23.4% and freight tonnage carried increased by 10.4% compared to May 2014. The cargo load factor was 56.8% in May, a decrease of 1.0 percentage points year-on-year.

During the month, excluding its subsidiary airlines, Air China purchased a total of 368,000 tonnes of jet fuel at an average price of RMB4,434 per tonne, a year-on-year decrease of 37.8%. The average jet fuel purchase price at international airports was RMB3,996 per tonne, and the average purchase price of jet fuel for domestic flights was RMB4,567 per tonne, representing yearly decreases of 36.0% and 38.2%, respectively.

Fuel Surcharge Adjustment

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