Air China Limited Announces 2010 Interim Annual Results

Record High First Half Results
Leveraging New Opportunities to Drive Growth

Hong Kong — August 25, 2010 — Air China Limited ("Air China" or "the Company," together with its subsidiaries, collectively "the Group") (HKEX: 00753; LSE: AIRC; SSE: 601111: ADR OTC: AIRYY), today announced its financial results[1] for the six months ended June 30, 2010 ("the Period").

Results Highlights

- **Turnover was RMB34.78 billion, an increase of 50.50% year-over-year**
- **Operating expenses were RMB30.68 billion, an increase of 51.21% year-over-year**
- **Fuel cost was RMB10.61 billion, representing an increase of 74.03% year-over-year**
- **Profit attributable to shareholders was RMB4.61 billion, representing an increase of 60.27% year-over-year**
- **Basic earnings per share was RMB0.40, an increase of 64.19% year-over-year**

Air China achieved strong growth in the first half of 2010, supported by continued execution of its growth strategy while benefiting from the recovering global economy, accelerated economic growth in China and opportunities from the World-Expo. The Company significantly increased its capacity deployment and strengthened its core business to capture emerging growth opportunities. These proactive measures, coupled with reasonable control of operating costs, allowed the Company to achieve record results.

Financial Highlights

In the first half of 2010, the Company's turnover was RMB34.78 billion, an increase of 50.50% over the same period in 2009.

Passenger revenue was RMB28.63 billion, a year-over-year increase of 48.77%. Cargo revenue was RMB4.46 billion, a year-over-year increase of 126.93%.

Total operating expenses increased by 51.21% to RMB30.68 billion, from RMB20.29 billion in the same period in 2009, primarily due to the significant increase in jet fuel prices. During the

[1] All figures are unaudited, stated according to International Financial Reporting Standards ("IFRS")

period, the international jet fuel purchase price increased by 41.33%, while the domestic jet fuel purchase price increased by 34.54% year-over-year.

As of the end of June 2010, the Company recorded a fair value gain from hedging contracts amounting to RMB721 million.

During the Period, the Company recorded an operating profit of RMB4.10 billion, a year-over-year increase of 45.42%. The significant improvement in operating profit was mainly due to the accelerated recovery of international and domestic passenger and cargo business, which resulted in solid growth in the profitability of the Company's core business.

Profit attributable to shareholders was RMB4.61 billion, an increase of 60.27% compared with RMB2.88 billion in the same period in 2009. The increase in profit was primarily due to the significant improvement in operating profit and profit from associates.

Operational Highlights

Passenger Service

In the first half of the year, the Group carried a total of 26.27 million passengers, a year-over-year increase of 34.54%. Passenger capacity, measured by Available Seat Kilometers (ASK), increased by 24.51% to 59.85 billion. Capacity on domestic routes increased by 33.56%, while capacity on international and regional routes increased by 11.58% and 14.68%, respectively. Overall passenger traffic, measured by Revenue Passenger Kilometers (RPK), increased by 32.13% to 47.21 billion. Traffic on domestic routes increased by 37.79%, and traffic on international and regional routes increased by 23.71% and 25.57%, respectively. Passenger load factor improved to 78.89%, an increase of 4.55 percentage points year-over-year. Yield per RPK increased to RMB0.61, an increase of 12.46% year-over-year (figures of 1H 2010 consolidated Shenzhen Airlines' figures from April 20 to June 30).

In response to the prevailing strong demand in the industry, the Company enhanced its demand forecast and operational analysis. The Company also optimized its sales channel structure by increasing the proportion of direct sales, and improving contributions from premium class, transfer passengers and frequent flyer members. In the first half of the year, sales from transfer passengers, premium class, e-commerce and corporate customers experienced a year-over-year increase of 35%, 47%, 124% and 70%, respectively.

In addition, Frequent Flyer members rose to 12.64 million with sales contribution increased by 83%. Meanwhile, revenue contribution from Star Alliance carriers doubled on a year-over-year basis.

The Company continued to strengthen its hub development during the period. The number of transfer passengers at Beijing hub increased by 8% to 2.51 million. At Chengdu hub, except for domestic-to-domestic transfer which saw a mild decline, the number of transfer passengers in all other areas increased by 71%, with connection per week having recorded a year-over-year increase of 28%. Shanghai gateway saw a year-over-year increase of 30% in the number of transfer passenger to 240,000. During the period, the Company completed the transfer to Terminal 2 of Hongqiao airport, providing firm support for the development of the Shanghai gateway.

In April, the Company completed the increase of shareholdings in Shenzhen Airlines Company Limited (Shenzhen Airlines) and became the controlling shareholder of Shenzhen Airlines. A controlling interest in Shenzhen Airlines allows the Company to further enhance its position in Beijing, Chengdu and Shanghai, and achieve an even more balanced domestic network.

The Company has initiated a wide-ranging cooperation with Shenzhen Airlines in eleven areas, namely passenger service and cargo service, fleet, information technology, maintenance, operations control, flight operation, ground service, finance, procurement and asset management. These actions will leverage synergies, allowing the Company to further enhance its competitiveness.

In addition, the Company further enhanced its business cooperation with Air Macau, with the aim of improving Air Macau's revenue base, operating efficiency and cost control. This has helped Air Macau move forward on a healthy track.

Air China maintained a prudent fleet planning policy and a proactive fleet management approach during the period. In response to market demand, the Company increased capacity towards high-yield markets, resuming and adding capacity on international and regional routes. During the period, the Company added 20 new aircraft, mostly narrow-body aircraft such as A321 and B737-800, while phasing out 6 aircraft including older models B767 and B747-200F. As a result, the Company currently operates a younger and more efficient fleet that is also better aligned with market needs.

As of the end of June, 2010, the Company (excluding Air Macau and Shenzhen Airlines) operated a fleet of 276 aircraft. The Company's network covers 31 countries and regions, including 47 international, 88 domestic, and 3 regional cities.

Cargo Services

The accelerated recovery of the global aviation market in the first half allowed the cargo market to experience strong growth. In response to changing market dynamics, the Company adjusted its cargo capacity deployment. With the implementation of a range of initiatives including the strengthening of sales and marketing efforts and consolidation of resources, the Company saw a significant improvement in cargo yield.

During the period, cargo capacity, measured by Available Freight Tonne Kilometers ("AFTK"), increased by 21.23% to 3.73 billion. Cargo traffic, measured by Revenue Freight Tonne Kilometers ("RFTK"), rose by 45.93% to 2.22 billion. The cargo and mail load factor improved to 59.45%, an increase of 10.06 percentage points. Cargo yield improved to RMB1.87, an increase of 44.49% (figures of 1H 2010 consolidated Shenzhen Airlines' figures from April 20 to June 30).

In February, the Company signed a framework agreement with Cathay Pacific Airways to set up a cargo joint-venture. This was a significant endeavor in the strategic partnership of the two companies. The joint-venture will fully leverage the brand value and strengths of the two shareholders, providing more choices and higher standards of services to its future customers.

Outlook

“In the second half of the year, the global economy is expected to continue its recovery while the domestic economy is expected to maintain a stable growth trajectory, providing favorable market conditions for Air China. However, we continue to remain vigilant and ready to respond to any changes in the market environment. The possibility of a “double-dip” in the global economy, the rise of high-speed-rail, oil prices, as well as fluctuations in exchange rates and interest rates all contribute to a certain level of uncertainty in our operations,” Mr. Kong Dong, Chairman of Air China said.

“With all the opportunities and challenges in mind, the Company will continue to execute its prudent strategy, while actively seeking new growth opportunities and tirelessly improving its quality of services to further consolidate and enhance its competitive strengths. We are confident that we will be able to execute on our strategic goals and continue to deliver stronger results,” Mr. Dong concluded.

About Air China Limited

Air China Limited (Air China) is the national flag carrier of China and a leading provider of air passenger, air cargo and airline-related services and products in China. Its operational head office is in Beijing, a major domestic and international hub in China. It also provides airline-related services, including aircraft maintenance, ground services in Beijing, Chengdu, and other locations. As of the end of June, 2010, the Company operated a fleet of 276 aircraft. The Company’s network covers 31 countries and regions, including 47 international, 88 domestic, and 3 regional cities. Air China was listed on the Hong Kong Stock Exchange and the London Stock Exchange on December 15, 2004 under codes 00753 and AIRC respectively. On August 18, 2006, Air China was listed on the Shanghai Stock Exchange under code 601111. For further details, please visit Air China’s website: www.airchina.com.cn/en/.

Safe Harbor Statement

This press release contains projections and forward-looking statements that reflect the Company’s current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur that projections will be achieved, or that the Company’s assumptions are correct. Actual results may differ materially from those projected.

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