中國國際航空股份有限公司

AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00753)

2012 ANNUAL RESULTS

GROUP RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2012 with the corresponding comparative figures for the year ended 31 December 2011 as follows:

A. Prepared under International Financial Reporting Standards

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000*
TURNOVER			
Air traffic revenue	*3*	**95,319,449**	93,343,421
Other operating revenue	*4*	**5,518,233**	5,066,081
		100,837,682	98,409,502
OPERATING EXPENSES			
Jet fuel costs		**(35,638,494)**	(34,703,369)
Movements in fair value of fuel derivative contracts		**–**	85,447
Take-off, landing and depot charges		**(9,185,453)**	(8,740,822)
Depreciation		**(10,376,431)**	(9,560,907)
Aircraft maintenance, repair and overhaul costs		**(3,258,627)**	(2,612,678)
Employee compensation costs	*5*	**(13,648,191)**	(12,270,065)
Air catering charges		**(2,843,067)**	(2,662,984)
Aircraft and engine operating lease expenses		**(3,486,493)**	(3,931,549)
Other operating lease expenses		**(739,750)**	(668,916)
Other flight operation expenses		**(6,886,259)**	(9,342,935)
Selling and marketing expenses		**(5,668,305)**	(5,480,514)
General and administrative expenses		**(897,553)**	(2,261,549)
		(92,628,623)	(92,150,841)

	Notes	2012 RMB'000	2011 RMB'000
PROFIT FROM OPERATIONS	*6*	**8,209,059**	6,258,661
Finance revenue	*7*	**374,625**	3,361,295
Finance costs	*7*	**(2,410,833)**	(1,594,015)
Share of profits and losses of associates		**402,661**	1,328,798
PROFIT BEFORE TAX		**6,575,512**	9,354,739
Tax	*8*	**(1,647,507)**	(2,292,073)
PROFIT FOR THE YEAR		**4,928,005**	7,062,666
Attributable to:			
Owners of the parent		**4,636,735**	7,082,374
Non-controlling interests		**291,270**	(19,708)
		4,928,005	7,062,666
Dividends	*10*		
Interim		**–**	–
Proposed final		**776,580**	1,521,251
		776,580	1,521,251
Earnings per share attributable to equity holders of the parent:	*11*		
Basic and diluted		**RMB38.21 cents**	RMB58.23 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
PROFIT FOR THE YEAR	**4,928,005**	7,062,666
OTHER COMPREHENSIVE INCOME/(LOSSES)		
Share of other comprehensive income/(losses) of associates	**417,433**	(8,538)
Exchange realignment	**21,466**	(890,417)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR, NET OF TAX	**438,899**	(898,955)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,366,904**	6,163,711
Attributable to:		
Owners of the parent	**5,074,816**	6,193,453
Non-controlling interests	**292,088**	(29,742)
	5,366,904	6,163,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	2012	2011
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**125,369,553**	112,399,431
Lease prepayments	**2,122,636**	2,142,684
Investment properties	**229,824**	240,879
Intangible asset	**59,216**	37,221
Goodwill	**1,310,830**	1,310,830
Interests in associates	**14,037,363**	13,397,031
Advance payments for aircraft and flight equipment	**18,696,984**	19,443,291
Deposits for aircraft under operating leases	**443,539**	420,854
Available-for-sale investments	**45,925**	27,182
Deferred tax assets	**2,834,335**	3,077,502
	165,150,205	152,496,905
CURRENT ASSETS		
Aircraft and flight equipment held for sale	**592,697**	92,487
Inventories	**1,637,424**	1,810,320
Accounts receivable	**3,009,759**	2,700,731
Bills receivable	**1,253**	1,601
Prepayments, deposits and other receivables	**3,974,980**	2,697,192
Financial assets	**12,671**	12,144
Due from the ultimate holding company	**194,077**	428,561
Due from related companies	**10,416**	20,194
Tax recoverable	**156,546**	–
Pledged deposits	**802,941**	132,565
Cash and cash equivalents	**12,047,735**	15,457,372
	22,440,499	23,353,167
TOTAL ASSETS	**187,590,704**	175,850,072
CURRENT LIABILITIES		
Air traffic liabilities	**(3,876,782)**	(4,562,773)
Accounts payable	**(9,354,919)**	(10,417,186)
Bills payable	**(1,503)**	–
Other payables and accruals	**(10,692,780)**	(12,815,775)
Financial liabilities	**(120,413)**	(223,137)
Due to related companies	**(352,349)**	(190,775)
Tax payable	**(80,153)**	(1,707,553)
Obligations under finance leases	**(3,476,572)**	(2,687,925)
Interest-bearing bank loans and other borrowings	**(30,690,190)**	(28,137,313)
Provision for major overhauls	**(699,849)**	(589,123)
	(59,345,510)	(61,331,560)
NET CURRENT LIABILITIES	**(36,905,011)**	(37,978,393)
TOTAL ASSETS LESS CURRENT LIABILITIES	**128,245,194**	114,518,512

	2012 *RMB'000*	2011 *RMB'000*
NON-CURRENT LIABILITIES		
Obligations under finance leases	**(25,476,607)**	(19,191,860)
Interest-bearing bank loans and other borrowings	**(42,254,160)**	(39,398,481)
Provision for major overhauls	**(2,745,326)**	(2,496,294)
Provision for early retirement benefit obligations	**(265,996)**	(203,213)
Long term payables	**(181,144)**	(231,061)
Deferred income	**(3,482,911)**	(3,459,138)
Deferred tax liabilities	**(1,561,424)**	(1,213,030)
	(75,967,568)	(66,193,077)
NET ASSETS	**52,277,626**	48,325,435
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**12,891,955**	12,891,955
Treasury shares	**(2,896,092)**	(2,889,399)
Reserves	**39,662,640**	36,113,243
	49,658,503	46,115,799
NON-CONTROLLING INTERESTS	**2,619,123**	2,209,636
TOTAL EQUITY	**52,277,626**	48,325,435

Notes:

1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs", which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect) and the disclosure requirements of the Hong Kong Companies Ordinance.

As at 31 December 2012, the Group's net current liabilities amounted to approximately RMB36,905 million, which comprised current assets of approximately RMB22,440 million and current liabilities of approximately RMB59,345 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the Directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value, and non-current assets held for sale, which have been stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Impact of revised IFRSs

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised IFRSs has had no significant financial effect on these financial statements.

Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) *Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (Revised)	*Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements to IFRSs 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting derecognition and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements that were in IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12. The Group is in the process of making an assessment of the impact.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly controlled Entities – Non-monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The Group currently uses proportionate consolidation to account its joint ventures. By removing the option of proportionate consolidation, IFRS 11 is expected to have impact on the Group's financial statements.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, the consequential amendments to IAS 27 (Revised) and IAS 28 (Revised) and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2 Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. The Group has the following reportable operating segments:

(a) the "airline operations" segment which comprises the provision of air passenger and air cargo services; and

(b) the "other operations" segment which comprises the provision of aircraft engineering, ground services and other airline-related services.

In determining the Group's geographical information, revenue is attributed to the segments based on the origin and destination of each flight. Assets, which consist principally of aircraft and ground equipment, supporting the Group's worldwide transportation network, are mainly located in Mainland China. An analysis of the assets of the Group by geographical distribution has therefore not been included.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Operating segments

The following tables present the Group's consolidated revenue and profit before tax regarding the Group's operating segments in accordance with China Accounting Standards for Business Enterprises ("CASs") for the years ended 31 December 2012 and 2011 and the reconciliations of reportable segment revenue and profit before tax to the Group's consolidated amounts under IFRSs:

Year ended 31 December 2012

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	**99,595,151**	**245,400**	**–**	**99,840,551**
Intersegment sales	**–**	**1,814,619**	**(1,814,619)**	**–**
Total revenue for reportable segments under CASs	**99,595,151**	**2,060,019**	**(1,814,619)**	**99,840,551**
Business tax not included in segment revenue				**(1,748,412)**
Other income not included in segment revenue				**1,590,072**
Effects of differences between IFRSs and CASs				**1,155,471**
Revenue for the year under IFRSs				**100,837,682**
SEGMENT PROFIT BEFORE TAX				
Profit before tax for reportable segments under CASs	**6,884,033**	**153,504**	**–**	**7,037,537**
Effects of differences between IFRSs and CASs				**(462,025)**
Profit before tax for the year under IFRSs				**6,575,512**

Year ended 31 December 2011

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	96,998,433	140,678	–	97,139,111
Intersegment sales	–	1,215,116	(1,215,116)	–
Total revenue for reportable segments under CASs	96,998,433	1,355,794	(1,215,116)	97,139,111
Business tax not included in segment revenue				(2,267,856)
Other income not included in segment revenue				1,498,578
Effects of differences between IFRSs and CASs				2,039,669
Revenue for the year under IFRSs				98,409,502
SEGMENT PROFIT BEFORE TAX				
Profit before tax for reportable segments under CASs	10,028,990	92,529	–	10,121,519
Effects of differences between IFRSs and CASs				(766,780)
Profit before tax for the year under IFRSs				9,354,739

The following tables present the segment assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2012 and 31 December 2011 and the reconciliations of reportable segment assets, liabilities and other information to the Group's consolidated amounts under IFRSs:

	Airline operations *RMB'000*	**Other operations** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
SEGMENT ASSETS				
Total assets for reportable segments as at 31 December 2012 under CASs	**184,780,189**	**3,950,738**	**(3,020,021)**	**185,710,906**
Effects of differences between IFRSs and CASs				**1,879,798**
Total assets under IFRSs				**187,590,704**
Total assets for reportable segments as at 31 December 2011 under CASs	172,951,576	4,961,357	(4,589,365)	173,323,568
Effects of differences between IFRSs and CASs				2,526,504
Total assets under IFRSs				175,850,072

	Airline operations *RMB'000*	**Other operations** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
SEGMENT LIABILITIES				
Total liabilities for reportable segments as at 31 December 2012 under CASs	**133,992,733**	**791,665**	**(3,020,021)**	**131,764,377**
Effects of differences between IFRSs and CASs				**3,548,701**
Total liabilities under IFRSs				**135,313,078**
Total liabilities for reportable segments as at 31 December 2011 under CASs	127,360,960	1,050,452	(4,589,365)	123,822,047
Effects of differences between IFRSs and CASs				3,702,590
Total liabilities under IFRSs				127,524,637

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*	Effects of differences between IFRSs and CASs *RMB'000*	Amounts under IFRSs *RMB'000*
OTHER SEGMENT INFORMATION						
Year ended 31 December 2012						
Share of profits and losses of associates	**359,280**	**43,381**	**–**	**402,661**	**–**	**402,661**
Impairment losses reversed/(recognised) in the income statement, net	**241,134**	**(135)**	**–**	**240,999**	**(122,481)**	**118,518**
Finance revenue	**358,163**	**12,087**	**–**	**370,250**	**4,375**	**374,625**
Finance costs	**2,270,466**	**713**	**–**	**2,271,179**	**139,654**	**2,410,833**
Tax	**1,583,108**	**19,991**	**–**	**1,603,099**	**44,408**	**1,647,507**
Interests in associates	**13,519,068**	**309,484**	**–**	**13,828,552**	**208,811**	**14,037,363**
Capital expenditure	**24,843,617**	**60,330**	**–**	**24,903,947**	**237,624**	**25,141,571**
Depreciation and amortisation	**10,185,468**	**205,107**	**–**	**10,390,575**	**210,011**	**10,600,586**

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*	Effects of differences between IFRSs and CASs *RMB'000*	Amounts under IFRSs *RMB'000*
Year ended 31 December 2011						
Share of profits and losses of associates	1,288,914	39,884	–	1,328,798	–	1,328,798
Impairment losses recognised in the income statement	1,969,970	176,846	–	2,146,816	708,095	2,854,911
Finance revenue	3,273,134	27,391	–	3,300,525	60,770	3,361,295
Finance costs	1,436,334	296	–	1,436,630	157,385	1,594,015
Tax	2,196,417	27,493	–	2,223,910	68,163	2,292,073
Interests in associates	13,060,493	314,730	–	13,375,223	21,808	13,397,031
Capital expenditure	30,092,582	8,488	–	30,101,070	457,554	30,558,624
Depreciation and amortisation	9,509,045	8,963	–	9,518,008	96,146	9,614,154

Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2012 and 2011:

Year ended 31 December 2012

	Mainland China *RMB'000*	Hong Kong, Macau and Taiwan *RMB'000*	Europe *RMB'000*	North America *RMB'000*	Japan and Korea *RMB'000*	Asia Pacific and others *RMB'000*	Total *RMB'000*
Sales to external customers and total revenue	**67,840,084**	**5,618,394**	**9,604,615**	**7,500,004**	**5,941,709**	**4,332,876**	**100,837,682**

Year ended 31 December 2011

	Mainland China *RMB'000*	Hong Kong, Macau and Taiwan *RMB'000*	Europe *RMB'000*	North America *RMB'000*	Japan and Korea *RMB'000*	Asia Pacific and others *RMB'000*	Total *RMB'000*
Sales to external customers and total revenue	66,154,716	4,335,880	10,464,556	6,984,158	6,110,530	4,359,662	98,409,502

The Group's main assets to earn income are the aircraft, most of which are registered in China. According to the business demand, the Group needs to flexibly allocate the aircraft to match the need of the route network. Therefore, the Group has no proper benchmark to distribute of these assets according to regional information. Except for the aircraft, most of the group's assets are located in China.

Information about a major customer

There was no revenue from transactions with a single customer amounting to 10% or more of the Group's revenue during the year (2011: Nil).

3 Air Traffic Revenue

Air traffic revenue represents revenue from the Group's airline operation business and is stated net of business tax. An analysis of the Group's air traffic revenue during the year is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Passenger	**86,898,595**	83,510,323
Cargo and mail	**8,420,854**	9,833,098
	95,319,449	93,343,421

Before September 2012, air traffic revenue for all domestic flights was subject to a business tax rate of 3%. Pursuant to the relevant business tax rules and regulations in Mainland China, all international, Hong Kong, Macau and Taiwan regional flights are exempted from business tax with effect from 1 January 2010. Business tax incurred and set off against air traffic revenue for the first eight months in 2012 amounted to approximately RMB1,656 million (2011: RMB2,128 million for the whole year). Since September 2012 onwards, air traffic revenue for all domestic flights was subject to a value added tax rate of 11% and all international, Hong Kong, Macau and Taiwan regional flights are exempted from value added tax.

4 Other Operating Revenue

	2012	2011
	RMB'000	*RMB'000*
Aircraft engineering income	**1,199,484**	730,746
Ground service income	**747,082**	724,346
Service charges on return of unused flight tickets	**633,267**	574,136
Income from other travelling services	**301,423**	535,482
Government grants and subsidies:		
Recognition of deferred income	**192,580**	240,486
Others	**1,301,194**	938,120
Gain on disposal of property, plant and equipment	**62,337**	252,662
Cargo handling service income	**79,126**	167,934
Rental income:		
Aircraft and flight equipment	**43,481**	44,802
Others	**91,108**	42,489
Training service income	**80,572**	81,051
Sale of materials	**39,495**	24,966
Import and export service income	**50,787**	16,400
Others	**696,297**	692,461
	5,518,233	5,066,081

5 Employee Compensation Costs

An analysis of the Group's employee compensation costs, including the emoluments of directors and supervisors, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Wages, salaries and social security costs	**12,161,205**	11,002,334
Retirement benefit costs	**1,486,986**	1,274,561
Share-based benefits	**–**	(6,830)
	13,648,191	12,270,065

6 Profit From Operations

The Group's profit from operations is arrived at after charging/(crediting):

	2012 *RMB'000*	2011 *RMB'000*
Auditors' remuneration	**14,356**	18,370
Depreciation	**10,376,431**	9,560,907
Impairment of property, plant and equipment	**586,301**	2,237,403
Gain on disposal of property, plant and equipment	**62,337**	252,662
Losses on derecognition of property, plant and equipment	**13,935**	31,345
Amortisation of lease prepayments	**84,107**	53,247
Amortisation of investment property	**11,055**	–
Minimum lease payments under operating leases:		
Aircraft and flight equipment	**3,486,493**	3,931,549
Land and buildings	**648,893**	583,338
Impairment of aircraft and flight equipment held for sale	**22,779**	99,669
Impairment of goodwill	**–**	176,891
Impairment of interests in associates	**–**	19,810
Impairment of inventories	**16,878**	77,785
Impairment/(reversal of impairment) of accounts receivable, net	**19,689**	3,771
Impairment/(reversal of impairment) of prepayments, deposits and other receivables, net	**(764,165)**	239,582

7 Finance Revenue And Finance Costs

An analysis of the Group's finance revenue and finance costs during the year is as follows:

Finance revenue

	2012 *RMB'000*	2011 *RMB'000*
Exchange gains, net	**123,595**	3,117,700
Interest income	**248,009**	240,234
others	**3,021**	3,361
	374,625	3,361,295

Finance costs

	2012 *RMB'000*	2011 *RMB'000*
Interest on interest-bearing bank loans and other borrowings	**2,456,416**	1,869,764
Interest on finance leases	**597,168**	326,771
Loss on interest rate derivative contracts, net	**4,046**	41,122
	3,057,630	2,237,657
Less: Interest capitalised	**(646,797)**	(643,642)
	2,410,833	1,594,015

The interest capitalisation rates during the year range from 1.11% to 9.40% (2011: 1.24% to 8.23%) per annum relating to the costs of related borrowings during the year.

8 Tax

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches which are taxed at a preferential rate of 15% and two joint ventures which are taxed at the preferential rates from 12.5% to 15% (2011: a subsidiary and certain joint ventures taxed at 24%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (2011: 25%) during the period. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% (2011:16.5%) and 12% (2011: 12%), respectively.

The determination of current and deferred income taxes was based on the enacted tax rates. Major components of income tax charge are as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current income tax:		
Mainland China	**1,052,212**	2,968,108
Hong Kong and Macau	**3,734**	1,662
	1,055,946	2,969,770
Deferred income tax	**591,561**	(677,697)
Income tax charge for the year	**1,647,507**	2,292,073

The Group's share of tax charge attributable to associates amounting to RMB169,680,000(2011: RMB280,541,000) is included in the "Share of profits and losses of associates" on the face of the consolidated income statement.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China in which the Company and the majority of its subsidiaries and joint ventures are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**6,575,512**		9,354,739	
Tax at the statutory tax rate	**1,643,878**	**25.0**	2,338,685	25.0
Tax effect of share of profits and losses of associates	**(100,665)**	**(1.5)**	(332,199)	(3.5)
Lower income tax rates enacted by other territories	**(89,913)**	**(1.4)**	(93,621)	(1.0)
Adjustment in respect of current income tax of previous periods	**(298,332)**	**(4.5)**	(98,922)	(1.1)
Income not subject to tax	**(37,443)**	**(0.6)**	(39,958)	(0.4)
Expenses not deductible for tax	**67,768**	**1.0**	53,425	0.6
Utilisation of tax losses not recognised in prior years	**(16,359)**	**(0.2)**	(24,819)	(0.3)
Deductible temporary differences and tax losses not recognised	**518,284**	**7.9**	489,482	5.2
Utilisation of deductible temporary differences not recognised in prior years	**(39,711)**	**(0.6)**	–	–
At the Group's effective income tax rate	**1,647,507**	**25.1**	2,292,073	24.5

As at 31 December 2012, there was unrecognised deferred tax liability of RMB37,657,000 (2011: RMB37,657,000) for taxes that would be payable on the disposal of a subsidiary as the Directors are of the view that the Company is able to control the timing of the disposal and they have no intention to dispose of this subsidiary in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

9 Profit Attributable To Owners Of The Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of approximately RMB3,805 million (2011: RMB5,798 million), which was arrived at after deducting dividend income received from subsidiaries, joint ventures and associates aggregating approximately RMB145 million (2011: RMB725 million) from the Company's total comprehensive income of approximately RMB3,950 million (2011: RMB6,523 million), that has been dealt with in the financial statements of the Company.

10 Appropriations

	Company	
	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend	**776,580**	1,521,251

Under the PRC Company Law and the Company's articles of association, profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances have been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory common reserve fund of at least 10% of the after-tax profit, until the fund reaches 50% of the Company's registered capital (for the purpose of calculating transfers to reserves, profit after tax would be the amount determined under CASs. The transfers to reserves should be made before any distribution of dividends to shareholders. The statutory common reserve fund can be used to offset previous years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company); and

(iii) allocations to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

In accordance with the Company's articles of association, the profit after tax of the Company for the purpose of dividend distribution is based on the lesser of (i) the profit determined in accordance with CASs; and (ii) the profit determined in accordance with IFRSs.

11 Earnings Per Share Attributable To Equity Holders Of The Parent

The calculation of basic earnings per share for the year ended 31 December 2012 was based on the profit attributable to equity holders of the Company for the year ended 31 December 2012 of approximately RMB4,637 million and the weighted average of 12,136,547,108 ordinary shares in issue during the year, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific through reciprocal shareholding.

The calculation of basic earnings per share for the year ended 31 December 2011 was based on the profit attributable to equity holders of the Company for the year ended 31 December 2011 of approximately RMB7,082 million and the weighted average of 12,161,502,125 ordinary shares in issue during the year, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific through reciprocal shareholding.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both years.

B. Prepared under China Accounting Standards for Business Enterprises

CONSOLIDATED BALANCE SHEET

31 December 2012

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*
ASSETS		
CURRENT ASSETS		
Cash and bank balances	**12,590,884**	15,420,242
Financial assets held for trading	**12,671**	12,144
Bills receivable	**1,253**	1,601
Accounts receivable	**2,967,150**	2,652,439
Other receivables	**3,103,008**	1,662,087
Prepayments	**623,754**	584,983
Inventories	**1,105,048**	1,128,164
Other current assets	**144,552**	–
Total current assets	**20,548,320**	21,461,660
NON-CURRENT ASSETS		
Long term receivables	**445,657**	424,618
Long term equity investments	**15,240,177**	14,804,420
Investment property	**229,824**	240,879
Fixed assets	**116,303,025**	101,737,456
Construction in progress	**25,977,975**	27,566,439
Intangible assets	**2,810,814**	2,805,249
Goodwill	**1,102,185**	1,102,185
Long term deferred expenses	**296,613**	187,893
Deferred tax assets	**2,756,316**	2,992,769
Total non-current assets	**165,162,586**	151,861,908
Total assets	**185,710,906**	173,323,568

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short term loans	**16,787,697**	11,507,317
Short-term bonds payable	**1,500,000**	–
Financial liabilities held for trading	**120,413**	223,137
Bills payable	**1,503**	–
Accounts payable	**11,246,311**	12,081,912
Domestic air traffic liabilities	**1,566,686**	2,052,297
International air traffic liabilities	**2,310,101**	2,510,478
Receipts in advance	**162,884**	121,503
Employee compensations payable	**2,192,434**	2,703,428
Taxes payable	**444,972**	2,756,215
Interest payable	**352,515**	360,578
Other payables	**5,322,884**	6,309,825
Non-current liabilities repayable within one year	**13,802,983**	17,240,694
Total current liabilities	**55,811,383**	57,867,384
NON-CURRENT LIABILITIES		
Long term loans	**30,254,161**	33,398,481
Corporate bonds	**12,000,000**	6,000,000
Long term payables	**2,892,595**	2,643,472
Obligations under finance leases	**25,476,607**	19,191,860
Accrued liabilities	**406,470**	346,284
Deferred income	**3,361,737**	3,161,536
Deferred tax liabilities	**1,561,424**	1,213,030
Total non-current liabilities	**75,952,994**	65,954,663
Total liabilities	**131,764,377**	123,822,047
SHAREHOLDERS' EQUITY		
Issued capital	**12,891,955**	12,891,955
Capital reserve	**16,699,590**	16,288,523
Reserve funds	**4,572,881**	3,471,812
Retained earnings	**19,459,551**	17,134,982
Foreign exchange translation reserve	**(3,045,439)**	(3,049,254)
Equity attributable to owners of the parent	**50,578,538**	46,738,018
Non-controlling interests	**3,367,991**	2,763,503
Total shareholders' equity	**53,946,529**	49,501,521
Total liabilities and shareholders' equity	**185,710,906**	173,323,568

CONSOLIDATED INCOME STATEMENT
31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Revenue from operations	**99,840,551**	97,139,111
Less: Cost of operations	**80,774,145**	76,692,435
Business taxes and surcharges	**1,728,115**	2,241,459
Selling expenses	**6,894,474**	6,521,025
General and administrative expenses	**3,177,883**	3,307,241
Finance costs/(revenue)	**2,199,538**	(1,549,773)
Impairment losses recognized/(reversed) in assets	**(240,999)**	2,146,816
Add: Gains from movements in fair value	**4,603**	33,744
Investment income	**382,886**	1,336,532
Including: Share of profits and losses of associates and joint ventures	**428,579**	1,331,670
Profit from operations	**5,694,884**	9,150,184
Add: Non-operating income	**1,447,782**	1,198,749
Less: Non-operating expenses	**105,129**	227,414
Including: Loss on disposal of non-current assets	**26,788**	61,470
Profit before tax	**7,037,537**	10,121,519
Less: Tax	**1,603,099**	2,223,910
Net profit	**5,434,438**	7,897,609
Net profit attributable to owners of the parent	**4,948,044**	7,476,855
Non-controlling interests	**486,394**	420,754
Earnings per share *(RMB)*		
Basic and diluted	**0.41**	0.61
Other comprehensive income/(loss)	**422,270**	(889,223)
Total comprehensive income	**5,856,708**	7,008,386
Attributable to:		
Owners of the parent	**5,369,619**	6,597,673
Non-controlling interests	**487,089**	410,713

C Effects of significant differences between IFRSs and CASs

SUPPLEMENTARY INFORMATION
31 December 2012

The effects of significant differences between the consolidated financial statements of the Group prepared under CASs and IFRSs are as follows:

	2012	2011
	RMB'000	*RMB'000*
Net profit attributable to owners of the parent under CASs	**4,948,044**	7,476,855
Deferred tax	**(4,103)**	(17,123)
Differences in value of fixed assets	**(146,174)**	(83,510)
Government grants	**76,552**	152,387
Others	**(237,584)**	(446,235)
Net profit attributable to owners of the parent under IFRSs	**4,636,735**	7,082,374

	2012	2011
	RMB'000	*RMB'000*
Equity attributable to owners of the parent under CASs	**50,578,538**	46,738,018
Deferred tax	**93,387**	97,490
Differences in value of fixed assets	**(379,800)**	(233,626)
Government grants	**(206,866)**	(283,418)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	**139,919**	139,919
Others	**(566,675)**	(342,584)
Equity attributable to owners of the parent under IFRSs	**49,658,503**	46,115,799

2012 REVIEW

Demand in the aviation industry in 2012 continued to be weak as a result of the slow recovery of the U.S. economy, the on-going European debt crisis and the global recession. Escalating operating costs from high jet fuel price and the intensifying competition added to the challenges faced by the industry. The Group adhered to a strategy of sustainable development and steady and prudent operation and proactively adjusted its routes and capacity deployment, consolidated our external and internal resources, improved its management standard and service quality effectively responding to market changes. During the reporting period, we recorded a turnover of RMB100,838 million and profit attributable to equity holders of RMB4,637 million, representing a year-on-year increase of 2.47% and a year-on-year decrease of 34.53%, respectively, maintaining our market leader position.

We recorded a steady increase in passenger operations during the record period by managing our capacity deployment dynamically in response to market conditions. With regards to our international operations, we capitalized on the recovery in the U.S. market and increased our capacity deployment on the U.S. routes while managing our overall deployment on our European routes in view of the endured recession in the European economy. We had also reduced our capacity on the Japanese routes and re-deployed such capacity to markets with a higher demand. With regards to our domestic operation, we fortified our base-hub advantage and increased the deployment of wide-body aircraft on our domestic routes, resulting in the strengthened compatibility of our capacity, market, aircraft and route. In 2012, our capacity measured in ASK reached 161,382 million and RPK reached 129,773 million, representing an increase of 6.47% and 5.09% over the previous year, respectively. We carried 72,415,800 passengers with a passenger load factor of 80.41%, representing an increase of 3.92% and a decrease of 1.06 ppts over the previous year respectively. Our passenger yield decreased by 1.47% to RMB0.67.

The Group continued to promote its hub network strategy and the competitiveness of its hubs enhanced steadily. Our operations at the Beijing hub continued to expand. We launched new services, increased the frequency of existing services on a number of international and domestic routes and further expanded our network and enhanced our operation control capability. The number of transfer passengers at the Beijing hub reached 4.48 million during the year together with a significant increase in the number of international transfer passengers. We added 56 slots per week at the Chengdu hub. New routes were also introduced, including Chengdu – Kathmandu and Chengdu – Mumbai routes, and the number of cities serviced by the Chengdu hub reached 61. At the Shanghai international gateway, our development focused on optimisation of fleet and routes. Gradual improvement in the support capabilities such as maintenance, operation support and service was achieved.

With long-term development in mind, the Group continued to optimise its fleet structure. During the year, we introduced 53 aircraft and retired 24 aircraft, resulting in a further increase of wide-body aircraft in our entire fleet. The wide-body aircraft are primarily used on our international long-haul routes and major domestic routes. Notwithstanding the fact that the adjustment made to our fleet had, in the short-term, increased our operating cost and affecting our profit margin, the adjustment represented a milestone in our strategy in improving our international competitiveness and building an international airline with a comprehensive network. In the long run, the adjustment will assist in the sustainable development of the Group. After the restructuring, the average age of our fleet dropped to 6.54 years. A younger fleet will also assist in reducing our operating costs and set a foundation for increasing our safety margin.

We continued to strengthen our strategic partnership with our associated corporations and promote the business synergy among the member airlines. During the year, we moved ahead in strengthening our collaboration with Cathay Pacific and established a joint venture company, Shanghai International Airport Services Co., Limited, with Cathay Pacific and the Shanghai Airport Authority. Our presence in Star Alliance was enhanced with our membership upgraded to a Class 1 Member from Class 2 Member and we also made a recommendation for Shenzhen Airlines to become a member of Star Alliance successfully. Our collaboration with Shenzhen Airlines continued to deepen in various areas, including sales and marketing, frequent flyer programme, maintenance, information technology and central procurement and our synergy further developed. We continued to strengthen our influence in the regional markets and have completed the preparation work for establishing Air China Inner Mongolia Limited.

We are committed to improving our service quality by enhancing passengers' experience. During the reporting period, we put our focus on enhancing the construction of our service management system and standardizing our products, service and management process, further optimising our one-stop service system. We also improved the efficiency in our communication with passengers by launching protocols for managing passengers' feedback, upgraded our facilities and integrated the convenience brought by state of the art technology into our services. All of these measures improved our passengers' experience and enhanced their satisfaction. During the reporting period, the number of PhoenixMiles members increased by 8.23 million to 25.65 million.

In 2012, Air China Cargo faced unprecedented challenges due to the weak international air cargo market and the decline in demand in the Chinese air cargo market. Air China Cargo responded to the challenging operating environment by controlling freighters capacity deployment, optimising the cargo routes network and introducing new routes such as Shanghai – Amsterdam and Zhengzhou – Chicago routes. Air China Cargo also carried out marketing initiatives to increase the sale of bellyhold spaces alongside the increase of passenger flights. All these measures played a positive role in improving the cargo operation and minimising its losses. During the year, the AFTKs and RFTKs of Air China Cargo reached 7,836 million, representing a year-on-year increase of 3.41%, and 4,548 million, representing a year-on-year increase of 3.01%, respectively. The volume of cargo and mail carried increased by 1.83% from last year to 1,169,800 tonnes and the cargo and mail load factor decreased by 0.23 ppts to 58.05% in 2012. The cargo yield decreased by 3.29% to RMB1.69.

The Group has been committed to corporate social responsibility and made continuous efforts towards saving energy and reducing emissions. We completed and initiated phase two of our energy and environment monitoring system in 2012 and our energy consumption record and monitoring functions had been standardized across the Group. We also refined our emissions management and were awarded the Green Standardization Prize of the Environmental Responsibility Awards among PRC Listed Companies. At the same time, the Group was actively involved in a number of major national events and participated in various charitable activities with the aim of growing together with the relevant parties through a series of community services.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The following discussion and analysis are based on the Group's consolidated financial statements and the notes prepared in accordance with the IFRSs and are designed to assist readers in further understanding the information in this announcement and to better understand the financial performance of the Group as a whole.

Profit Analysis

In 2012, we proactively adjusted our routes and capacity deployment, consolidated our internal and external resources, adopted innovative sales and marketing efforts and exploited cost potential. We recorded an operating profit of RMB8,209 million, representing a year-on-year increase of 31.16%, despite the continued recession of market demand, high international jet fuel prices and intensified market competition. However, profit attributable to equity holders of the Company and earnings per share decreased to RMB4,637 million and RMB0.38 respectively during the reporting period compared to RMB7,082 million and RMB0.58 respectively in the previous year, due to a year-on-year decrease in exchange gains and share of profits of associates.

Turnover

In 2012, the Group's total turnover (net of business taxes and surcharges of RMB1,748 million) was RMB100,838 million, representing an increase of RMB2,428 million or 2.47% as compared with that of the previous year. Revenue from our air traffic operations contributed RMB95,319 million to the total turnover, representing an increase of RMB1,976 million or 2.12% over last year, primarily due to our increased capacity deployment. Our other operating revenue was RMB5,518 million, representing a year-on-year increase of RMB452 million or 8.93%, mainly attributable to the revenue increases from aircraft repair and route subsidies during the reporting period.

Revenue Contribution by Geographical Segments

	2012		2011		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Mainland China	**67,840,084**	**67.28%**	66,154,716	67.22%	2.55%
Hong Kong, Macau and Taiwan	**5,618,394**	**5.57%**	4,335,880	4.41%	29.58%
Europe	**9,604,615**	**9.52%**	10,464,556	10.63%	(8.22%)
North America	**7,500,004**	**7.44%**	6,984,158	7.10%	7.39%
Japan and Korea	**5,941,709**	**5.89%**	6,110,530	6.21%	(2.76%)
Asia Pacific and others	**4,332,876**	**4.30%**	4,359,662	4.43%	(0.61%)
Total	**100,837,682**	**100.00%**	98,409,502	100.00%	2.47%

Air Passenger Revenue

In 2012, the Group recorded an air passenger revenue of RMB86,899 million, representing an increase of RMB3,389 million from 2011. Among the air passenger revenue, the increase in capacity deployment contributed to an increase of RMB5,486 million in revenue, while the decreases in passenger yield and passenger load factor resulted in a decrease in revenue of RMB935 million and RMB1,162 million, respectively. The Group's 2012 capacity deployment, passenger load factor and passenger yield per unit are as follows:

	2012	2011	Change
Available seat kilometres *(million)*	**161,382.14**	151, 572.40	6.47%
Passenger load factor *(%)*	**80.41**	81.47	(1.06 ppts)
Yield per RPK *(RMB)*	**0.67**	0.68	(1.47%)

Air Passenger Revenue Contributed by Geographical Segments

(RMB'000)	**2012** Amount	**2012** Percentage	2011 Amount	2011 Percentage	Change
Mainland China	**60,765,243**	**69.93%**	59,120,211	70.79%	2.78%
Hong Kong, Macau and Taiwan	**4,887,709**	**5.62%**	3,855,927	4.62%	26.76%
Europe	**6,594,287**	**7.59%**	6,612,011	7.92%	(0.27%)
North America	**5,584,561**	**6.43%**	5,032,417	6.03%	10.97%
Japan and Korea	**5,187,619**	**5.97%**	5,173,573	6.19%	0.27%
Asia Pacific and others	**3,879,176**	**4.46%**	3,716,184	4.45%	4.39%
Total	**86,898,595**	**100.00%**	83,510,323	100.00%	4.06%

Air Cargo Revenue

In 2012, the Group's air cargo and mail revenue was RMB8,421 million, representing a decrease of RMB1,412 million from the previous year. Among the air cargo and mail revenue, the increase in capacity deployment contributed to an increase of RMB531 million in revenue, while the decreases in cargo and mail load factor and cargo yield resulted in a decrease in revenue of RMB1,400 million and RMB543 million, respectively. The capacity deployment, cargo and mail load factor and cargo and mail yield (per unit) in 2012 are as follows:

	2012	2011	Change
Available freight tonne kilometres *(million)*	**8,465.78**	8,172.91	3.58%
Cargo and mail load factor *(%)*	**59.14**	59.31	(0.17 ppt)
Yield per RFTK *(RMB)*	**1.68**	1.79	(6.15%)

Air Cargo and Mail Revenue Contributed by Geographical Segments

(RMB'000)	**2012** Amount	**2012** Percentage	2011 Amount	2011 Percentage	Change
Mainland China	**1,869,769**	**22.20%**	1,968,424	20.02%	(5.01%)
Hong Kong, Macau and Taiwan	**417,524**	**4.96%**	479,953	4.88%	(13.01%)
Europe	**3,010,328**	**35.75%**	3,852,545	39.18%	(21.86%)
North America	**1,915,443**	**22.75%**	1,951,741	19.85%	(1.86%)
Japan and Korea	**754,090**	**8.95%**	936,957	9.53%	(19.52%)
Asia Pacific and others	**453,700**	**5.39%**	643,478	6.54%	(29.49%)
Total	**8,420,854**	**100.00%**	9,833,098	100.00%	(14.36%)

Operating Expenses

In 2012, the Group's operating expenses were RMB92,629 million, representing an increase of 0.52% from RMB92,151 million in 2011. The breakdown of the operating expenses is set out below:

	2012		2011		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Jet fuel costs	**35,638,494**	**38.47%**	34,703,369	37.66%	2.69%
Take-off, landing and depot charges	**9,185,453**	**9.92%**	8,740,822	9.48%	5.09%
Depreciation	**10,376,431**	**11.20%**	9,560,907	10.37%	8.53%
Aircraft maintenance, repair and overhaul costs	**3,258,627**	**3.52%**	2,612,678	2.84%	24.72%
Employee compensation costs	**13,648,191**	**14.73%**	12,270,065	13.32%	11.23%
Air catering charges	**2,843,067**	**3.07%**	2,662,984	2.89%	6.76%
Selling expenses	**5,668,305**	**6.12%**	5,480,514	5.95%	3.43%
General and administrative expenses	**897,553**	**0.97%**	2,261,549	2.45%	(60.31%)
Other	**11,112,502**	**12.00%**	13,857,953	15.04%	(19.81%)
Total	**92,628,623**	**100.00%**	92,150,841	100.00%	0.52%

Including:

- Jet fuel costs increased by RMB935 million or 2.69% in 2012 as compared to 2011. Jet fuel costs accounted for 38.47% of the operating expenses in 2012 as compared to 37.66% in 2011. The fluctuation of average jet fuel price for the reporting period was smaller than that of the previous year. The increase in jet fuel costs was primarily due to an increase of jet fuel consumption as a result of increased flight hours in the reporting period. The Group's jet fuel consumption was 4.8716 million tons in 2012, representing an increase of 149,800 tons or 3.17% over the last year.

- Take-off, landing and depot charges increased by RMB445 million from last year primarily due to an increase in the number of take-offs and landings.

- Depreciation expenses increased due to an increase in the number of self-owned and leased aircraft during the year.

- Aircraft maintenance, repair and overhaul costs recorded a year-on-year increase of RMB646 million or 24.72% due to the expansion of fleet size.

- Employee compensation costs increased by RMB1,378 million, largely due to an adjustment in remuneration standards and an increase in the number of employees.

- Air catering charges increased by RMB180 million, mainly due to an increase in the number of passengers carried, enhancement of service quality and a rise in raw materials prices.

- Sales and marketing expenses increased by RMB188 million as compared to the previous year due to the consequential increase in sales commission resulting from the increase in sales revenue.

- General and administrative expenses decreased by RMB1,364 million as compared to the previous year due to the reversion of provision made in the previous years for bad debts of RMB800 million, as well as less provision made in the reporting period for other impairment losses than that for the previous year.

- Other operating expenses mainly included aircraft and engines operating lease expenses, contributions to the civil aviation infrastructure construction fund and ordinary expenses arising from our core air traffic business not included in the aforesaid items. Other operating expenses decreased by 19.81% from the previous year, mainly due to a significant decrease in provision made for impairment losses of fixed assets based on the results of impairment test in the reporting period.

Financial Revenue and Financial Costs

In 2012, the Group recorded a net exchange gain of RMB124 million, representing a decrease of RMB2,994 million or 96.04% as compared to the previous year, which was mainly due to a slow down in the appreciation of RMB against US dollars. The Group also incurred an interest expense (excluding the capitalised portion) of RMB2,407 million, representing a year-on-year increase of RMB854 million, primarily due to the growth in interest-bearing liabilities and finance costs of the Group.

Share of Profits of Associates

In 2012, the Group's share in the profits of its associates was RMB403 million, representing a decrease of RMB926 million from that of 2011, mainly because all its associates in airline business invested by the Group recorded a decrease in profits in the reporting period, among which the Group's recognition of gains on investment in Cathay Pacific decreased to RMB88 million in the reporting period from RMB959 million in 2011.

Analysis of Assets Structure

As at 31 December 2012, the total assets of the Group amounted to RMB187,591 million, representing an increase of 6.68% from the previous year, among which current assets accounted for RMB22,440 million or 11.96% of the total assets, while non-current assets accounted for RMB165,151 million, or 88.04% of the total assets.

Among the current assets, cash and cash equivalents were RMB12,048 million, accounting for 53.69% of the current assets and representing a decrease of 22.06% from the beginning of the year, mainly because at the beginning of the year, provision was made for the RMB3,000 million corporate bonds that became mature in the first quarter of the year in addition to the capital demand of normal operation. Prepayments, deposits and other receivables amounted to RMB3,975 million, representing an increase of 47.39% from the previous year, largely due to the increase in rebates due from aircraft manufacturers as a result of the delivery of several aircraft and the partial reversion of provision made for bad debts of subsidiaries in the year.

Among the non-current assets, the net book value of property, plant and equipment was RMB125,370 million, accounting for 75.91% of the non-current assets and representing an increase of 11.54% from the previous year, which was primarily attributable to the increase in the number of self-owned and leased aircraft.

Assets Mortgage

As at 31 December 2012, the Group, pursuant to certain bank loans and finance leasing agreements, has mortgaged certain aircraft and premises with an aggregate net book value of approximately RMB80,523 million (approximately RMB72,244 million as at 31 December 2011), a number of shares in its associates with a market value of approximately RMB4,604 million (approximately RMB4,312 million as at 31 December 2011) and land use rights with a net book value of approximately RMB38 million (approximately RMB40 million as at 31 December 2011). At the same time, the Group had approximately RMB803 million (approximately RMB133 million as at 31 December 2011) in bank deposits pledged as partial security for certain bank loans, operating leases and financial derivatives of the Group.

Capital Expenditure

In 2012, the Company's capital expenditure amounted to RMB25,142 million, of which the total investment in aircraft and engines was RMB16,690 million, including prepayments of RMB7,900 million for aircraft to be introduced from 2013 onwards.

Other capital expenditure amounted to RMB8,452 million, which was mainly spent on high-cost rotables, aircraft modifications, flight simulators, infrastructure construction, information system building, ground equipment purchase and cash component of the long-term investments.

Equity Investment

As at 31 December 2012, the Group's equity investment in its associates totalled RMB14,037 million, representing an increase of 4.78% from the beginning of the year, mainly due to the Group's share of profits of associates and joint ventures and its investment in Tibet Airlines Company Limited in the reporting period. We have equity investment balances of RMB11,987 million in Cathay Pacific, RMB896 million in Shandong Aviation Group Company Limited and RMB549 million in Shandong Airlines Company Limited, and these companies recorded a profit of RMB743 million, RMB300 million and RMB537 million in 2012, respectively.

Debt Structure Analysis

As at 31 December 2012, the Group's total liabilities were RMB135,313 million, representing an increase of 6.11% from the previous year, among which current liabilities accounted for RMB59,346 million and non-current liabilities accounted for RMB75,967 million, representing 43.86% and 56.14% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank and other loans, obligations under finance leases and bills payable) amounted to RMB34,168 million, representing an increase of 10.85% from the beginning of the year, mainly due to an increase in short-term financing in the reporting period. Other advances and payables decreased by 17.47% from the previous year to RMB25,178 million, which was mainly due to the centralized payment arrangement under the annuity scheme, the decrease in turnover tax payables resulting from the implementation of the policy to substitute value-added tax for business tax and the payment of enterprise income tax for the previous year in the reporting period.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB67,731 million, representing an increase of 15.60% from the beginning of the year, mainly due to the impact of introduction of financial leased aircrafts and the issuance of bonds in the reporting period.

Details of interests-bearing debts of the Group by currency are set out below:

	2012		2011		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
US dollars	**74,418,002**	**73.03%**	66,323,072	74.17%	12.21%
Hong Kong dollars	**340,557**	**0.33%**	5,112,274	5.72%	(93.34%)
RMB	**26,967,549**	**26.46%**	17,795,620	19.90%	51.54%
Other	**172,924**	**0.18%**	184,613	0.21%	(6.33%)
Total	**101,899,032**	**100.00%**	89,415,579	100.00%	13.96%

Commitments and Contingent Liabilities

The Group's capital commitments, which mainly consisted of the amounts payable in the next few years for purchasing certain aircraft and related equipments, decreased from RMB96,199 million as at 31 December 2011 to RMB75,111 million as at 31 December 2012. The Group's commitments under operating leases, which mainly consisted of the amounts payable in the next few years for leasing certain aircrafts, offices and related equipments, amounted to RMB27,312 million as at 31 December 2012, representing an increase of 61.55% as compared to the previous year. The Group also had investment commitments of RMB35 million as at 31 December 2012, which remained the same as that as at 31 December 2011, consisting mainly of the investment commitments made by Shenzhen Airlines to its associates.

Details of the Group's contingent liabilities are set out in note 47 to the Group's 2012 financial statements.

Gearing Ratio

As at 31 December 2012, the Group's gearing ratio (total liabilities divided by total assets) was 72.13%, representing a decrease of 0.39 ppt from 72.52% as at 31 December 2011, which was mainly attributable to the increase in shareholders' equity as a result of the Group's profits in 2012. Considering that high gearing ratios are common among aviation enterprises, the Group continued to maintain a relatively reasonable gearing ratio and its long-term insolvency risks are also within control.

Working Capital and Its Sources

As at 31 December 2012, the Group's net current liabilities (current liabilities minus current assets) were RMB36,905 million, representing a decrease of RMB1,073 million as compared to the previous year. The current ratio (current assets divided by current liabilities) was 0.38, maintaining the same level as at 31 December 2011. The decrease in net current liabilities was due to the decrease in turnover tax payables resulting from the implementation of the policy to substitute value-added tax for business tax since September 2012 and the payment of enterprise income tax for the previous year.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In 2012, the Group's net cash inflow from operating activities was RMB9,460 million, representing a decrease of 51.91% from RMB19,670 million in 2011, mainly due to the increase in cash outflow from operating activities in the reporting period. Net cash outflow from investment activities was RMB11,529 million, representing a decrease of 46.79% from RMB21,669 million in 2011, mainly due to the decrease in the balance of purchase prices upon the delivery of aircraft and the cash prepayment for the purchase of aircraft from the previous year. The Group's net cash inflow from financing activities was RMB1,676 million, representing an increase of RMB3,108 million from the net cash outflow of RMB1,432 million in 2011. In 2012, the Group's balance of cash and cash equivalents was RMB10,329 million, representing a decrease of approximately RMB454 million from the previous year. The Company has obtained bank facilities of RMB139,152 million from a number of banks in the PRC, among which approximately RMB47,126 million has been utilised, sufficient to meet our demand on working capital and future capital commitments.

Financial Risk Management Objectives and Policies

The Group is exposed to fluctuations in jet fuel prices in its daily operation. International jet fuel prices are subject to market volatility and fluctuation in supply and demand. The Group's strategy for managing jet fuel price risk aims at controlling the risk arising from the rise in fuel price. The Group has been engaging in fuel hedging transactions since March 2001. The hedging instruments used were mainly derivatives of Singapore kerosene together with Brent crude oil and New York crude oil, which are closely linked to the price of jet fuel. As at 30 November 2011, the fuel derivative contracts of the Company all expired, and no new position has been established. Considering the volatility of international prices and cost sensitivity, the Company will continue to develop its fuel hedging business in compliance with the regulatory requirements so as to cope with changes in the jet fuel market.

As at 31 December 2012, the interest-bearing debts of the Group totalled RMB101,899 million, accounting for 75.31% of the Group's total liabilities, most of which were debts denominated in US dollars. In addition, the Group also had sales revenues and expenses denominated in foreign currencies. The Group endeavoured to minimise any risks relating to foreign exchange rate and interest rate by adjusting the interest rates and denominating currencies structure of its debt and by making use of financial derivatives.

Details of the other financial risk management objectives and polices of the Group's operations are set out in note 52 to the Group's 2012 financial statements.

OUTLOOK FOR 2013

In 2013, notwithstanding the steady recovery in the global economy, the shadows of the European debt crisis have not subsided and the structural consolidation of the PRC domestic economy is at an important transition. The global aviation industry will face pressures from the slowdown of capacity growth, the accelerating adjustments in the industrial landscape and intensifying competition, among others. However, benefiting from the continuous growth and economic transitions of the Chinese economy, the growth of aviation market in the PRC will exceed its GDP growth, making it remain to be the market with the highest potential of development globally. The Group will continue to implement its strategy effectively on the subject of adopting international best practices, exercising refined management, conforming to standards and realising comprehensive information technology coverage. We will be dedicated to building a world-class airline with the best safety records, service quality, as well as the highest efficiency and delivering better performance to our shareholders and the community.

SHARE CAPITAL

As at 31 December 2012, the total share capital of the Company was RMB12,891,954,673 divided into 12,891,954,673 shares with a par value of RMB1.00 each. The following table sets out the share capital structure of the Company as at 31 December 2012:

Category of Shares	Number of shares	Percentage of the total share capital
A Shares	8,329,271,309	64.61%
H Shares	4,562,683,364	35.39%
Total	12,891,954,673	100%

On 30 January 2013, the Company completed the non-public issue of 192,796,331 A shares and its total share capital increased to RMB13,084,751,004 after such issue.

EVENTS AFTER THE REPORTING PERIOD

On 30 January 2013, the Company completed the non-public issuance of 192,796,331 A shares to China National Aviation Holding Company at the issue price of RMB5.45 per share. Upon completion, the total share capital of the Company increased to RMB13,084,751,004. Please refer to the circular dated 8 May 2012 and the announcement dated 31 January 2013 of the Company respectively for details.

In March 2013, the Company and Air China Cargo entered into agreements with the Boeing Company respectively, pursuant to which the Company has agreed to purchase 2 Boeing 747-8I aircraft, 1 Boeing 777-300ER aircraft and 20 Boeing 737-800 aircraft from the Boeing Company (the Company has also been granted an option to change the order of 4 of the 20 Boeing 737-800 aircraft to 1 Boeing 777-300ER aircraft), and Air China Cargo has agreed to purchase 8 Boeing 777-F aircraft from the Boeing Company. In addition, Air China Cargo has the right to sell and the Boeing Company has agreed to purchase 7 Boeing 747-400BCF freighters from Air China Cargo. Please refer to the announcement of the Company dated 1 March 2013 for the details of the transactions.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, without taking into account any issuance of new securities. For this purpose, the term "securities" has the meaning ascribed thereto under paragraph l of Appendix 16 to the Listing Rules.

CORPORATE GOVERNANCE

1. Compliance with the Corporate Governance Code

The Company has complied with all code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) and the principles and code provisions in the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, which is applicable to financial reports covering a period after 1 April 2012) throughout the year 2012.

2. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted and formulated a code of conduct on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each director and each supervisor of the Company have complied with the required standards of the Model Code and the Company's code of conduct throughout the year 2012.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.5935 (including tax) per ten shares for the year ended 31 December 2012, totaling approximately RMB777 million based on the Company's total issued shares of 13,084,751,004. A resolution for the dividend payment will be submitted for consideration at the 2012 annual general meeting of the Company. The dividend will be denominated and declared in RMB. A further announcement regarding the book closure period and further information relating to the payment of dividends will be made by the Company in due course.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the directors was appointed by the Company for a term of not more than three years which shall end upon the fourth session of the Board being elected.

None of the directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

ANNUAL REPORT

The annual report for the year ended 31 December 2012 containing all information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.airchina.com.cn) in due course.

FORWARD-LOOKING STATEMENT

We would like to caution readers of this announcement that the airline operations are substantially influenced by global political and economical developments. Accidental and unexpected incidents may have a material impact on our operations or the industry as a whole. This 2012 annual results announcement of the Group contains, inter alia, certain forward-looking statements, such as forward-looking statements on the global and Chinese economies and aviation markets. Such forward-looking statements are subject to some uncertainties and risks.

AUDIT AND RISK CONTROL COMMITTEE

The 2012 annual results of the Company have been reviewed by the audit and risk control committee of the Board.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Air China Cargo"	Air China Cargo Co., Ltd., a company incorporated in the People's Republic of China and a subsidiary of the Company in which the Company holds a 51% shareholding
"Board"	the board of directors of the Company
"Boeing Company"	The Boeing Company, a company incorporated under the Laws of Delaware of the United States
"Cathay Pacific"	Cathay Pacific Airways Limited
"Company"	Air China Limited, a company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A shares are listed on the Shanghai Stock Exchange
"Group"	the Company, its subsidiaries and joint ventures
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transaction by Directors of Listed Issuers

"ppts"	percentage points
"RMB"	Renminbi, the lawful currency of the PRC
"RFTK(s)"	revenue freight tonne kilometres, the revenue cargo and mail load in tonnes multiplied by the kilometres flown
"RPK(s)"	revenue passenger kilometres, the number of revenue passengers carried multiplied by the kilometres flown
"Shenzhen Airlines"	Shenzhen Airlines Company Limited
"USD" or "US dollars"	United States dollars, the lawful currency of the United States

By order of the Board
Air China Limited
Rao Xinyu Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 26 March 2013

As at the date of this announcement, the directors of the Company are Mr. Wang Changshun, Ms. Wang Yinxiang, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Christopher Dale Pratt, Mr. Ian Sai Cheung Shiu, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Fu Yang, Mr. Li Shuang*, Mr. Han Fangming* and Mr. Yang Yuzhong*.*

* *Independent non-executive Director of the Company*