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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)

2013 ANNUAL RESULTS

GROUP RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2013 with the corresponding comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

(Prepared under International Financial Reporting Standards)

	Note	2013 RMB'000	2012 RMB'000 (Restated)
TURNOVER			
Air traffic revenue	4	94,603,168	95,319,449
Other operating revenue	5	3,577,622	4,153,331
		98,180,790	99,472,780
OPERATING EXPENSES			
Jet fuel costs		(33,722,281)	(35,639,967)
Take-off, landing and depot charges		(9,585,090)	(9,213,993)
Depreciation		(10,936,619)	(10,325,780)
Aircraft maintenance, repair and overhaul costs		(3,063,647)	(3,128,270)
Employee compensation costs		(14,023,639)	(12,852,554)
Air catering charges		(2,571,550)	(2,843,016)
Aircraft and engine operating lease expenses		(4,006,096)	(3,437,537)
Other operating lease expenses		(914,759)	(724,341)
Other flight operation expenses		(8,257,213)	(6,578,009)
Selling and marketing expenses		(5,760,403)	(5,669,860)
General and administrative expenses		(1,221,429)	(650,453)
		(94,062,726)	(91,063,780)

	<i>Note</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
PROFIT FROM OPERATIONS	6	4,118,064	8,409,000
Finance revenue	7	2,265,331	371,685
Finance costs	7	(2,688,089)	(2,262,026)
Share of profits less losses of associates		646,815	364,776
Share of profits less losses of joint ventures		175,972	25,918
PROFIT BEFORE TAXATION		4,518,093	6,909,353
Taxation	8	(903,132)	(1,607,202)
PROFIT FOR THE YEAR		3,614,961	5,302,151
Attributable to:			
Equity shareholders of the Company		3,263,642	4,815,757
Non-controlling interests		351,319	486,394
		3,614,961	5,302,151
Earnings per share	10		
Basic and diluted		RMB26.55 cents	RMB39.68 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2013**(Prepared under International Financial Reporting Standards)*

	2013 RMB'000	2012 RMB'000 (Restated)
Profit for the year	3,614,961	5,302,151
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of associates and joint ventures	1,126,075	450,683
– Exchange realignment	(698,195)	4,510
Other comprehensive income for the year, net of tax	427,880	455,193
Total comprehensive income for the year	4,042,841	5,757,344
Attributable to:		
Equity shareholders of the Company	3,707,418	5,270,255
Non-controlling interests	335,423	487,089
Total comprehensive income for the year	4,042,841	5,757,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

(Prepared under International Financial Reporting Standards)

	<i>Note</i>	2013 RMB'000	2012 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i> (Restated)
Non-current assets				
Property, plant and equipment		132,805,844	123,479,738	110,315,265
Lease prepayments		2,203,377	2,120,495	2,140,366
Investment properties		246,291	229,824	240,879
Intangible asset		54,524	59,216	37,221
Goodwill		1,099,975	1,099,975	1,099,975
Interests in associates		14,574,190	13,676,018	13,227,747
Interests in joint ventures		1,284,232	1,142,319	1,178,541
Advance payments for aircraft and flight equipment		23,261,879	18,696,984	19,443,291
Deposits for aircraft under operating leases		426,375	443,539	420,854
Available-for-sale investments		45,925	45,925	27,182
Deferred tax assets		3,263,246	2,849,703	3,071,522
		179,265,858	163,843,736	151,202,843
Current assets				
Aircraft and flight equipment held for sale		997,666	592,697	92,487
Inventories		1,044,617	1,105,048	1,128,164
Accounts receivable	<i>11</i>	2,861,167	2,744,103	2,060,852
Bills receivable		131	1,253	1,601
Prepayments, deposits and other receivables		3,918,465	4,025,493	2,661,025
Financial assets		11,350	12,671	12,144
Due from the ultimate holding company		239,417	223,047	218,940
Pledged deposits		745,847	802,941	113,833
Cash and cash equivalents		14,761,830	11,787,943	15,306,409
Other current assets		1,236,939	144,552	—
		25,817,429	21,439,748	21,595,455
Total assets		205,083,287	185,283,484	172,798,298

	<i>Note</i>	2013 RMB'000	2012 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i> (Restated)
Current liabilities				
Air traffic liabilities		(4,461,448)	(3,876,787)	(4,562,773)
Accounts payable	12	(10,349,535)	(9,849,718)	(10,639,811)
Bills payable		–	(1,503)	–
Other payables and accruals		(10,785,877)	(9,936,750)	(11,781,242)
Financial liabilities		(24,070)	(120,413)	(223,137)
Due to the ultimate holding company		(36,729)	(28,970)	(12,957)
Due to the immediate holding company		–	–	(565)
Tax payable		(355,617)	(57,364)	(1,695,566)
Obligations under finance leases		(3,859,317)	(3,476,572)	(2,687,925)
Interest-bearing bank loans and other borrowings		(39,502,216)	(28,211,613)	(25,701,186)
Provision for major overhauls		(699,378)	(699,849)	(589,123)
		<u>(70,074,187)</u>	<u>(56,259,539)</u>	<u>(57,894,285)</u>
Net current liabilities		<u>(44,256,758)</u>	<u>(34,819,791)</u>	<u>(36,298,830)</u>
Total assets less current liabilities		<u>135,009,100</u>	<u>129,023,945</u>	<u>114,904,013</u>
Non-current liabilities				
Obligations under finance leases		(25,972,715)	(25,476,607)	(19,191,860)
Interest-bearing bank loans and other borrowings		(42,266,406)	(42,254,161)	(39,398,481)
Provision for major overhauls		(3,283,480)	(2,745,327)	(2,496,294)
Provision for early retirement benefit obligations		(35,331)	(46,970)	(56,820)
Long term payables		(93,072)	(147,268)	(147,177)
Deferred income		(3,797,501)	(3,479,947)	(3,452,491)
Deferred tax liabilities		(2,014,407)	(1,561,424)	(1,194,293)
		<u>(77,462,912)</u>	<u>(75,711,704)</u>	<u>(65,937,416)</u>
NET ASSETS		<u>57,546,188</u>	<u>53,312,241</u>	<u>48,966,597</u>
CAPITAL AND RESERVES				
Issued capital		13,084,751	12,891,955	12,891,955
Treasury shares		(3,047,564)	(2,896,092)	(2,889,399)
Reserves		43,720,198	39,948,387	36,200,538
Total equity attributable to equity shareholders of the Company		<u>53,757,385</u>	<u>49,944,250</u>	<u>46,203,094</u>
Non-controlling interests		<u>3,788,803</u>	<u>3,367,991</u>	<u>2,763,503</u>
TOTAL EQUITY		<u>57,546,188</u>	<u>53,312,241</u>	<u>48,966,597</u>

Notes:

1. Basis of preparation

The Group's financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements have been approved and authorised for issue by the board of directors on 25 March 2014.

As at 31 December 2013, the Group's current liabilities exceeded its current assets by approximately RMB44.26 billion. 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. Considering the Company's sources of liquidity and the unutilised bank facilities of RMB101.58 billion as at 31 December 2013, the Directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements when preparing the financial statements for the year ended 31 December 2013. Accordingly, the 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. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. Impact of new and revised IFRSs

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to IAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*
IFRS 10, *Consolidated financial statements*
IFRS 11, *Joint arrangements*
IFRS 12, *Disclosure of interests in other entities*
IFRS 13, *Fair value measurement*
Revised IAS 19, *Employee benefits*
Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The adoption for IFRS 10, IFRS13, and amendments to IFRS 7 have had no material impact on the Group's financial statements. The impact of the remainder of these developments on the financial statements is as follows.

The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in the financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in the financial statements.

IFRS 11, *Joint arrangements*

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The Group has changed its accounting policy with respect to accounting its joint ventures, for which the proportionate consolidation method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012 and the result for the year ended 31 December 2012. The impact of the changes in accounting policies are summarised below.

IFRS 12, *Disclosure of interests in other entities*

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures.

Revised IAS 19, *Employee benefits*

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised IAS 19, an associate of the Company has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012 and the result for the year ended 31 December 2012 of the associate's financial statements and has significantly affected the Group's share of profits of associates and other comprehensive income. Accordingly, the Group has also applied retrospectively to restate the balances at 31 December 2012 and the result for the year ended 31 December 2012. The impact of the changes in accounting policies are summarized below.

Annual improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatement resulting from the adoption of IFRS 11 and revised IAS 19 has a material impact on the opening financial position, an additional statement of financial position as at 1 January 2012 has been presented in the financial statements.

(i) *Summaries of retrospective impact with respect to changes in accounting policies*

The retrospective impact of the adoption of IFRS 11 and revised IAS 19, by restating the balances at 31 December 2012 and the result for the year ended 31 December 2012, are summarised as follows:

	As previously reported RMB'000	Effect of adoption of IFRS 11 RMB'000	Effect of adoption of revised IAS 19 RMB'000	As restated RMB'000
Consolidated statement of profit or loss for the year ended 31 December 2012				
Share of profits less losses of associates	(402,661)	–	37,885	(364,776)
Share of profits less losses of joint ventures	–	(25,918)	–	(25,918)
Profit attributable to equity shareholders of the Company	(4,636,735)	(216,907)	37,885	(4,815,757)
Basic and diluted earnings per share	38.21 cents			39.68 cents
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012				
Total comprehensive income attributable to equity shareholders of the Company	(5,074,816)	(200,401)	4,962	(5,270,255)
Consolidated statement of financial position as at 31 December 2012				
Net assets/Total equity attributable to equity shareholders of the Company	(49,658,503)	(578,201)	292,454	(49,944,250)
Retained earnings attributable to equity shareholders of the Company	(18,296,742)	(655,751)	85,176	(18,867,317)

3. 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 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 taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the years ended 31 December 2013 and 2012 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

Year ended 31 December 2013

	Airline operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
Revenue				
Sales to external customers	97,498,291	129,962	–	97,628,253
Intersegment sales	–	2,008,008	(2,008,008)	–
Total revenue for reportable segments under CASs	<u>97,498,291</u>	<u>2,137,970</u>	<u>(2,008,008)</u>	<u>97,628,253</u>
Business tax not included in segment revenue				(308,512)
Other income not included in segment revenue				772,392
Effects of differences between IFRSs and CASs				<u>88,657</u>
Revenue for the year under IFRSs				<u>98,180,790</u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u>4,413,935</u>	<u>169,453</u>	<u>–</u>	<u>4,583,388</u>
Effects of differences between IFRSs and CASs				<u>(65,295)</u>
Profit before taxation for the year under IFRSs				<u>4,518,093</u>

Year ended 31 December 2012 (Restated)

	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	<u>99,595,151</u>	<u>2,060,019</u>	<u>(1,814,619)</u>	<u>99,840,551</u>
Business tax not included in segment revenue				(1,728,115)
Other income not included in segment revenue				1,416,602
Effects of differences between IFRSs and CASs				<u>(56,258)</u>
Revenue for the year under IFRSs				<u>99,472,780</u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u>6,846,148</u>	<u>153,504</u>	<u>–</u>	<u>6,999,652</u>
Effects of differences between IFRSs and CASs				<u>(90,299)</u>
Profit before taxation for the year under IFRSs				<u>6,909,353</u>

The following tables present the segment assets of the Group's operating segments under CASs as at 31 December 2013 and 2012 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Total assets for reportable segments as at 31 December 2013 under CASs	<u>202,124,315</u>	<u>4,365,913</u>	<u>(1,128,345)</u>	<u>205,361,883</u>
Effects of differences between IFRSs and CASs				<u>(278,596)</u>
Total assets under IFRSs				<u>205,083,287</u>
Total assets for reportable segments as at 31 December 2012 under CASs (Restated)	<u>184,487,735</u>	<u>3,950,738</u>	<u>(3,020,021)</u>	185,418,452
Effects of differences between IFRSs and CASs (Restated)				<u>(134,968)</u>
Total assets under IFRSs (Restated)				<u>185,283,484</u>

Geographical information

The following tables present the geographical information of the Group's consolidated revenue under IFRSs for the years ended 31 December 2013 and 2012, respectively:

Year ended 31 December 2013

	Mainland China <i>RMB'000</i>	Hong Kong, Macau and Taiwan <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>64,386,657</u>	<u>5,491,532</u>	<u>10,152,698</u>	<u>7,929,394</u>	<u>5,023,165</u>	<u>5,197,344</u>	<u>98,180,790</u>

Year ended 31 December 2012 (Restated)

	Mainland China <i>RMB'000</i>	Hong Kong, Macau and Taiwan <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>66,588,134</u>	<u>5,505,452</u>	<u>9,604,615</u>	<u>7,499,994</u>	<u>5,941,709</u>	<u>4,332,876</u>	<u>99,472,780</u>

4. Air traffic revenue

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Passenger	86,726,799	86,898,595
Cargo and mail	7,876,369	8,420,854
	94,603,168	95,319,449

5. Other operating revenue

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Aircraft engineering income	93,610	84,432
Ground service income	765,613	711,666
Government grants and subsidies:		
- Recognition of deferred income	121,377	309,293
- Others	689,105	1,163,575
Service charges on return of unused flight tickets	744,767	633,267
Cargo handling service income	101,688	79,126
Training service income	28,970	43,369
Rental income	131,913	128,979
Sale of materials	17,111	25,983
Import and export service income	34,422	50,787
Others	849,046	922,854
	3,577,622	4,153,331

6. Profit from operations

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Depreciation	10,936,619	10,325,780
Amortisation:		
- Lease prepayments	54,222	69,293
- Investment properties	32,385	11,055
Impairment/(reversal of impairment):		
- Property, plant and equipment	222,438	479,426
- Aircraft and flight equipment held for sale	332,014	22,779
- Inventories	19,748	169
- Accounts receivable	17,929	(1,190)
- Prepayments, deposits and other receivables	6,559	(736,940)
Gain/(loss) on disposal of property, plant and equipment	140,141	(64,325)
Minimum lease payments under operating leases:		
- Aircraft and flight equipment	4,006,096	3,437,537
- Land and buildings	728,925	634,044
Auditors' remuneration	16,440	14,356

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Exchange gains, net	1,937,887	119,120
Gain on interest rate derivative contracts, net	–	4,046
Interest income	323,188	244,941
Others	4,256	3,578
	<u>2,265,331</u>	<u>371,685</u>

Finance costs

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Interest on interest-bearing bank loans and other borrowings	2,804,229	2,311,655
Interest on finance leases	383,787	597,168
Loss on interest rate derivative contracts, net	1,646	–
	<u>3,189,662</u>	<u>2,908,823</u>
Less: Interest capitalised	<u>(501,573)</u>	<u>(646,797)</u>
	<u>2,688,089</u>	<u>2,262,026</u>

The interest capitalisation rates during the year range from 0.81% to 8.46% (2012: 1.11% to 9.40%) per annum relating to the costs of related borrowings during the year.

8. Taxation

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Current income tax:		
- Mainland China	842,656	1,312,907
- Hong Kong and Macau	29,214	3,677
- Over-provision in respect of prior years	(8,178)	(298,332)
Deferred income tax	39,440	588,950
	<u>903,132</u>	<u>1,607,202</u>

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% (2012: 15%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (2012: 25%) during the year. Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% and 12% (2012: 16.5% and 12%), respectively.

In respect of majority of the Group's overseas airline activities, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC governments, or has sustained tax losses in these overseas jurisdictions. Accordingly, no provision for overseas tax has been made for overseas airlines activities in the current and prior years.

9. Dividend

	2013 RMB'000	2012 RMB'000
Final dividend proposed after the end of the reporting period	<u>592,870</u>	<u>776,580</u>
Final dividend in respect of the previous financial year, declared and paid during the year	<u>776,580</u>	<u>1,521,251</u>

In accordance with the Company's articles of association, the profit after taxation 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.

Pursuant to the shareholders' approval at the Annual General Meeting on 23 May 2013, a final dividend of RMB0.5935 (including tax) per ten shares totalling RMB777 million in respect of the year ended 31 December 2012 had been paid out in 2013.

Pursuant to a resolution passed at the Directors' meeting on 25 March 2014, a final dividend in respect of the year ended 31 December 2013 of RMB0.4531 (including tax) per ten shares totalling RMB593 million was proposed for shareholders' approval at the Annual General Meeting. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 December 2013.

10. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit attributable to ordinary equity shareholders of the Company of RMB3,264 million (2012: RMB4,816 million (Restated)) and the weighted average of 12,294,184,525 ordinary shares (2012: 12,136,547,108 shares) in issue during the year, as adjusted to reflect the weighted average number of treasury shares held by Cathay Pacific Airways Limited through reciprocal shareholding.

The Group had no potentially dilutive ordinary shares in issue during both years.

11. Accounts receivable

	2013 RMB'000	2012 RMB'000 (Restated)
Accounts receivable	2,935,838	2,803,002
Impairment	<u>(74,671)</u>	<u>(58,899)</u>
	<u>2,861,167</u>	<u>2,744,103</u>

The Group normally allows a credit period of 30 to 90 days to its sales agents and other customers while some major customers are granted a credit period of up to six months or above. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

The ageing analysis of the accounts receivable as at the end of the reporting period, net of provision for impairment, is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Within 30 days	2,245,022	2,457,125
31 to 60 days	259,966	139,032
61 to 90 days	120,542	46,086
Over 90 days	235,637	101,860
	<u>2,861,167</u>	<u>2,744,103</u>

12. Accounts payable

The ageing analysis of the accounts payable as at the end of the reporting period is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Within 30 days	7,315,999	7,276,666
31 to 60 days	826,040	660,691
61 to 90 days	785,549	551,187
Over 90 days	1,421,947	1,361,174
	<u>10,349,535</u>	<u>9,849,718</u>

The accounts payable are non-interest-bearing and have normal credit terms of 90 days.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

(Prepared under the Accounting Standards for Business Enterprises of the PRC)

	2013 RMB'000	2012 RMB'000 (Restated)
Revenue from operations	97,628,253	99,840,551
Less: Cost of operations	82,645,652	80,774,145
Business taxes and surcharges	308,512	1,728,115
Selling expenses	7,199,337	6,894,474
General and administrative expenses	3,073,329	3,177,883
Finance costs	776,761	2,199,538
Impairment losses recognised/(reversed)	490,761	(240,999)
Add: Gains from movements in fair value	310	4,603
Investment income	825,087	345,001
Including: Share of profits less losses of associates and joint ventures	822,787	390,694
Profit from operations	3,959,298	5,656,999
Add: Non-operating income	880,463	1,447,782
Including: Gain on disposal of non-current assets	108,071	89,867
Less: Non-operating expenses	256,373	105,129
Including: Loss on disposal of non-current assets	206,209	26,788
Profit before taxation	4,583,388	6,999,652
Less: Taxation	913,456	1,603,099
Net profit	3,669,932	5,396,553
Net profit attributable to equity shareholders of the Company	3,318,613	4,910,159
Non-controlling interests	351,319	486,394
Earnings per share (RMB)		
Basic and diluted	0.27	0.40
Other comprehensive income	427,880	455,193
Total comprehensive income	4,097,812	5,851,746
Attributable to:		
Equity shareholders of the Company	3,762,389	5,364,657
Non-controlling interests	335,423	487,089

CONSOLIDATED BALANCE SHEET*At 31 December 2013**(Prepared under the Accounting Standards for Business Enterprises of the PRC)*

	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
ASSETS		
Current assets		
Cash and bank	15,507,677	12,590,884
Financial assets at fair value through profit or loss	11,350	12,671
Bills receivable	131	1,253
Accounts receivable	3,100,584	2,967,150
Other receivables	2,849,938	3,103,008
Prepayments	679,962	623,754
Inventories	1,044,617	1,105,048
Held for sale	994,413	592,697
Other current assets	1,236,939	144,552
Total current assets	25,425,611	21,141,017
Non-current assets		
Long term receivables	451,404	445,657
Long term equity investments	15,987,808	14,947,723
Investment properties	246,291	229,824
Fixed assets	123,988,709	115,710,328
Construction in progress	31,772,505	25,977,975
Intangible assets	2,864,299	2,810,814
Goodwill	1,102,185	1,102,185
Long term deferred expenses	363,536	296,613
Deferred tax assets	3,159,535	2,756,316
Total non-current assets	179,936,272	164,277,435
Total assets	205,361,883	185,418,452

31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Short-term loans	22,821,013	16,787,697
Short-term bonds payable	700,000	1,500,000
Financial liabilities at fair value through profit or loss	24,070	120,413
Bills payable	–	1,503
Accounts payable	11,828,973	11,246,311
Domestic air traffic liabilities	1,785,306	1,566,686
International air traffic liabilities	2,676,142	2,310,101
Receipts in advance	133,112	162,884
Employee compensations payable	2,239,516	2,192,434
Taxes payable	711,649	444,972
Interest payable	712,165	352,515
Other payables	5,505,080	5,322,884
Non-current liabilities repayable within one year	20,507,235	13,802,983
Total current liabilities	69,644,261	55,811,383

Non-current liabilities

Long-term loans	23,266,406	30,254,161
Corporate bonds	19,000,000	12,000,000
Long-term payables	3,376,552	2,892,595
Obligations under finance leases	25,972,715	25,476,607
Accrued liabilities	376,601	406,470
Deferred income	3,767,948	3,361,737
Deferred tax liabilities	2,014,407	1,561,424
Total non-current liabilities	77,774,629	75,952,994

Total liabilities	147,418,890	131,764,377
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Shareholders' equity

Issued capital	13,084,751	12,891,955
Capital reserve	18,318,568	16,492,312
Reserve funds	5,233,245	4,572,881
Retained earnings	21,245,364	19,374,375
Foreign exchange translation reserve	(3,727,738)	(3,045,439)

Equity attributable to shareholders of the Company	54,154,190	50,286,084
Non-controlling interests	3,788,803	3,367,991

Total shareholders' equity	57,942,993	53,654,075
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Total liabilities and shareholders' equity	205,361,883	185,418,452
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EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRSS AND CASS

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

	2013 RMB'000	2012 <i>RMB'000</i> (Restated)
Net profit attributable to shareholders of the Company under CASS	3,318,613	4,910,159
Deferred taxation	10,324	(4,103)
Differences in value of fixed assets and other non-current assets	(153,952)	(146,174)
Government grants	88,657	76,552
Others	—	(20,677)
Net profit attributable to shareholders of the Company under IFRSs	<u>3,263,642</u>	<u>4,815,757</u>
	2013 RMB'000	2012 <i>RMB'000</i> (Restated)
Equity attributable to shareholders of the Company under CASS	54,154,190	50,286,084
Deferred taxation	103,711	93,387
Differences in value of fixed assets and other non-current assets	(522,226)	(368,274)
Government grants	(118,209)	(206,866)
Unrecognition profit of the disposal of Hong Kong Dragon Airlines	139,919	139,919
Equity attributable to shareholders of the Company under IFRSs	<u>53,757,385</u>	<u>49,944,250</u>

2013 REVIEW

The global economy struggled to recover and China's economic growth slowed in 2013. The global air passenger market continued to grow while the air cargo market was relatively weak. While proactively reacting to the challenges and pressure arising from the evolving global industry competition, market structure and business models, we adhered to a strategy of steady and prudent operation and sustainable development. We focused on improving our efficiency, strengthening our strategic co-operation, enhancing our business synergies, improving our service quality, strengthening our hub network construction, and continuously building our core competitive edge. Due to factors such as intensified competition and lower yield level, we achieved a profit attributable to equity shareholders of RMB3,264 million during the reporting period, representing a year-on-year decrease of 32.23%.

We maintained our two-pronged strategy of operating in both domestic and international markets and adjusted our capacity deployment flexibly to enhance the efficiency of our resources. By grasping the characteristics of the market, rationally controlling the pace and structure of our deployment, actively optimising our capacity allocation and accelerating our fleet adjustment, we steadily raised our output-input ratio. With regard to our international operations, we enhanced the management of routes in which we had competitive advantages, increased capacity in long-haul routes to the United States and Europe, and gradually replaced the older aircraft with B777-300ER and A330 aircraft; we seized the opportunity brought about by the recovery in the outbound tourism market and actively made use of our sixth freedom right and increased the frequency of flights on Asia-Pacific routes in order to better fulfil the demand for connecting flights to the United States and Europe. As regards our domestic operation, we rationally deployed wide-body aircraft on major routes and routes where we enjoyed competitive advantage, and increased our capacity in central and western routes so as to ensure that our quality resources were fully utilised. At the same time, we further improved our sales and marketing models with new business platform and marketing techniques, launched a brand new customer relationship management system to segmentise customer needs, and continued to optimise our distribution channels, thereby increasing our traffic volume as we increased our capacity considerably.

During the reporting period, our capacity measured in ASK reached 175,677 million and RPK reached 141,968 million, representing an increase of 8.86% and 9.40% respectively over the previous year. We carried 77,676,900 passengers with a passenger load factor of 80.81%, representing an increase of 7.27% and 0.4 ppts over the previous year, respectively. Our passenger yield decreased by 8.96% to RMB0.61.

We have been focused on implementing our hub network strategy. By continuously expanding our route network, optimising our flight banks and improving the quality of transfer services, we have strengthened the strategic competitiveness of our Beijing hub. The commencement of operation of the D zone in Terminal Three has improved our boarding bridge occupancy and on time performance rate. During the year, the number of transfer passengers at the Beijing hub reached 4.79 million, with a significant increase in the number of international transfer passengers. New routes were introduced at the Chengdu regional hub, including, among others, Chengdu – Frankfurt, Chengdu – Daocheng and Chengdu – Aksu, extending its network to 68 cities and further expanding its hub network coverage. We strengthened the construction of our Shanghai international gateway by focusing on optimising our capacity deployment, which was further reinforced by commencing code-share with the other local airlines.

We continued to improve our fleet structure. During the year, we introduced 55 aircraft and retired 19 old aircraft. As at the end of 2013, we had a total of 497 aircraft and reduced the average age of our fleet to 6.33 years. The introduction of new wide-body aircraft effectively reduced our operating costs. The adjusted fleet better matched the demand of our markets and routes, resulting in notable improvement in our operational and economic efficiency. In particular, this improved our competitiveness on international long-haul routes.

We continued to strengthen our strategic co-operation with associated corporations and the business synergies among airlines in the Group. During the year, we continued to build on our strategic partnership relationship with Cathay Pacific, especially on joint service on certain routes, cargo business and ground handling services. We supported Air China Cargo in its co-operation with China Postal Airlines in launching B757 charter freight services, which enabled Air China Cargo to enter the courier business and helped the strategic transformation of its freight business. The joint purchase of narrow-body aircraft with Shenzhen Airlines and the basket replacement of aircraft by Air China Cargo helped build better economic foundation for the future development of the fleet. We vied for synergies in slots and air traffic rights swap with our inter-Group airlines, thus strengthening control over our main base markets.

We continued to focus on customer demand and customer experience. During the period, we strengthened the construction of our services system, built a service standard database, and further optimised our service process. We built and improved our emergency management system, and proactively enhanced our services during lengthy and widespread flight delays. We have created a chain of boutiques within lounges, and launched our self-run lounges at five airports including Shanghai Hongqiao International Airport. We also innovated our in-flight products and became the first domestic carrier to offer Internet access on our flights through global satellite communications.

In 2013, the cargo market remained sluggish. Under severe market conditions, Air China Cargo worked on its strategy of “achieving excellence in the core freight business while laying the foundation for the logistics value chain”, and pushed forward in transforming its business model and cargo services. It strengthened the management of its freighters, optimised some cargo routes, and improved its sales capability of bellyhold spaces. Riding on our newly introduced long-haul routes to Europe and the United States, it expanded its international cargo network and launched very competitive high value-added products and transit products. The gradual replacement of B747-400BCF with B777F freighters has improved its asset structure and cost structure, thereby improving its operating efficiency. These measures have effectively eased the difficulties encountered in the cargo market and reduced losses. During the year, the AFTKs of Air China Cargo increased by 2.43% compared to 2012, while its RFTKs and cargo load factor decreased by 0.16% and 1.47 ppts respectively.

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 and results of operation of the Group as a whole.

Profit Analysis

In 2013, we proactively responded to changes in the operating environment by adopting various measures such as optimising operational arrangement, enhancing sales and marketing efforts and refining cost control. We recorded an operating profit of RMB4,118 million. Meanwhile, benefiting from the exchange gains reaching RMB1,938 million and RMB823 million in share of profits of associates and joint ventures, profit attributable to equity shareholders of the Company and earnings per share amounted to RMB3,264 million and RMB0.27 respectively, compared to RMB4,816 million and RMB0.40 respectively in the previous year.

Turnover

In 2013, the Group's total turnover was RMB98,181 million, representing a decrease of RMB1,292 million or 1.30% as compared with that of the previous year. Revenue from our air traffic operations contributed RMB94,603 million to the total turnover, representing a decrease of RMB716 million or 0.75% over last year. Our other operating revenue was RMB3,578 million, representing a year-on-year decrease of RMB576 million or 13.86%, mainly due to the implementation of value-added tax to replace business tax since September 2012. Had such tax policy change not been made, the Group's turnover would have actually grown by 2.02%.

Revenue Contribution by Geographical Segments

(RMB'000)	2013		2012		Change
	Amount	Percentage	Amount (restated)	Percentage	
Mainland China	64,386,657	65.58%	66,588,134	66.94%	-3.31%
Hong Kong, Macau and Taiwan	5,491,532	5.59%	5,505,452	5.53%	-0.25%
Europe	10,152,698	10.34%	9,604,615	9.66%	5.71%
North America	7,929,394	8.08%	7,499,994	7.54%	5.73%
Japan and Korea	5,023,165	5.12%	5,941,709	5.97%	-15.46%
Asia Pacific and others	5,197,344	5.29%	4,332,876	4.36%	19.95%
Total	<u>98,180,790</u>	<u>100.00%</u>	<u>99,472,780</u>	<u>100.00%</u>	<u>-1.30%</u>

Air Passenger Revenue

In 2013, the Group recorded an air passenger revenue of RMB86,727 million, representing a decrease of RMB172 million from 2012. Among the air passenger revenue, the increase in capacity deployment and passenger load factor contributed to an increase of RMB7,696 million and RMB471 million in revenue, respectively, while the decrease in passenger yield resulted in a decrease in revenue of RMB8,339 million. The Group's capacity deployment, passenger load factor and passenger yield per unit in 2013 are as follows:

	2013	2012	Change
Available seat kilometres (<i>million</i>)	175,676.68	161,382.14	8.86%
Passenger load factor (%)	80.81%	80.41%	0.4 ppts
Yield per RPK (<i>RMB</i>)	0.61	0.67	-8.96%

Note: The decrease in yield per RPK was due to the combined effect of the implementation of value-added tax to replace business tax and the decrease in the level of actual air fare.

Air Passenger Revenue Contributed by Geographical Segments

<i>(RMB'000)</i>	2013		2012		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	59,178,621	68.23%	60,765,243	69.93%	-2.61%
Hong Kong, Macau and Taiwan	5,190,785	5.99%	4,887,709	5.62%	6.20%
Europe	6,986,898	8.06%	6,594,287	7.59%	5.95%
North America	6,360,792	7.33%	5,584,561	6.43%	13.90%
Japan and Korea	4,411,101	5.09%	5,187,619	5.97%	-14.97%
Asia Pacific and others	4,598,602	5.30%	3,879,176	4.46%	18.55%
Total	<u>86,726,799</u>	<u>100.00%</u>	<u>86,898,595</u>	<u>100.00%</u>	<u>-0.20%</u>

Air Cargo Revenue

In 2013, the Group's air cargo and mail revenue was RMB7,876 million, representing a decrease of RMB544 million from the previous year. Among the air cargo and mail revenue, the increase in capacity deployment contributed to an increase of RMB197 million in revenue, while the decreases in cargo and mail load factor and cargo yield resulted in a decrease in revenue of RMB182 million and RMB559 million, respectively. The capacity deployment, cargo and mail load factor and cargo and mail yield per unit in 2013 are as follows:

	2013	2012	Change
Available freight tonne kilometres (<i>million</i>)	8,663.97	8,465.78	2.34%
Cargo and mail load factor (%)	57.89	59.14	-1.25 ppts
Yield per RFTK (<i>RMB</i>)	1.57	1.68	-6.55%

Note: The decrease in yield per RFTK was due to the combined effect of the implementation of value-added tax to replace business tax and the decrease in the level of actual freight rate.

Air Cargo and Mail Revenue Contributed by Geographical Segments

(RMB'000)	2013		2012		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	1,794,941	22.79%	1,869,769	22.19%	-4.00%
Hong Kong, Macau and Taiwan	297,469	3.78%	417,534	4.96%	-28.76%
Europe	3,113,800	39.53%	3,010,328	35.75%	3.44%
North America	1,520,426	19.30%	1,915,433	22.75%	-20.62%
Japan and Korea	584,105	7.42%	754,090	8.96%	-22.54%
Asia Pacific and others	565,628	7.18%	453,700	5.39%	24.67%
Total	<u>7,876,369</u>	<u>100.00%</u>	<u>8,420,854</u>	<u>100.00%</u>	<u>-6.47%</u>

Operating Expenses

In 2013, the Group's operating expenses were RMB94,063 million, representing an increase of 3.29% from RMB91,064 million in 2012. The breakdown of the operating expenses is set out below:

(RMB'000)	2013		2012		Change
	Amount	Percentage	Amount (restated)	Percentage	
Jet fuel costs	33,722,281	35.85%	35,639,967	39.14%	-5.38%
Take-off, landing and depot charges	9,585,090	10.19%	9,213,993	10.12%	4.03%
Depreciation	10,936,619	11.63%	10,325,780	11.34%	5.92%
Aircraft maintenance, repair and overhaul costs	3,063,647	3.26%	3,128,270	3.44%	-2.07%
Employee compensation costs	14,023,639	14.91%	12,852,554	14.11%	9.11%
Air catering charges	2,571,550	2.73%	2,843,016	3.12%	-9.55%
Selling expenses	5,760,403	6.12%	5,669,860	6.23%	1.60%
General and administrative expenses	1,221,429	1.30%	650,453	0.71%	87.78%
Others	13,178,068	14.01%	10,739,887	11.79%	22.70%
Total	<u>94,062,726</u>	<u>100.00%</u>	<u>91,063,780</u>	<u>100.00%</u>	<u>3.29%</u>

In particular:

- Jet fuel costs decreased by RMB1,918 million or 5.38% as compared to 2012, mainly due to the implementation of value-added tax to replace business tax. Without taking into account such policy change, jet fuel costs would have increased by 1.67%.
- Take-off, landing and depot charges increased by RMB371 million as compared to 2012, 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 finance leased aircraft during the year.

- Aircraft maintenance, repair and overhaul costs recorded a decrease of RMB65 million or 2.07% as compared to 2012.
- Employee compensation costs increased by RMB1,171 million, mainly due to an increase in number of employees and an increase in the flying hours.
- Air catering charges decreased by RMB271 million, mainly due to the implementation of value-added tax to replace business tax. Air catering charges would have increased actually without taking into account such policy change.
- Sales and marketing expenses increased by RMB91 million as compared to 2012 due to an increase in agency handling fees from the previous year.
- General and administrative expenses increased by RMB571 million as compared to 2012 mainly due to the reversal of bad debt provision on receivables of RMB737 million 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 increased by 22.70% from the previous year, mainly due to the increase in the operating lease expenses of aircraft engines and buildings and contributions to the civil aviation infrastructure construction fund for the year.

Financial Revenue and Financial Costs

In 2013, the Group recorded a net exchange gain of RMB1,938 million, representing an increase of RMB1,819 million or 1,526.84% as compared to the previous year, which was mainly due to the accelerated appreciation of RMB against US dollars during the year. The Group also incurred an interest expense (excluding the capitalised portion) of RMB2,686 million, representing a year-on-year increase of RMB424 million, primarily due to the growth in interest-bearing liabilities and finance costs of the Group.

Share of Profits Less Losses of Associates and Joint Ventures

In 2013, the Group's share in the profits of its associates and joint ventures was RMB823 million, representing an increase of RMB432 million from that of 2012, mainly due to a general increase in profits of its invested associates engaging in airline business during the reporting period, among which the Group's recognition of gains on investment in Cathay Pacific amounted to RMB423 million, as compared to RMB50 million (restated) in 2012.

Analysis of Assets Structure

As at 31 December 2013, the total assets of the Group amounted to RMB205,083 million, representing an increase of 10.69% from the previous year, among which current assets accounted for RMB25,817 million or 12.59% of the total assets, while non-current assets accounted for RMB179,266 million, or 87.41% of the total assets.

Among the current assets, cash and cash equivalents were RMB14,762 million, accounting for 57.18% of the current assets and representing an increase of 25.23% from the beginning of the year, mainly because a provision had been made for the RMB3,000 million corporate bonds that would become mature in the first quarter of 2014 in addition to the capital demand of normal operation.

Among the non-current assets, the net book value of property, plant and equipment was RMB132,806 million, accounting for 74.08% of the non-current assets and representing an increase of 7.55% 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 2013, 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 RMB85,307 million (approximately RMB80,227 million as at 31 December 2012) and land use rights with a net book value of approximately RMB38 million (approximately RMB39 million as at 31 December 2012). At the same time, the Group had approximately RMB746 million (approximately RMB803 million as at 31 December 2012) in bank deposits pledged as partial security for certain bank loans, operating leases and financial derivatives of the Group.

Capital Expenditure

In 2013, the Company's capital expenditure amounted to RMB17,959 million, of which the total investment in aircraft and engines was RMB16,222 million, including prepayments of RMB8,960 million for aircraft to be introduced from 2013 onwards.

Other capital expenditure amounted to RMB1,737 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 2013, the Group's equity investment in its associates totalled RMB14,574 million, representing an increase of 6.57% from the beginning of the year, mainly due to the Group's share of profits of associates in the year. The equity investment balances of the Group in Cathay Pacific, Shandong Aviation Group Company Limited and Shandong Airlines Company Limited amounted to RMB12,631 million, RMB957 million and RMB579 million, respectively, with such companies recording profits of RMB2,319 million, RMB503 million and RMB389 million in 2013, respectively.

As at 31 December 2013, the Group's share in the profits of its joint ventures was RMB1,284 million, representing an increase of 12.42% from the beginning of the year, mainly due to the increase of profits of its joint ventures and its investment in GA Innovation China.

Debt Structure Analysis

As at 31 December 2013, the Group's total liabilities were RMB147,537 million, representing an increase of 11.79% from the previous year, among which current liabilities accounted for RMB70,074 million and non-current liabilities accounted for RMB77,463 million, representing 47.50% and 52.50% 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 RMB43,362 million, representing an increase of 36.83% from the beginning of the year, mainly due to an increase in financing during the reporting period. Other advances and payables increased by 8.72% from the previous year to RMB26,713 million, which was mainly due to the increase in payables for outstanding air traffic tickets and other operating payables compared to the beginning of the year.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB68,239 million, representing an increase of 0.75% from the beginning of the year.

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

(RMB'000)	2013		2012		Change
	Amount	Percentage	Amount (restated)	Percentage	
US dollars	78,197,358	70.07%	73,367,010	73.80%	6.58%
Hong Kong dollars	–	–	340,557	0.34%	-100.00%
RMB	33,238,571	29.78%	25,539,964	25.69%	30.14%
Other	164,725	0.15%	172,925	0.17%	-4.74%
Total	<u>111,600,654</u>	<u>100.00%</u>	<u>99,420,456</u>	<u>100.00%</u>	<u>12.25%</u>

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 equipment, increased from RMB74,088 million as at 31 December 2012 to RMB95,085 million as at 31 December 2013. 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 equipment, amounted to RMB26,232 million as at 31 December 2013, representing an increase of 34.92% as compared to the previous year. The Group's investment commitments decreased by RMB97 million from RMB153 million as at 31 December 2012 to RMB56 million as at 31 December 2013, mainly applied towards the joint venture agreement entered into by it.

Gearing Ratio

As at 31 December 2013, the Group's gearing ratio (total liabilities divided by total assets) was 71.94%, representing an increase of 0.71 pts from 71.23% as at 31 December 2012, which was mainly attributable to a speedy increase in the scale of debts as a result of the financings incurred for assets purchase. Despite that the Group's gearing ratio increased slightly, high gearing ratio is common among aviation enterprises, the Group continued to maintain a relatively reasonable gearing ratio. Taking into account of the Group's profitability and the market environment where it operates, its long-term insolvency risk is within control.

Working Capital and Its Sources

As at 31 December 2013, the Group's net current liabilities (current liabilities minus current assets) were RMB44,257 million, representing an increase of RMB9,437 million as compared to the previous year. The increase in net current liabilities was mainly due to the expansion of asset size and business scale of the Company. Based on the structure of current assets and current liabilities, the current ratio (current assets divided by current liabilities) was 0.37, maintaining the same level as that of 0.38 as at 31 December 2012. Accordingly, there was no material fluctuation in the short-term financial risks associated with the Group.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In 2013, the Group's net cash inflow from operating activities was RMB14,608 million, representing an increase of 50.77% from RMB9,689 million in 2012, mainly due to the increase in cash inflow from operating activities and the significant decrease in tax payments during the year. Net cash outflow from investment activities was RMB20,638 million, representing an increase of 39.69% from RMB14,774 million in 2012, mainly due to the increase in the settlement of 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 RMB9,271 million, representing an increase of approximately RMB7,646 million from the net cash inflow of RMB1,624 million in 2012. In 2013, the Group's balance of cash and cash equivalents was RMB14,762 million, representing an increase of RMB2,974 million from the previous year. The Company has obtained bank facilities of up to RMB145,268 million from a number of banks in the PRC, among which approximately RMB43,684 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, interest rates and exchange rates 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 managing and 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 of 30 November 2011, all fuel derivatives of the Company have been expired and no new position has been established at present. Considering the volatility of international jet fuel prices and cost sensitivity of the Company, the Company will develop its fuel hedging business in compliance with the regulatory requirements so as to cope with changes in the jet fuel market.

The finance lease liabilities and certain bank loans and other loans of the Group are denominated in US dollars and Euros. Certain expenses of the Group are also denominated in currencies other than RMB. The Group timely remits the foreign currency income arising from the sale of tickets at the overseas office branches to China for payment of foreign currency expenses incurred in the ordinary business of the Group and repayment of foreign currency debts repayable within one year. In the event of shortfall, the Group will timely use the RMB settlement for payment. However, the exchange rate of RMB against US dollars and Euros was volatile during the reporting period, mainly resulting in the exchange difference recognised by the Group during the reporting period.

As to interest rate risk management, through the entering into of interest rate derivative contracts, the Company reasonably adjusts the proportion of fixed interest rates and variable interest rates of interest-bearing liabilities so as to avoid the interest rate risks.

OUTLOOK FOR 2014

The aviation industry is still expected to have potential for continuous growth in 2014. China's economic structure adjustment and the accelerated growth of the service industry will promote further demands in the aviation market. At the same time, the aviation industry will continue to face serious challenges such as intensifying competition, dwindling resources, and rising operating costs. With our goal of "building a large network airline with international competitiveness", we will continue to strive for a steady growth, deepen our reform and innovation, improve our operating efficiency and build our competitiveness so as to achieve better performance from a new starting point.

SHARE CAPITAL

As at 31 December 2013, the total share capital of the Company was RMB13,084,751,004 divided into 13,084,751,004 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 2013:

Category of Shares	Number of shares	Percentage of the total share capital
A Shares	8,522,067,640	65.13%
H Shares	4,562,683,364	34.87%
Total	<u>13,084,751,004</u>	<u>100.00%</u>

EVENTS AFTER THE REPORTING PERIOD

The Board received a resignation letter from Mr. Christopher Dale Pratt on 23 January 2014. As Mr. Christopher Dale Pratt resigned as the chairman and a director of Cathay Pacific, a substantial shareholder of the Company, in March 2014, Mr. Christopher Dale Pratt resigned from his position as a non-executive director of the Company with effect from 14 March 2014.

The Board received a resignation letter from Mr. Wang Changshun on 27 January 2014. Mr. Wang Changshun resigned as the chairman of the Board and a non-executive director of the Company with effect from the same date due to change of job assignments. Meanwhile, Mr. Wang also ceased to serve as a member of the Strategy and Investment Committee and the Nomination and Remuneration Committee of the Board, respectively.

The Board received a resignation letter from Mr. Cai Jianjiang on 28 January 2014. Mr. Cai resigned from his position as the president of the Company with effect from the same date due to change of job assignments to China National Aviation Holding Company, the controlling shareholder of the Company. Since Mr. Cai Jianjiang no longer serves as the President, he was re-designated as a non-executive director of the Company from an executive director.

On 28 January 2014, the Board resolved to appoint Mr. Song Zhiyong as the president of the Company with effect from the same date. The term of Mr. Song's office as the president shall end on the expiry of the term of the current session of the Board.

On 21 February 2014, the Board resolved to elect Mr. Cai Jianjiang as the chairman of the Board with effect from the same date. The term of Mr. Cai's office as the chairman of the Board shall end on the expiry of the term of the current session of the Board.

On 28 January 2014 and 21 February 2014, the Board resolved to appoint Mr. Song Zhiyong as an executive director of the Company and Mr. John Robert Slosar as a non-executive director of the Company, respectively. An ordinary resolution to consider and approve the above appointments will be proposed at the 2013 annual general meeting.

For details of these matters, please refer to the announcements of the Company dated 24 January 2014, 27 January 2014, 29 January 2014 and 21 February 2014 respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2013, 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 1 of Appendix 16 to the Listing Rules.

CORPORATE GOVERNANCE

1. Compliance with the Corporate Governance Code

The Company has complied with the principles and code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year 2013.

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 of the directors and supervisors of the Company has complied with the required standards of the Model Code and the Company's code of conduct throughout the year 2013.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.4531 (including tax) per ten shares for the year ended 31 December 2013, totaling approximately RMB593 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 2013 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 fifth 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 2013 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 economic developments. Accidental and unexpected incidents may have a material impact on our operations or the industry as a whole. This 2013 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 2013 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
“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
“Euros”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992)
“Group”	the Company and its subsidiaries

“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
“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, 25 March 2014

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Ms. Wang Yinxian, Mr. Cao Jianxiong, Mr. Sun Yude, Mr. Ian Sai Cheung Shiu, Mr. Fan Cheng, Mr. Fu Yang, Mr. Yang Yuzhong*, Mr. Pan Xiaojian* and Mr. Simon To Chi Keung*.*

* *Independent non-executive Director of the Company*