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)

2011 ANNUAL RESULTS

GROUP RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2011 with the corresponding comparative figures for the year ended 31 December 2010 as follows:

A. Prepared under International Financial Reporting Standards

CONSOLIDATED INCOME STATEMENT

	Notes	**2011** *RMB'000*	2010 *RMB'000*
TURNOVER			
Air traffic revenue	*3*	**93,343,421**	78,209,188
Other operating revenue	*4*	**5,066,081**	4,278,351
		98,409,502	82,487,539
OPERATING EXPENSES			
Jet fuel costs		**(34,703,369)**	(24,096,078)
Movements in fair value of fuel derivative contracts		**85,447**	1,954,071
Take-off, landing and depot charges		**(8,740,822)**	(7,707,019)
Depreciation		**(9,560,907)**	(8,569,370)
Aircraft maintenance, repair and overhaul costs		**(2,612,678)**	(2,577,185)
Employee compensation costs	*5*	**(12,270,065)**	(9,851,935)
Air catering charges		**(2,662,984)**	(2,044,359)
Aircraft and engine operating lease expenses		**(3,931,549)**	(3,488,014)
Other operating lease expenses		**(668,916)**	(712,005)
Other flight operation expenses		**(9,342,935)**	(8,227,555)
Selling and marketing expenses		**(5,480,514)**	(4,602,745)
General and administrative expenses		**(2,261,549)**	(1,637,824)
		(92,150,841)	(71,560,018)

	Notes	**2011** ***RMB'000***	2010 *RMB'000*
PROFIT FROM OPERATIONS	*6*	**6,258,661**	10,927,521
Finance revenue	*7*	**3,361,295**	1,980,015
Finance costs	*7*	**(1,594,015)**	(1,449,249)
Share of profits and losses of associates		**1,328,798**	3,375,325
PROFIT BEFORE TAX		**9,354,739**	14,833,612
Tax	*8*	**(2,292,073)**	(2,497,748)
PROFIT FOR THE YEAR		**7,062,666**	12,335,864
Attributable to:			
Owners of the parent		**7,082,374**	12,005,004
Non-controlling interests		**(19,708)**	330,860
		7,062,666	12,335,864
Dividends:	*10*		
Interim		**–**	–
Proposed final		**1,521,251**	1,523,829
		1,521,251	1,523,829
Earnings per share attributable to equity holders of the parent:	*11*		
Basic and diluted		**RMB58.23 cents**	RMB103.10 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**7,062,666**	12,335,864
OTHER COMPREHENSIVE LOSSES		
Share of other comprehensive losses of associates	**(8,538)**	(47,303)
Exchange realignment	**(890,417)**	(546,911)
Others	**–**	(1,150)
OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX	**(898,955)**	(595,364)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,163,711**	11,740,500
Attributable to:		
Owners of the parent	**6,193,453**	11,412,599
Non-controlling interests	**(29,742)**	327,901
	6,163,711	11,740,500

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2011	2010
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**112,399,431**	96,152,542
Lease prepayments	**2,142,684**	2,163,649
Investment properties	**240,879**	–
Intangible asset	**37,221**	41,076
Goodwill	**1,310,830**	1,657,675
Interests in associates	**13,397,031**	14,188,426
Advance payments for aircraft and flight equipment	**19,443,291**	18,946,626
Deposits for aircraft under operating leases	**420,854**	391,600
Long term receivable from the ultimate holding company	**–**	31,813
Available-for-sale investments	**27,182**	27,182
Deferred tax assets	**3,077,502**	2,193,002
	152,496,905	135,793,591
CURRENT ASSETS		
Aircraft and flight equipment held for sale	**92,487**	77,682
Inventories	**1,810,320**	1,608,951
Accounts receivable	**2,700,731**	3,092,069
Bills receivable	**1,601**	14,295
Prepayments, deposits and other receivables	**2,697,192**	2,284,230
Financial assets	**12,144**	27,379
Due from the ultimate holding company	**428,561**	617,140
Due from related companies	**20,194**	3,244
Tax recoverable	**–**	6,171
Pledged deposits	**132,565**	843,065
Cash and cash equivalents	**15,457,372**	14,401,714
	23,353,167	22,975,940
TOTAL ASSETS	**175,850,072**	158,769,531
CURRENT LIABILITIES		
Air traffic liabilities	**(4,562,773)**	(3,608,700)
Accounts payable	**(10,417,186)**	(8,100,472)
Bills payable	**–**	(387,327)
Other payables and accruals	**(12,815,775)**	(9,259,833)
Financial liabilities	**(223,137)**	(427,329)
Due to related companies	**(190,775)**	(181,002)
Tax payable	**(1,707,553)**	(2,210,372)
Obligations under finance leases	**(2,687,925)**	(2,223,240)
Interest-bearing bank loans and other borrowings	**(28,137,313)**	(25,482,725)
Provision for major overhauls	**(589,123)**	(503,628)
	(61,331,560)	(52,384,628)
NET CURRENT LIABILITIES	**(37,978,393)**	(29,408,688)
TOTAL ASSETS LESS CURRENT LIABILITIES	**114,518,512**	106,384,903

	2011 *RMB'000*	2010 *RMB'000*
NON-CURRENT LIABILITIES		
Obligations under finance leases	**(19,191,860)**	(16,061,352)
Interest-bearing bank loans and other borrowings	**(39,398,481)**	(42,159,439)
Provision for major overhauls	**(2,496,294)**	(2,105,150)
Provision for early retirement benefit obligations	**(203,213)**	(220,236)
Long term payables	**(231,061)**	(265,159)
Deferred income	**(3,459,138)**	(3,196,103)
Deferred tax liabilities	**(1,213,030)**	(1,006,227)
	(66,193,077)	(65,013,666)
NET ASSETS	**48,325,435**	41,371,237
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**12,891,955**	12,891,955
Treasury shares	**(2,889,399)**	(2,613,232)
Reserves	**36,113,243**	31,159,231
	46,115,799	41,437,954
NON-CONTROLLING INTERESTS	**2,209,636**	(66,717)
TOTAL EQUITY	**48,325,435**	41,371,237

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 2011, the Group's net current liabilities amounted to approximately RMB37,978 million, which comprised current assets of approximately RMB23,353 million and current liabilities of approximately RMB61,331 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 new and revised IFRSs

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

In May 2010, the IASB issued its third omnibus of amendments to its standards, including improvements to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13, primarily with a view to removing inconsistencies and clarifying wording.

Other than as further explained below regarding the impact of IAS 24 (Revised), the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the revised standard introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of IAS 24 (Revised) has resulted in the re-presenting of the comparative related party disclosures.

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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (Revised)	*Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

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 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.

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 includes the issues raised in SIC-12.

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.

IFRS 12 includes the disclosures requirements for subsidiaries, joint arrangements, associates and structured entities that are 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.

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 12, and the consequential amendments to IAS 27 and IAS 28 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.

Amendments to IAS 1 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, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

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 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 (the "CAS") for the years ended 31 December 2011 and 2010 and the reconciliations of reportable segment revenue and profit before tax to the Group's consolidated amounts under IFRSs:

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**

Year ended 31 December 2010

	Airline operations *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE				
Sales to external customers	80,927,043	35,634	–	80,962,677
Intersegment sales	–	935,326	(935,326)	–
Total revenue for reportable segments under CASs	80,927,043	970,960	(935,326)	80,962,677
Business tax not included in segment revenue				(1,628,290)
Other income not included in segment revenue				1,232,350
Effects of differences between IFRSs and CASs				1,920,802
Revenue for the year under IFRSs				82,487,539
SEGMENT PROFIT BEFORE TAX				
Profit before tax for reportable segments under CASs	14,858,562	166,500	–	15,025,062
Effects of differences between IFRSs and CASs				(191,450)
Profit before tax for the year under IFRSs				14,833,612

The following tables present the segment assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2011 and 31 December 2010 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 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**
Total assets for reportable segments as at 31 December 2010 under CASs	153,816,518	2,968,976	(1,565,881)	155,219,613
Effects of differences between IFRSs and CASs				3,549,918
Total assets under IFRSs				158,769,531

	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 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**
Total liabilities for reportable segments as at 31 December 2010 under CASs	114,166,219	919,955	(1,565,881)	113,520,293
Effects of differences between IFRSs and CASs				3,878,001
Total liabilities under IFRSs				117,398,294

	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 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**

	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 2010						
Share of profits and losses of associates	3,324,164	51,161	–	3,375,325	–	3,375,325
Impairment losses recognised in the income statement	2,098,127	129	–	2,098,256	314,741	2,412,997
Finance revenue	1,942,202	12,394	–	1,954,596	25,419	1,980,015
Finance costs	1,413,283	1,788	–	1,415,071	34,178	1,449,249
Tax	2,554,237	16,067	–	2,570,304	(72,556)	2,497,748
Interests in associates	13,803,512	328,590	–	14,132,102	56,334	14,188,436
Capital expenditure	17,371,014	5,410	–	17,376,424	41,686	17,418,110
Depreciation and amortisation	8,568,096	6,608	–	8,574,704	81,705	8,656,409

Geographical information

The following table presents the geographical information of the Group's consolidated revenue under IFRSs for the years ended 31 December 2011 and 2010:

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**

Year ended 31 December 2010

	Mainland China	Hong Kong, Macau and Taiwan	Europe	North America	Japan and Korea	Asia Pacific and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers and total revenue	52,441,112	4,212,616	9,848,721	6,008,965	5,818,381	4,157,744	82,487,539

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 (2010: 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:

	2011	2010
	RMB'000	*RMB'000*
Passenger	**83,510,323**	68,137,672
Cargo and mail	**9,833,098**	10,071,516
	93,343,421	78,209,188

Air traffic revenue for all domestic flights were 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 year ended 31 December 2011 amounted to approximately RMB2,128 million (2010: RMB1,544 million).

4 Other Operating Revenue

	2011	2010
	RMB'000	*RMB'000*
Aircraft engineering income	**730,746**	639,194
Ground service income	**724,346**	681,883
Service charges on return of unused flight tickets	**574,136**	417,130
Income from other travelling services	**535,482**	439,219
Government grants and subsidies:		
Recognition of deferred income	**240,486**	83,277
Others	**938,120**	702,995
Gain on disposal of property, plant and equipment, net	**252,662**	159,011
Cargo handling service income	**167,934**	164,407
Revaluation gain on acquisition of a subsidiary	**–**	150,628
Rental income:		
Aircraft and flight equipment	**44,802**	76,342
Others	**42,489**	45,382
Training service income	**81,051**	63,852
Sale of materials	**24,966**	21,953
Import and export service income	**16,400**	16,427
Others	**692,461**	616,651
	5,066,081	4,278,351

5 Employee Compensation Costs

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

	2011	2010
	RMB'000	*RMB'000*
Wages, salaries and social security costs	**11,002,334**	9,046,461
Retirement benefit costs	**1,274,561**	795,233
Share-based benefits	**(6,830)**	10,241
	12,270,065	9,851,935

6 Profit From Operations

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

	2011	2010
	RMB'000	*RMB'000*
Auditors' remuneration	**18,370**	13,051
Depreciation	**9,560,907**	8,569,370
Impairment of property, plant and equipment	**2,237,403**	1,863,194
Gain on disposal of property, plant and equipment, net	**252,662**	159,011
Losses on derecognition of property, plant and equipment	**31,345**	55,434
Amortisation of lease prepayments	**53,247**	87,039
Minimum lease payments under operating leases:		
Aircraft and flight equipment	**3,931,549**	3,483,180
Land and buildings	**583,338**	600,296
Impairment of aircraft and flight equipment held for sale	**99,669**	185,992
Impairment of inventories	**77,785**	236,219
Impairment of accounts receivable	**3,771**	8,983
Impairment of goodwill	**176,891**	–
Impairment of interests in associates	**19,810**	–
Impairment of prepayments, deposits and other receivables	**239,582**	118,609

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

	2011	2010
	RMB'000	*RMB'000*
Exchange gains, net	**3,117,700**	1,919,415
Interest income	**240,234**	60,307
others	**3,361**	293
	3,361,295	1,980,015

Finance costs

	2011 *RMB'000*	2010 *RMB'000*
Interest on interest-bearing bank loans and other borrowings	**1,869,764**	1,497,429
Interest on finance leases	**326,771**	110,903
Loss on interest rate derivative contracts and forward foreign exchange contracts, net	**41,122**	206,707
	2,237,657	1,815,039
Less: Interest capitalised	**(643,642)**	(365,790)
	1,594,015	1,449,249

The interest capitalisation rates during the year range from 1.24% to 8.23% (2010: 0.8% to 7.1%) 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 a subsidiary which is taxed at the preferential rate of 24% (2010: 22%), a joint venture of the Company which is taxed at the preferential rate of 15% (2010: 22%) and a joint venture of the Company which is taxed at the preferential rate of 12.5% (2010: 12.5%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (2010: 25%). Subsidiaries in Hong Kong and Macau are taxed at corporate income tax rates of 16.5% (2010:16.5%) and 12% (2010: 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	
	2011 *RMB'000*	2010 *RMB'000*
Current income tax:		
Mainland China	**2,968,108**	2,506,846
Hong Kong and Macau	**1,662**	1,197
	2,969,770	2,508,043
Deferred income tax	**(677,697)**	(10,295)
Income tax charge for the year	**2,292,073**	2,497,748

The Group's share of tax charge attributable to associates amounting to RMB280,541,000 (2010: RMB548,527,000) 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			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**9,354,739**		14,833,612	
Tax at the statutory tax rate	**2,338,685**	**25.0**	3,708,403	25.0
Tax effect of share of profits and losses of associates	**(332,199)**	**(3.5)**	(843,832)	(5.7)
Lower income tax rates enacted by other territories	**(93,621)**	**(1.0)**	(74,783)	(0.5)
Adjustment in respect of current income tax of previous periods	**(98,922)**	**(1.1)**	(55,249)	(0.4)
Income not subject to tax	**(39,958)**	**(0.4)**	(33,208)	(0.2)
Expenses not deductible for tax	**53,425**	**0.6**	25,222	0.2
Revaluation gain on acquisition of a subsidiary	**–**	**–**	(37,657)	(0.3)
Utilisation of tax losses not recognised in prior years	**(24,819)**	**(0.3)**	(21,669)	(0.1)
Utilisation of deductible temporary differences not recognised in prior years	**–**	**–**	(169,479)	(1.2)
Deductible temporary differences and tax losses not recognised	**489,482**	**5.2**	–	–
At the Group's effective income tax rate	**2,292,073**	**24.5**	2,497,748	16.8

As at 31 December 2011, there was unrecognised deferred tax liability of RMB37,657,000 (2010: 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 2011 includes a profit of approximately RMB5,798 million (2010: RMB7,352 million), which was arrived at after deducting dividend income received from subsidiaries, joint ventures and associates aggregating approximately RMB725 million (2010: RMB60 million) from the Company's total comprehensive income of approximately RMB6,523 million (2010: RMB7,412 million), that has been dealt with in the financial statements of the Company.

10 Appropriations

	Company	
	2011	2010
	RMB'000	*RMB'000*
Proposed final dividend	**1,521,251**	1,523,829

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 after-tax profit, until the fund aggregates 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 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.

The calculation of the basic earnings per share for the year ended 31 December 2010 was based on the profit attributable to equity holders of the Company for the year ended 31 December 2010 of approximately RMB12,005 million, and the weighted average of 11,644,528,123 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 after considering the dilution effect caused by the additional issue of shares during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 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

	31 December 2011	31 December 2010
	RMB'000	*RMB'000*
ASSETS		
CURRENT ASSETS		
Cash and bank balances	**15,420,242**	15,011,027
Financial assets held for trading	**12,144**	27,379
Bills receivable	**1,601**	14,295
Accounts receivable	**2,652,439**	3,180,638
Other receivables	**1,662,087**	1,138,695
Prepayments	**584,983**	683,781
Inventories	**1,128,164**	932,317
Total current assets	**21,461,660**	20,988,132
NON-CURRENT ASSETS		
Long term receivables	**424,618**	393,492
Long term equity investments	**14,804,420**	15,522,585
Investment property	**240,879**	–
Fixed assets	**101,737,456**	88,224,954
Construction in progress	**27,566,439**	23,518,332
Intangible assets	**2,805,249**	2,867,600
Goodwill	**1,102,185**	1,449,030
Long term deferred expenses	**187,893**	181,317
Deferred tax assets	**2,992,769**	2,074,171
Total non-current assets	**151,861,908**	134,231,481
Total assets	**173,323,568**	155,219,613

	31 December 2011	31 December 2010
	RMB'000	*RMB'000*
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short term loans	**11,507,317**	15,703,154
Financial liabilities held for trading	**223,137**	427,329
Bills payable	**–**	387,327
Accounts payable	**12,081,912**	9,426,483
Domestic air traffic liabilities	**2,052,297**	1,582,868
International air traffic liabilities	**2,510,478**	2,025,831
Receipts in advance	**121,503**	125,088
Employee compensations payable	**2,703,428**	1,593,762
Taxes payable	**2,756,215**	2,998,802
Interest payable	**360,578**	310,029
Other payables	**6,309,825**	4,630,782
Non-current liabilities repayable within one year	**17,240,694**	11,421,643
Total current liabilities	**57,867,384**	50,633,098
NON-CURRENT LIABILITIES		
Long term loans	**33,398,481**	31,923,371
Corporate bonds	**6,000,000**	9,000,000
Long term payables	**2,643,472**	2,271,951
Obligations under finance leases	**19,191,860**	16,061,353
Accrued liabilities	**346,284**	77,820
Deferred income	**3,161,536**	2,546,860
Deferred tax liabilities	**1,213,030**	1,005,840
Total non-current liabilities	**65,954,663**	62,887,195
Total liabilities	**123,822,047**	113,520,293
SHAREHOLDERS' EQUITY		
Issued capital	**12,891,955**	12,891,955
Capital reserve	**16,288,523**	16,245,469
Reserve funds	**3,471,812**	2,178,300
Retained earnings	**17,134,982**	12,515,511
Foreign exchange translation reserve	**(3,049,254)**	(2,178,610)
Equity attributable to owners of the parent	**46,738,018**	41,652,625
Non-controlling interests	**2,763,503**	46,695
Total shareholders' equity	**49,501,521**	41,699,320
Total liabilities and shareholders' equity	**173,323,568**	155,219,613

	2011 *RMB'000*	2010 *RMB'000*
Revenue from operations	**97,139,111**	80,962,677
Less: Cost of operations	**76,692,435**	61,004,800
Business taxes and surcharges	**2,241,459**	1,607,734
Selling expenses	**6,521,025**	5,503,427
General and administrative expenses	**3,307,241**	2,340,040
Finance costs	**(1,549,773)**	(539,525)
Impairment losses in assets	**2,146,816**	2,098,256
Add: Gains from movements in fair value	**33,744**	1,743,515
Investment income	**1,336,532**	3,572,863
Including: Share of profits and losses of associates and joint ventures	**1,331,670**	3,405,574
Profit from operations	**9,150,184**	14,264,323
Add: Non-operating income	**1,198,749**	847,901
Less: Non-operating expenses	**227,414**	87,162
Including: Loss on disposal of non-current assets	**61,470**	45,801
Profit before tax	**10,121,519**	15,025,062
Less: Tax	**2,223,910**	2,570,304
Net profit	**7,897,609**	12,454,758
Net profit attributable to owners of the parent	**7,476,855**	12,208,049
Non-controlling interests	**420,754**	246,709
Earnings per share *(RMB)*		
Basic and diluted	**0.61**	1.05
Other comprehensive income	**(889,223)**	(589,481)
Total comprehensive income	**7,008,386**	11,865,277
Attributable to:		
Owners of the parent	**6,597,673**	11,620,294
Non-controlling interests	**410,713**	244,983

C. Effects of significant differences between IFRSs and CASs

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

	2011 *RMB'000*	2010 *RMB'000*
Net profit attributable to owners of the parent under CASs	**7,476,855**	12,208,049
Deferred tax	**(17,123)**	105,613
Differences in value of fixed assets	**(83,510)**	(387,353)
Government grants	**152,387**	(18,264)
Others	**(446,235)**	96,959
Net profit attributable to owners of the parent under IFRSs	**7,082,374**	12,005,004

	2011 *RMB'000*	2010 *RMB'000*
Equity attributable to owners of the parent under CASs	**46,738,018**	41,652,625
Deferred tax	**97,490**	114,613
Differences in value of fixed assets	**(233,626)**	(150,116)
Government grants	**(283,418)**	(435,805)
Others	**(202,665)**	256,637
Equity attributable to owners of the parent under IFRSs	**46,115,799**	41,437,954

2011 REVIEW

The market conditions for the aviation industry in 2011 were very complicated. Some prominent characteristics include the relatively rapid growth in the domestic air passenger market, continuing recession in the international air passenger market and significant decline in air cargo operations. At the same time, jet fuel price remained high and domestic and international competition intensified, all of which had put great pressure on our operations. The Group adhered to a strategy of continuing development by steady and prudent operation and implementation and achieved progress in various areas. We have strengthened our operation management, adopted an active stance towards market changes, consolidated our cost advantages and continued to improve service quality. During the reporting period, we recorded a turnover of RMB98,410 million and profit attributable to equity holders of RMB7,082 million, representing a year-on-year increase of 19.30% and a year-on-year decrease of 41%, respectively.

Further strengthened position in the domestic market – In 2011, we took advantage of the growth in the domestic air passenger market and timely adjusted our capacity deployment. This resulted in significant improvement of yield quality and fortified our market position. Our domestic capacity increased to 99,402 million available seat kilometres and we realised 82,676 million RPKs, representing an increase of 17.82% and 21.87%, respectively, from the previous year. We carried 59,391,500 passengers with a load factor of 83.17%, representing an increase of 18.34% and 2.77% over the previous year respectively. Our passenger yield increased by 7.46% to RMB0.72.

The Group's international air passenger operations continued to improve in 2011. Our international route capacity reached 45,299 million available seat kilometres and we realised 35,724 million revenue passenger kilometres, representing an increase of 9.21% and 7.58%, respectively, from the previous year. Our load factor fell slightly by 1.2% and our passenger yield maintained the same as that of last year at RMB0.57.

Fleet optimization – We introduced 58 aircraft and retired 19 aircraft, including B757-200 and B737-300 from our fleet. As at the end of 2011, our fleet comprised 432 aircraft with an average age of 6.77 years.

Steady increase in profitability – We have actively expanded our key sales and marketing channels, improved our mileage redemption program for VIP frequent flyer customers and introduced seasonal rates offers. The revenue from our frequent flyer program recorded a 17% growth from last year. We have focused on building and maintaining relationships with large corporate customers and improved management efficiency of our core customers. Contribution to revenue from our high-value customers, including our global and Star Alliance customers, continued to climb and revenue from our large corporate customers grew by 36% from the previous year. We made steady progress in developing our e-commerce platform and our e-commerce revenue increased by 53% from last year. Meanwhile, we upgraded the software and hardware of our products, refined our profit management and achieved a higher load factor of our first and business class cabins. Our revenue grew by 17% compared to the previous year. In response to the recession in the international passenger market, we continued to optimize capacity structure in a dynamic manner in line with our hub and network strategy. We adjusted the operations of Japan routes after the earthquake in Japan. We also introduced new routes (including Beijing-Milan and Beijing-Dusseldorf routes) and increased the frequency of services on Beijing-Los Angeles route, which have shown positive operating results.

Customer service enhancement – We are committed to provide comprehensive, personalised and high quality services to our passengers. Four environmental-friendly, fuel-efficient and comfortable B777-300ER wide-body aircraft with enhanced safety features were introduced to our fleet. We also upgraded some of our cabin and lounge facilities, integrated our customer service hotlines and improved our website layout. We were the first domestic airline to provide wifi services on selected routes. Our services were accredited with a 4-star ranking by Skytrax and our customer service management system (CSM) was the first in the world to be certified by the British Standards Institute.

Comprehensive strategic collaboration – We strengthened our strategic partnership with Cathay Pacific Airways. Our cargo joint venture was formally established on 18 March 2011 and has been running under a new operation and management model. We deepened our collaboration with Shenzhen Airlines in various areas, including sales and marketing, maintenance, information technology and central procurement. We also established Beijing Airlines Company Limited which specialises in chartered business jet flights. Our influence in the regional market continued to grow through our investment in Tibet Airlines and the establishment of Dalian Airlines Company Limited. The synergy from our internal collaboration was eminent and the results of Shenzhen Airlines increased significantly.

Efforts to improve cargo operations – Demand in the air cargo market has continued to fall since the second quarter last year. The cargo capacity and the actual output of Air China Cargo went down by 2.9% and 6.4%, respectively, compared to the previous year, and the load factor also decreased by 3ppts from last year to 79.2%. In response to the difficult market conditions, Air China Cargo launched internet-based, customer-based and product-based sales and marketing efforts, actively developing new customer base and improving our service standards. We focused on the development of the Shanghai cargo hub and strengthened the transit support capability at hub terminals. We responded to market changes and expedited the adjustments to our capacity deployment and introduced new routes (including Shanghai (Pudong)-Hong Kong route), reduced our capacity in non-performing long-haul routes, launched short-haul services and relocated our freighters to Shanghai. All of these measures effectively improved our air cargo operations and offsetting losses.

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 the 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 2011, we took advantage of the growth in the domestic air passenger market and adopted various measures including precise production organisation, innovative sales and marketing efforts, exploitation of cost potential and internal strategic collaboration with our associated companies. We recorded an operating profit of RMB6,259 million, profit attributable to equity holders of RMB7,082 million and an earning-per-share of RMB0.582 despite of the continued recession in the air cargo and international air passenger markets, high international jet fuel prices and intensification of market competition.

Turnover

In 2011, the Group's total turnover (net of business taxes and surcharges of RMB2,268 million) was RMB98,410 million, representing an increase of RMB15,922 million or 19.30% as compared with that of the previous year. Revenue from our air traffic operations contributed RMB93,343 million to the total turnover, representing an increase of RMB15,134 million or 19.35% over last year, primarily due to the rapid growth in the domestic air passenger market and our increased capacity deployment. Our other operating revenue was RMB5,066 million, representing a year-on-year increase of RMB788 million or 18.41%, mainly attributable to the revenue increase from ground services and aircraft engine repair and maintenance.

Revenue Contribution by Geographical Segments

	2011		2010		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Mainland China	**66,154,716**	**67.22%**	52,441,112	63.57%	26.15%
Hong Kong, Macau and Taiwan	**4,335,880**	**4.41%**	4,212,616	5.11%	2.93%
Europe	**10,464,556**	**10.63%**	9,848,721	11.94%	6.25%
North America	**6,984,158**	**7.10%**	6,008,965	7.28%	16.23%
Japan and Korea	**6,110,530**	**6.21%**	5,818,381	7.05%	5.02%
Asia Pacific and others	**4,359,662**	**4.43%**	4,157,744	5.05%	4.86%
Total	**98,409,502**	**100.00%**	82,487,539	100.00%	19.30%

Air Passenger Revenue

In 2011, the Group recorded an air passenger revenue of RMB83,510 million, representing an increase of RMB15,373 million from 2010. The revenue increases from our increased capacity deployment, higher passenger load factor and improved passenger yield were RMB9,988 million, RMB3,970 million and RMB1,415 million, respectively, all of which contributed to our air passenger revenue increase. The Group's 2011 capacity deployment, passenger load factor and passenger yield per unit are as follows:

	2011	2010	Change
Available seat kilometers *(million)*	**151,590**	132,075	14.78%
Passenger load factor *(%)*	**81.47**	80.03	1.44ppt
Yield per RPK *(RMB)*	**0.68**	0.64	6.25%

Air Passenger Revenue Contributed by Geographical Segments

	2011		2010		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Mainland China	**59,120,211**	**70.79%**	45,515,250	66.80%	29.89%
Hong Kong, Macau and Taiwan	**3,855,927**	**4.62%**	3,661,208	5.37%	5.32%
Europe	**6,612,011**	**7.92%**	6,348,204	9.32%	4.16%
North America	**5,032,417**	**6.03%**	4,052,842	5.95%	24.17%
Japan and Korea	**5,173,573**	**6.19%**	4,910,183	7.21%	5.36%
Asia Pacific and others	**3,716,184**	**4.45%**	3,649,985	5.35%	1.81%
Total	**83,510,323**	**100.00%**	68,137,672	100.00%	22.56%

Air Cargo Revenue

In 2011, the Group's air cargo and mail revenue was RMB9,833 million, representing a decrease of RMB238 million from the previous year. Among the Group's air cargo and mail revenue, increase in capacity deployment contributed to an increase resulted in RMB473 million in revenue, while the decreases in cargo and mail load factor and cargo yield resulted in a decrease in revenue of RMB400 million and RMB311 million, respectively. The capacity deployment, cargo load factor and cargo and mail yield (per unit) in 2011 are as follows:

	2011	2010	Change
Available freight tonne kilometers *(million)*	**8,174.61**	7,843.37	4.22%
Cargo load factor *(%)*	**59.30**	61.72	-2.42ppt
Yield per RFTK *(RMB)*	**1.79**	1.85	-3.24%

Air Cargo and Mail Revenue Contributed by Geographical Segments

	2011		2010		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Mainland China	**1,968,424**	**20.02%**	2,647,511	26.29%	-25.65%
Hong Kong, Macau and Taiwan	**479,953**	**4.88%**	551,408	5.47%	-12.96%
Europe	**3,852,545**	**39.18%**	3,500,517	34.76%	10.06%
North America	**1,951,741**	**19.85%**	1,956,123	19.42%	-0.22%
Japan and Korea	**936,957**	**9.53%**	908,198	9.02%	3.17%
Asia Pacific and others	**643,478**	**6.54%**	507,759	5.04%	26.73%
Total	**9,833,098**	**100.00%**	10,071,516	100.00%	-2.37%

Operating Expenses

In 2011, the Group's operating expenses were RMB92,151 million, representing an increase of 28.77% from RMB71,560 million of 2010. The breakdown of the operating expenses is set out below:

	2011		2010		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
Jet fuel costs	**34,703,369**	**37.66%**	24,096,078	33.67%	44.02%
Profits and losses of the movement in fair value of fuel derivative contracts	**-85,447**	**-0.09%**	-1,954,071	-2.73%	-95.63%
Take-off, landing and depot charges	**8,740,822**	**9.48%**	7,707,019	10.77%	13.41%
Depreciation	**9,560,907**	**10.37%**	8,569,370	11.97%	11.57%
Aircraft maintenance, repair and overhaul costs	**2,612,678**	**2.84%**	2,577,185	3.60%	1.38%
Employee compensation costs	**12,270,065**	**13.32%**	9,851,935	13.77%	24.54%
Air catering charges	**2,662,984**	**2.89%**	2,044,359	2.86%	30.26%
Selling expenses	**5,480,514**	**5.95%**	4,602,745	6.43%	19.07%
General and administrative expenses	**2,261,549**	**2.45%**	1,637,824	2.29%	38.08%
Other	**13,943,400**	**15.13%**	12,427,574	17.37%	12.20%
Total	**92,150,841**	**100.00%**	71,560,018	100.00%	28.77%

Including:

- Jet fuel costs increased by 44.02% or RMB10,607 million in 2011 as compared to 2010. Jet fuel costs accounted for 37.66% of the operating expenses in 2011 as compared to 33.67% in 2010. The sharp increase in jet fuel costs was primarily due to the continuous fluctuation in high international fuel prices and an increase of fuel consumption resulting from the increase in flight hours. The Group's jet fuel consumption was 4,721,800 tons, representing an increase of 459,700 tons or 10.79% over last year.

- Gains on the fair value movements of fuel derivative contracts amounted to RMB85 million including a recovery of fair value of RMB83 million and a recovery of fair value increases by RMB2 million from the actual settlement of fuel derivative contracts. Such gains decreased by 95.63% as compared with the same period of 2010, mainly due to the combined effect of the graduate reduction in the number of unsettled contracts and continuous fluctuation in high international oil prices.

- Take-off, landing and depot charges increased by RMB1,034 million from last year primarily due to the increase in the number of takeoffs and landings.

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

- Employee compensation costs increased by RMB2,418 million, largely due to the adjustments in remuneration standards, increase in the number of employees and the differences in the reporting periods resulting from the consolidation of Shenzhen Airlines since 20 April 2010.

- Air catering charges increased by RMB619 million, mainly due to the increase in the number of passengers carried, enhancement of service quality as well as increase in raw materials prices.

- Selling expenses increased by RMB878 million as compared with the previous year because of the consequential increase in sales commission resulting from the revenue increase as well as the differences in the reporting periods resulting from the consolidation of Shenzhen Airlines.

- General and administrative expenses increased by RMB624 million as compared to last year because of the increase in the number of research and development projects.

- Other operating expenses included mainly 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.

Financial Revenue and Financial Costs

In 2011, the Group recorded a net exchange gain of RMB3,118 million, representing an increase of RMB1,199 million or 62.43% as compared with the previous year, which was mainly due to the increase in the proportion of US dollars denominated debts as well as the significant appreciation of RMB against US dollars. The Group also incurred an interest expense (including the capitalised portion) of RMB2,197 million, representing a year-on-year increase of RMB588 million, primarily due to the growth in interest-bearing liabilities and finance costs of the Group.

Share of Profits and Losses of Associates

In 2011, the Group's share in the profits of its associates was RMB1,329 million, as compared with RMB3,375 million in 2010, mainly due to the recognition of gains on investment in Cathay Pacific Airways of RMB959 million in this reporting period compared to RMB3,003 million in 2010.

Analysis of Assets Structure

As at 31 December 2011, the total assets of the Group amounted to RMB175,850 million, representing an increase of 10.76% from the previous year, among which current assets accounted for RMB23,353 million or 13.28% of the total assets, while non-current assets accounted for RMB152,497 million, or 86.72% of the total assets.

Among the current assets, cash and cash equivalents were RMB15,457 million, accounting for 66.19% of the current assets and representing an increase of 7.33% from the previous year, mainly due to the increase in sales revenue during the year, which in turn led to an increase in cash and bank balances. Accounts receivable amounted to RMB2,701 million, representing a decrease of 12.66% from the previous year, largely due to the tightened control of accounts receivable, shortening our accounts receivable collection period.

For the non-current assets, the net book value of property, plant and equipment was RMB112,399 million, accounting for 73.71% of the non-current assets and representing an increase of 16.90% 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 2011, 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 RMB72,244 million (approximately RMB55,885 million as at 31 December 2010), a number of shares in its associates with a market value of approximately RMB4,312 million (approximately RMB7,287 million as at 31 December 2010) and land use rights with a net book value of approximately RMB40 million (approximately RMB40 million as at 31 December 2010). At the same time, the Group had approximately RMB133 million (approximately RMB843 million as at 31 December 2010) in bank deposits pledged as partial security for certain bank loans, operating leases and financial derivatives of the Group.

Capital Expenditure

In 2011, the Company's capital expenditure amounted to RMB21,168 million, of which the total investment in aircraft and engines was RMB17,369 million, including prepayments of RMB8,576 million for aircraft to be introduced from 2012 and onwards.

Other capital expenditure amounted to RMB3,799 million, 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 2011, the Group's equity investment in its associates totalled RMB13,397 million, representing a decrease of 5.58% as compared with the previous year, mainly due to the continuous depreciation of Hong Kong dollars against RMB which affected the currency translation of the Group's equity interest in Cathay Pacific Airways denominated in Hong Kong dollars. We have invested RMB11,811 million in Cathay Pacific Airways, RMB786 million in Shandong Aviation Group Co., Ltd. and RMB463 million in Shandong Airlines Co., Ltd among our equity investments, and these companies have recorded a profit of RMB4,570 million, RMB340 million and RMB710 million in 2011 respectively.

Debt Structure Analysis

As at 31 December 2011, the Group's total liabilities were RMB127,525 million, representing an increase of 8.63% from the previous year, among which current liabilities accounted for RMB61,332 million and non-current liabilities accounted for RMB66,193 million, representing 48.09% and 51.91% 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 RMB30,825 million, representing an increase of 9.72% from the previous year. Other advances and payables increased 25.59% from last year to RMB30,506 million, which was mainly due to the increase in accounts payable for major costs resulting from the soaring international oil prices and the increase in the number of flights.

Among the non-current liabilities, interests-bearing debts (including bank and other loans, corporate bonds and obligations under finance leases) amounted to RMB58,590 million, representing an increase of 0.63% from the previous year.

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

	2011		2010		Change
(RMB'000)	**Amount**	**Percentage**	Amount	Percentage	
US dollars	**66,323,072**	**74.17%**	61,265,234	70.98%	8.26%
Hong Kong dollars	**5,112,274**	**5.72%**	5,845,683	6.77%	-12.55%
Renminbi	**17,795,620**	**19.90%**	18,996,833	22.01%	-6.32%
Other	**184,613**	**0.21%**	206,333	0.24%	-10.53%
Total	**89,415,579**	**100.00%**	86,314,083	100.00%	3.59%

Commitments and Contingent Liabilities

The Group's capital commitment decreased from RMB122,085 million as at 31 December 2010 to RMB96,199 million as at 31 December 2011, and was mainly committed for settling the purchase of certain aircraft and related equipment to be delivered in the coming years. The Group had operating lease commitments of RMB16,906 million, representing a decrease of 11.58% as compared with the previous year, which was mainly committed for leasing aircraft and settling the purchase of office premises and related equipment. The Group had investment commitments of RMB35 million, representing a decrease of RMB204 million as compared with 31 December 2010, consisting of the investment commitments made by Shenzhen Airlines to its associate mainly.

Details of the Group's contingent liabilities are set out in note 48 to the Group's 2011 financial statements.

Gearing Ratio

As at 31 December 2011, the Group's gearing ratio (total liabilities divided by total assets) was 72.52%, representing a decrease of 1.42 ppts from 73.94% as at 31 December 2010, which was mainly attributable to the significant increase in shareholders' equity as a result of improved profitability in 2011. Considering that high gearing ratios are common among aviation enterprises, the Group continued to maintain a relatively better gearing ratio in the domestic aviation industry and long-term insolvency risks are also within control.

Working Capital and Its Sources

As at 31 December 2011, the Group's net current liabilities (current liabilities minus current assets) were RMB37,978 million, representing an increase of RMB8,570 million as compared with the previous year. The current ratio (current assets divided by current liabilities) was 0.38, representing a decrease of 6 ppts from 0.44 as at 31 December 2010. The increase in net current liabilities was due to the increase in the Group's accounts payable for major costs as well as interest-bearing debts due within one year.

The Group meets its working capital needs mainly through its operating activities and external financing activities. In 2011, the Group's net cash inflow from operating activities was RMB19,670 million, representing an increase of 7.10% from the RMB18,366 million in 2010. Net cash outflow from investment activities was RMB21,669 million, representing an increase of 54.14% from RMB14,058 million in 2010, mainly due to the increase in purchase of aircraft and decrease in unpledged deposits due in three months or above. The Group's net cash outflow from financing activities was RMB1,432 million, representing a decrease of RMB8,895 million from the net cash inflow of RMB7,463 million in 2010, mainly due to the issuance of shares by way of private placement in the first half of the year as well as the increase in repayment of loans during the reporting period as compared with the previous year. In 2011, the Group's balance of cash and cash equivalents was RMB10,783 million, representing a decrease of approximately RMB3,593 million from the previous year. The Company has obtained bank facilities of RMB141,263 million from a number of banks in the PRC, among which approximately RMB49,902 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 price 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 31 December 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 2011, the interest-bearing debts of the Group totalled RMB89,416 million, accounting for 70.12% of the Group's total liabilities, most of which were foreign debts, mainly denominated in US dollars, Hong Kong dollars and European 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 53 to the Group's 2011 annual financial statements.

OUTLOOK FOR 2012

In 2012, the steady and continuous growth in the Chinese economy will bring new opportunities in the aviation industry. However, internal and external factors, including the lack of growth momentum in the European and American economies, the accelerated structural consolidation in the Chinese economy, the increasingly challenging domestic and international economic landscape, aviation resource limitations (including airspace, infrastructure and manpower limitations as well as slot constraints) and the high operating cost of our core business will generate new challenges and greater pressure for the Company. Our Company will fortify our existing customer-oriented value. We will put our management focal points on adopting international best practices, conforming to standards, exercising more fine-tuned management and realising information technology based coverage. We will continue to strengthen our management endeavours as well as hub and network development. We will deploy our capacity effectively in response to market trends. At the same time, we will step up our business process re-engineering and resources consolidation, enhance our strategic collaboration as well as synergise our air passenger and cargo businesses so as to improve our strengths and global competitiveness. With the goal of developing the Company into a large network airline with international competitiveness, we will continue to create new competitive edges, strive for stronger results and achieve new milestones.

SHARE CAPITAL

As at 31 December 2011, 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 2011:

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%

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, 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 Code on Corporate Governance Practices

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year of 2011.

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

The Company has adopted and established a code of conduct on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry by the Company, all directors and supervisors have confirmed their compliance with the required standards of the Model Code throughout the period of 2011.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.1180 (including tax) per share for the year ended 31 December 2011, totalling approximately RMB1,521 million based on the Company's total issued shares of 12,891,954,673. A resolution for the dividend payment will be submitted for consideration at the 2011 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 2011 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 2011 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 2011 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:

"Board"	the board of directors of the Company
"Cathay Pacific Airways"	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
"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
Wang Changshun
Chairman of the Board

Beijing, PRC, 27 March 2012

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*