


The World Is Smaller Because of Us



Air China
Corporate Social Responsibility Report 2012



A STAR ALLIANCE MEMBER 



The World Is Smaller Because of Us



Notes to the Report

Basis of Preparation

The report is prepared in accordance with the Guidelines for National Enterprises on Fulfilling Corporate Social Responsibility (released by the State-owned Assets Supervision and Administration Commission of the State Council), the Notice on Strengthening the Fulfillment of Corporate Social Responsibility by Listed Companies and Guidelines of the Shanghai Stock Exchange on Disclosure of Environment Information for Listed Companies (released by the Shanghai Stock Exchange), the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative (GRI), the Guideline on Compilation of Corporate Social Responsibility Reports for Chinese Enterprises (CASS-CSR2.0), and additional guidelines for the aviation service industry.

Reporting Period

The reporting period is from January 1 to December 31, 2012, with data supplements from previous years for reference.

Publishing of the Report

This is the fifth annual CSR report published by Air China Limited.

Sources of Data

All financial data cited in this report are from the audited annual reports of Air China Limited, while other data come from official internal documents and relevant statistics of Air China Limited.

Scope of the Report

The report is primarily about Air China Limited, and also covers its branches, business management units, management support departments, and main subsidiaries including Air China Cargo Co., Ltd. and Shenzhen Airlines Co., Ltd.

Abbreviations

In this report, “we”, “the Company” or “Air China” refers to Air China Limited, while “Air China Group” refers to Air China Limited and its wholly-owned and controlled subsidiaries.

Accessibility of the Report

The report is released in Chinese and English; where discrepancy arises with regard to the understanding of the two texts, the Chinese version shall prevail.

Electronic copies of the report are available on the Company’s website (www.airchina.com.cn) in both Chinese and English.

If you wish to acquire a print version or put forward suggestions and/or comments on the report, please contact us at:

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Economic responsibility

Maintain our industry-leading profitability; Cooperate with partners across the value chain; promote regional economic development; and facilitate integration of different economies.

Safety responsibility

Make sure that every trip, from departure to arrival, is safe and secure.

Customer responsibility

We care about you throughout the flight, respect your wishes and work hard to fulfill them.

Environmental responsibility

Flying in an environmentally responsible manner, we bring you closer to nature as we carry you across the world.

Employee responsibility

Sincerity and affection are the hallmark of our employee relationship as we move together into the future.

Social responsibility

We are always there for you wherever you are and whenever you need us. You will see our sincerity and sense of responsibility.



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Chairman's Message



The year 2012 witnessed the further complication of the international economic situation, weak global recovery and the slowdown of the Chinese economic growth. The air transport industry also faced the pressure of sluggish market demand, rising operational costs and increasing industrial competition. Despite this challenging environment, Air China continued to actively fulfill its corporate social responsibilities and seek common development with other stakeholders. In addition to honoring our commitment to passenger safety and service quality and boosting the profitability of the company, we have also made dedicated efforts to strengthen environmental protection, uphold social harmony and foster amicable relations among employees. We have continued with the building of our corporate culture, and made new and solid steps towards a sound and sustainable business.

Following the strategic goal of "becoming a large network airline with global competitiveness", we are making every effort to create more economic values through our operations. In 2012, we continued with the implementation of the hub network strategy, notably improved the composition and resource allocation of our fleet, and enhanced cooperation with external partners and coordination with our branches and subsidiaries, delivering a net profit of RMB4.948 billion attributable to our shareholders and paying RMB8.344 billion of taxes and civil aviation funds to the national and local governments. While ensuring the continued increase in shareholder values, we have also strengthened communication and cooperation with our partners on the value chain, and made significant contribution to regional economic growth and world economic integration.

By committing ourselves to ensuring passenger safety at all times, we endeavor to build a solid foundation for the long-term future of the company. We have improved the safety administration system, and sped up the introduction of the safety administration regulations and concept to the primary level of our operations. We have paid close attention to

the R&D and introduction of advanced technologies and equipment, placed the human factor at the heart of safety administration, and stressed the importance of developing safety awareness and responsibility in our multi-tiered and high-standard working and training programs. Thanks to the efforts of the entire employee team and the collaboration of the passengers, we completed the task of safe flight for the year 2012 with flying colors, recording 1,462,400 hours of safe flight and carrying 72,415,800 passengers and 1,460,900 tons of cargo and mail.

With service as one of our top priorities, we are committed to delivering the best services for our passengers with improved customer experience. We have stepped up efforts to build the service management system, and worked to develop a uniform set of standards for the whole process of customer services. We have increased input in improving services and accelerated the upgrading of hardware systems, and our on-board entertainment systems and ground service facilities of key markets are now among the best in the country. We have always respected the demands of our customers, and made innovation in services and products. We have consolidated our frequent flyer's programs into one package, leading to a new "Phoenix Miles" platform covering the entire Air China services (including Shenzhen Airlines and Shandong Airlines). The launch of new products such as "express track (at immigration checkpoints)", "seamless air-ground connection" and "VIP pick-up/drop-off services" has increased the convenience and human-friendliness of the services enjoyed by our customers. In 2012, our quality of service and level of passenger satisfaction both reached a new high.

We are committed to pursuing green operation and reducing the negative impact our operations may cause on the environment. Air transport is an energy-intensive industry, and nearly 99% of our energy consumption is in the form of jet fuel. We have consistently taken jet fuel saving as a priority in our energy conservation endeavor. We have focused our efforts on buying new planes with better fuel efficiency and low noise, and eliminating old planes with high energy consumption and weak performance. We have invested in the introduction of advanced energy-saving technologies, advanced lean management for energy-saving purposes, raised the efficiency of energy utilization and contributed our share to the development of low-carbon economy and the improvement of environmental conditions.

We are committed to both serving employees inside the company, and serving customers and the society externally. We have launched a full-scale campaign to boost the cohesiveness of the company so that the employees can feel that we respect and care about them. We have made efforts to help our employees in planning their future career and keep them motivated in carrying out their work. We have paid close attention to community development and organized various forms of volunteer campaigns under the theme of childcare and poverty alleviation. In 2012, we also provided transportation services for the deputies to the 18th National Congress of the Communist Party of China and the members of the Chinese Olympic delegation, completed several difficult, urgent and dangerous tasks, and demonstrated the solemn duties and sound corporate citizen image as China's national flag carrier.

Thanks to many years of rapid development, China has become the world's second largest country in terms of the volume of civil aviation transport. As a flagship company in the air transport industry, we are sober-minded about the responsibilities and historical missions bestowed upon us. A company shall not pursue its development at the cost of the environment and our shared future. We are committed to growing our business together with all stakeholders, and achieve scientific and sustainable development in all aspects of economic, environmental and social progress. The year 2013 is unfolding before us. We will contribute to the realization of the "Chinese dream" by fulfilling the "Air China dream", continue to enrich the strategic dimension of our development, enhance the competitiveness of the company, increase the creation of shared values and endeavor to serve as a role model in the industry in fulfilling our corporate social responsibilities.

A handwritten signature in black ink, reading "王昌顺" (Wang Changshun).

Wang Changshun
Chairman, Air China Limited
March 2013



1 About Us

Stock Code

Shanghai Stock Exchange

601111

Hong Kong Stock Exchange

00753

London Stock Exchange

AIRC

Company Overview ✈

Air China Limited (hereinafter referred to as "Air China" or "the Company") was founded in 1988, its predecessor being known as Air China International. In October 2002, Air China International integrated the air transportation resources of China National Aviation Company and China Southwest Airlines to form a new entity. On September 30, 2004, Air China Limited was founded in Beijing. The Company was then listed both in Hong Kong (stock code: 00753) and London (trading code: AIRC) on December 15 of the same year, before floating in the domestic A-shares market (stock code: 601111) on August 8, 2006.

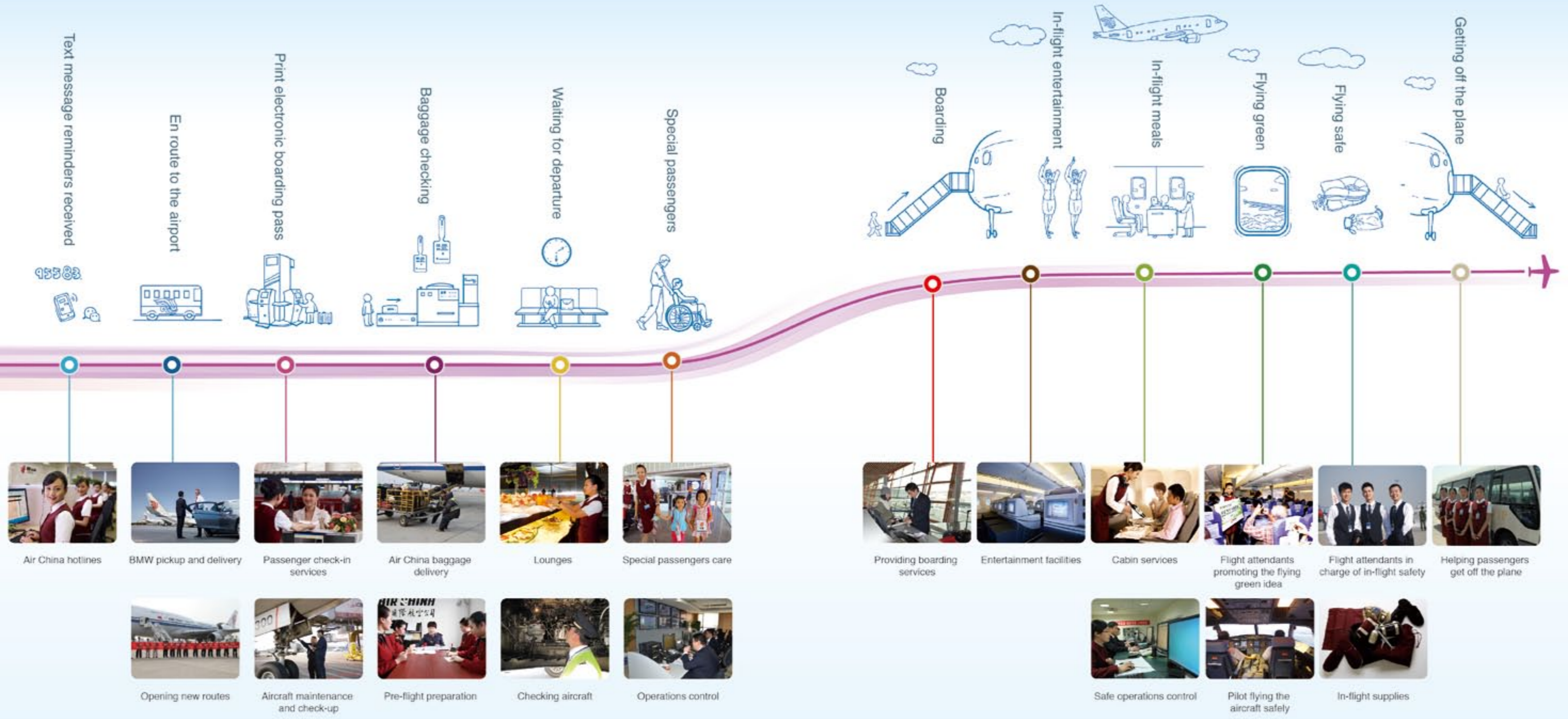
In the lead among domestic airlines in both passenger and cargo transportation and other related services, Air China is a member of the Star Alliance, the world's largest airline alliance, and the only Chinese civil aviation enterprise that is among the World's 500 Most Influential Brands. It is also the only domestic national flag carrier, providing exclusive flight services to the government, top-ranking foreign officials and visitors to China as well as emergency flight services.

In 2012, the Air China Group carried 72,415,800 passengers and 1,460,900 tons of cargo and mail, and its RTKs (revenue ton kilometers) reached 16.574 billion. It recorded RMB99.841 billion in business revenues, with a net profit of RMB4.948 billion attributable to shareholders, ranking top among aviation companies in terms of business performance.

Air China Fleet ✈

As of December 31, 2012, the Air China Group had 461 aircraft, the majority of which were Boeing and Airbus.

Passenger Aircraft		441	
Airbus	209	Boeing	232
A319	40	B737	191
A320/A321	129	B747	9
A330	34	B757	8
A340	6	B767	3
		B777	21
Freighters		11	
B747F	11	Business Jets	
		9	



Corporate Governance and Risk Prevention ✈️

We believe that the long-term success of a company can only be achieved on the basis of sound corporate governance, careful risk prevention and full respect of business ethics. Therefore, we are continuously improving our corporate governance and working to set up a standardized internal control system and develop ourselves into a professional team driven by integrity and dedication.

Corporate Governance

Air China strictly abides by all domestic and international laws, rules and regulations governing listed companies. We are continuously improving our corporate governance and have established a modern corporate system. The Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the management of Air China are committed to fulfilling their duties and responsibilities in strict accordance with the Articles of Association and more than 20 other regulations while working to increase transparency of information and long-term returns for shareholders.



Internal Control

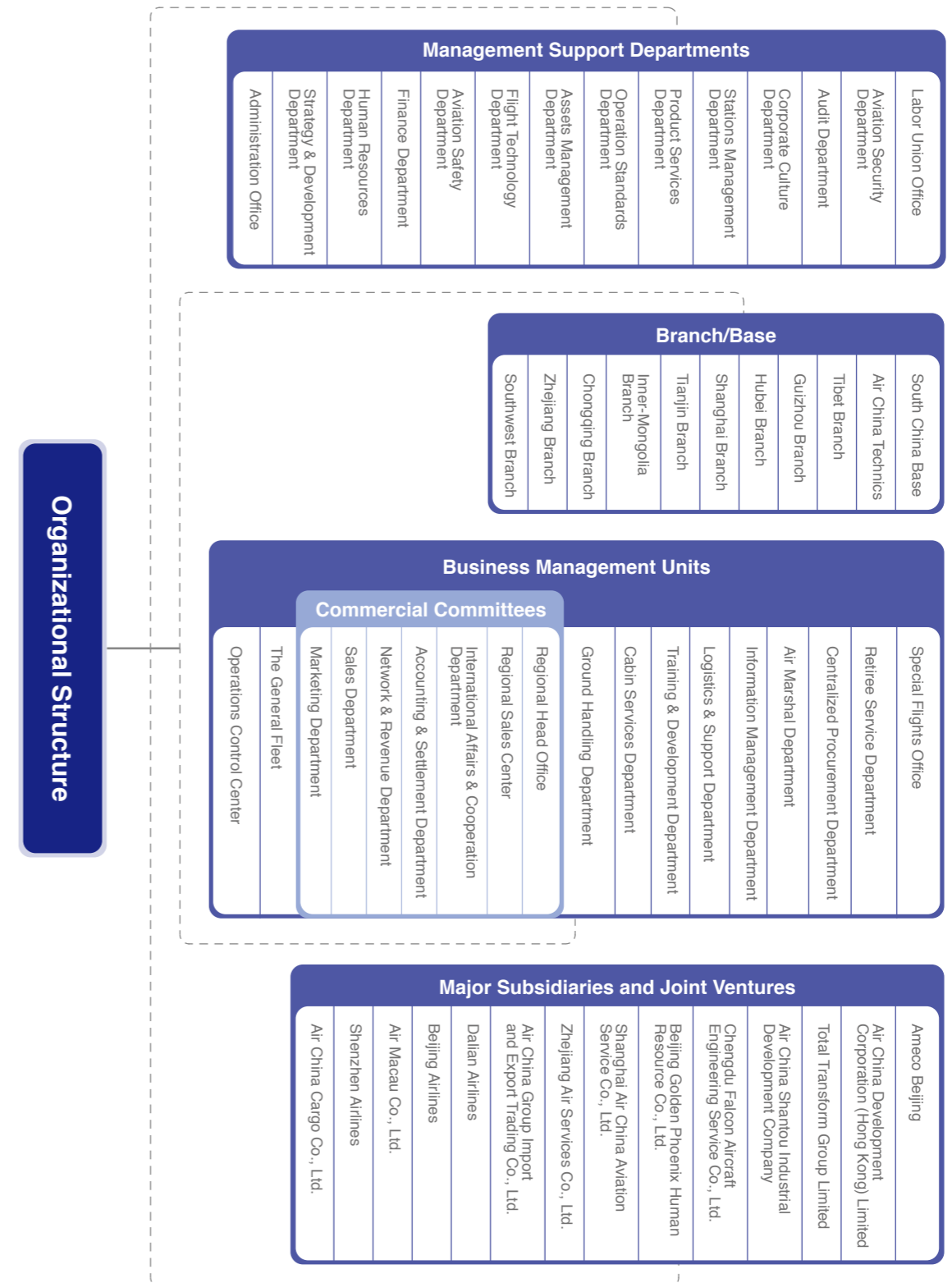
For Air China, internal control is a systemic and long-term effort. It is not only a requirement by the external regulators of listed companies and the guarantee for companies to meet their business targets and strategic goals, but also the foundation for the prudent operation and sustainable development of companies. In 2012, Air China set up a special office to promote internal control, launched a three-year plan for internal control development, and completed the implementation of the plan for the institutional setup of internal control and risk management as well as five separate plans on internal control and risk management. These efforts have further cemented the administrative foundation of risk management and internal control, and enhanced the company's capability of risk prevention.

Business Ethics

We have consistently followed a high standard of business ethics. While endeavoring to uphold a sound corporate image, we have contributed our part to the building of a fair, orderly and harmonious social atmosphere. In 2012, Air China issued the Code of Employee Conduct for the purpose of giving clear guidance and requirements on the laws and ethics to be followed by the employees in their business activities or daily activities closely related to the interests of the company, in order to guide the employees to follow the rules of the company in their work, and ensure that the business behaviors and daily activities of employees are consistent with the requirements of the company.

We have continued with the campaign of combating corruption and promoting integrity. In 2012, we formulated the Work Plan for the Building of Integrity Culture (2012-2015), built an education network on integrity culture, and developed an education and training program on integrity culture. We organized, via such platforms as in-house Air China magazine and the professional media of the aviation industry, various forms of anti-corruption and integrity promotion campaigns, which all produced good results in integrity education.

Organizational Structure ✈️





Air China Routes →

As of December 31, 2012, Air China operated 284 passenger routes, including 72 international, 15 regional and 197 domestic routes, connecting 145 cities in 29 countries and regions. Through Star Alliance, Air China shared software and hardware resources, route network and over 990 VIP lounges worldwide with 27 Star Alliance members, enabling passengers to check through to 1,329 destinations in 194 countries.

Major Honors ✈



December 2012

In 2012, with a brand value of RMB61.885 billion, Air China was named one of "the World's 500 Most Influential Brands" for the sixth consecutive year, ranking 331st, up 14 places over 2011. It is the only Chinese airline that was included on the list. In the same year, Air China won the "2012 Annual Grand Awards for Chinese Brands - No. 1 (Aviation Category)" title for the seventh year in a row and the special prize of the "China Cultural Brands Award 2012".



November 2012

Air China won the "2012 Health China - Public Welfare Project Media Recommendation Award" for its outstanding contribution to public welfare undertakings over the years.

Air China won "The Best Chinese Airline" title in the 2012 Readers' Survey organized by Business Traveler, the most influential international business travel magazine.



September 2012

Air China won the "Top 500 Asian Brands Award" at the 7th Asia Brand Ceremony held in Hong Kong, ranking the first among civil aviation companies in China.



July 2012

Air China was recognized for its outstanding performance at the National Employment and Job Creation Recognition Meeting held by the State Council. Shenzhen Airlines won "China's Best Regional Airline Award" issued by the aviation research organization Skytrax.



June 2012

Air China was again named one of "China's 500 Most Valuable Brands", appearing in the 24th place in the 2012 (ninth) edition of the ranking published by the World Brand Lab, the highest among all Chinese civil aviation companies.

Air China was honored with the "Leading Enterprise" award at the 7th International CSR Forum and Award Ceremony for the "2011 GoldenBee CSR China Honor Roll". Its case study entitled "Advanced Navigation Technology Brings Overall Value" was listed in the 2011 Golden Bee CSR Competitiveness Case Collection.

The "Air China" trademark was recognized by the Trademark Office of the State Administration for Industry and Commerce as a "reputed Chinese trademark", for which Air China was awarded a plaque of honor.



May 2012

Air China was honored with the "2012 Most Favored Brand for the Chinese" award.



April 2012

Air China received the title of "China's Model On-line E-commerce Enterprise for Credibility" from China E-Commerce Association, and Air China's official website at www.airchina.com.cn was honored with a "Credible Website" certificate.

Air China was honored with the "TTG Best Chinese Airline" award for the fifth consecutive year.



March 2012

Air China was ranked in the 17th place on the list of the "Top 25 Socially Responsible Chinese Companies" by the Chinese Edition of the Fortune magazine.



2 CSR Management

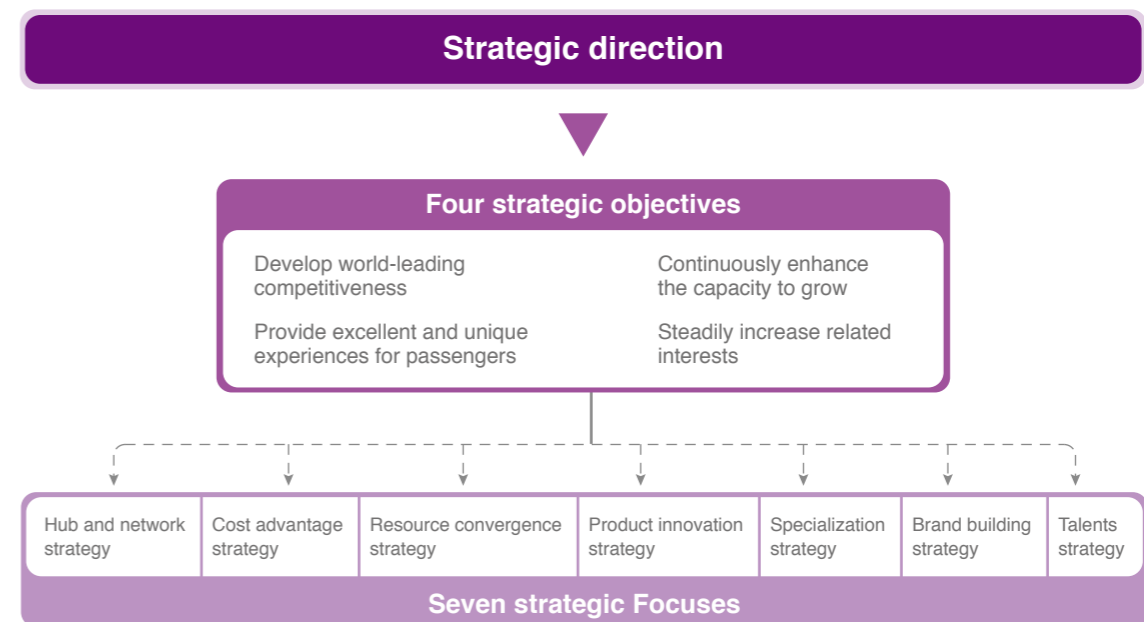
CSR management is being discussed, explored and studied by an increasing number of companies all over the world, and CSR is already playing a central role in Air China's strategic development. By continuously advancing CSR management, we have translated our commitment to CSR into strategic objectives and formulated a sustainable development strategy to promote harmonious development of the Company and the society.

CSR Values ✈

Meet social demands Create mutual values	
Operation	Customers foremost, integrity and compliance
Safety	Safety first, focus on prevention, integrated management
Service	Reliable, convenient, comfortable, touching
Talent	Morality, passion, competency, performance
Environment	Green operation, sustainable development

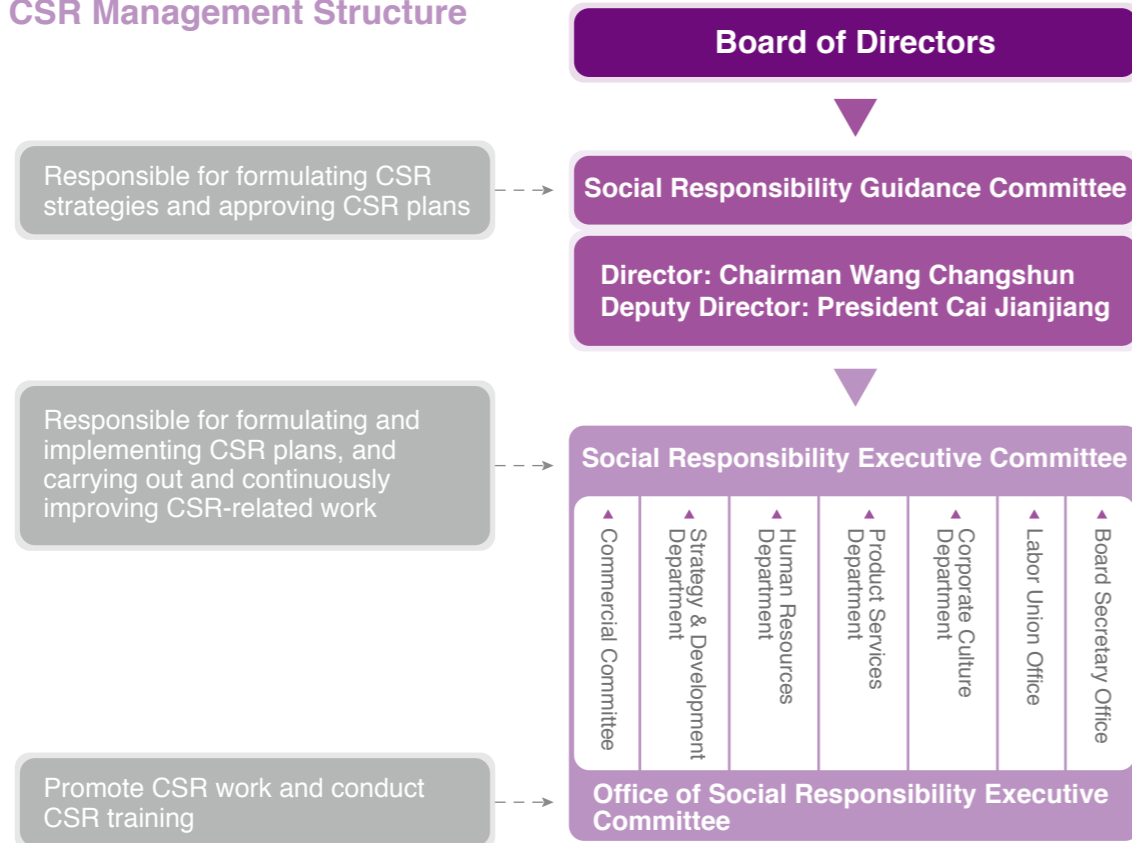
Sustainable Development Strategy ✈

While global economy is undergoing major changes, CSR management offers rare development opportunities for enterprises. By fulfilling its social responsibilities, maintaining communication with stakeholders and ensuring sound development, Air China has not only addressed the social challenges proactively, but also made use of the social demands to further expand the market, achieve sustainable development and continue to create overall value for all stakeholders.



CSR Management Mechanism ✈

CSR Management Structure



Air China CSR management plan:

Continuously develop and improve the overall CSR management system of Air China:

- ▶ First phase: Establish the CSR management system of Air China
- ▶ Second phase: Improve the mechanism for stakeholder participation and CSR daily management system
- ▶ Third phase: Implement Air China's CSR supervision, appraisal and evaluation mechanisms

CSR management advancement in 2012:

- ▶ Hired CSR experts, carried out relevant CSR training and provided guidance to employees to enhance their CSR awareness.
- ▶ Benchmarked Air China's CSR work against the practices of advanced international airlines.
- ▶ Developed and improved Air China's mechanisms for stakeholder participation.
- ▶ Improved the data collection system for CSR reporting.
- ▶ Hired supervisors for Air China's CSR programs.

Stakeholder Engagement ✈

Stakeholder engagement is essential for Air China's sustainable development. Through various channels of dialogue with stakeholders, we have tried to understand stakeholders' expectation of Air China, and communicated with all parties about Air China's development and operation to facilitate continuous improvement of our CSR work.

Stakeholders	Communication channels	Expectations and focus of attention	Response from Air China
Government/ Domestic and overseas regulatory authorities	Work meetings and debriefing Information disclosure Cooperation with local government	Integrity compliance and orderly operations Support for important and major events Zero accident affecting safety of operations Good corporate image Energy conservation, emissions reduction and environmental protection	strengthen efforts on flight safety Work on energy conservation and emissions reduction Anti-trust Awareness and education programs on integrity, and promotion of business ethics in operations Regulation and control of related transactions
Investors/ Shareholders	Information disclosure Shareholders' meetings Investors' meetings	Standardized corporate governance Investor/shareholder rights and interests protected Sustainable profitability	Improve the internal control system of the Company Strengthen business management
Customers	Customer satisfaction surveys Complaint handling Microblog	Safe and on-time flights All-round and high-quality services	Products and services development and management Ground and in-flight services Website and mobile services
Employees	Employee satisfaction surveys Internal BBS, magazines, emails and mobile journals Employee representatives' meetings Labor union, teams and shift-groups	Focus on the Company's development strategy Participation in the Company's management and operation Sound career development path Compensation benefits Protection of rights and interests	Efforts to address employees' concerns during development Enhancement of employee training Care for employees
Partners/ Suppliers	Day-to-day business interactions Partners meetings	Honesty and integrity in business operations Transparency in procurement Common development	Supplier management Anti-corruption campaigns
Peers	Industry forums Industry conferences	Attention to industry development and trends Maintenance of fair market order	Take the lead in the application of advanced technologies Take the lead in industry development Anti-monopoly efforts Hub and network development Resource integration
Community	Public welfare and charity activities Volunteer work	Promoting economic growth of the communities Supporting public welfare events	Localized procurement Engage in public welfare and charity activities
Media	Press release Media calls and visits Microblog	Important events of the Company Public image and influence Future planning	Support special flight missions Public welfare and charity activities

Highlights of CSR communication events

In 2012, Air China took part in the Golden Bee 7th International CSR Forum and discussed with all participating parties a number of issues that concerned the national development strategy and reflected the needs of social development, such as care for employees, ecological protection and the application of information technology.

In 2012, Air China played host to the 68th Annual Conference of IATA and the World Civil Aviation Summit. The IATA Annual Conference is the largest and highest-level gathering of the global civil aviation industry. The conference released important economic data, provided updates on the development and forecasts of the global civil aviation industry, reviewed major decisions taken in the industry during the year, and hosted various forums to hold in-depth discussions on a range of topics, including business development, the future of aviation companies, value of the industry, public media and aviation, and commercialization of biofuel.

In 2012, Air China's 10th "Smiling China" Boeing 777-300E colored aircraft went into operation. With 40 beautiful smiley faces painted on its body, the aircraft presents to the world a calm, confident, sincere, friendly and optimistic image of China. The 40 smiley faces came from 20 of Air China's excellent frontline employees and 20 winners of online competition. Each of the smiley faces has a close bond with Air China.

It is a great pleasure to take part in the "Smiling China, Inspiring Air China" event, which has further deepened my passion for travelling. Having my smiley face travel with Air China to every corner of the world is one of the most romantic events that have happened to me.

— — Air China client and contributor of one of the smiley faces, Ms Zhang Yuan



Air China frontline employees, two of the smiley faces of the "Smiling China" Event

Overall CSR Performance ✈

Air China is extremely careful about the impact of its decisions and operations on the economy, environment and society and takes its ability to create overall value as a critical measurement of the Company's capacity of sustainable development. We evaluate and monitor the progress and results of the Company's response to stakeholders' demands and its effort to create comprehensive values against a set of pre-established performance indicators, so that we can identify problems and challenges in a timely manner and constantly improve the accountability management system of Air China.

In 2012, Air China's social contribution per share, as calculated by the formula of the Shanghai Stock Exchange, was RMB2.312, up 3.45 % over the previous year.

Item	2008	2009	2010	2011	2012
Total assets (RMB100M)	988.999	1,061.63	1,552.20	1,733.24	1,857.11
Operating Revenue (RMB100M)	529.70	510.95	809.63	971.39	998.41
Total profit (RMB100M)	-108.52	53.15	150.25	101.22	70.38
Tax payable (RMB100M)	25.05	33.45	65	75.09	55.13
Overall energy consumption per RMB10,000 of income (TCE/RMB10,000)	0.8419	0.9038	0.7579	0.6730	0.7187
Total number of employees (person)	32,764	39,984	52,108	54,912	59,328
Total number of aircraft in service	256	274	393	432	461
RTK (100M ton-kilometer)	97.87	102.94	142.94	158.69	165.74
Number of passengers carried (10,000 persons)	3,613.64	4,127.87	6,000.62	6,969.17	7,241.58
Cargo and mail carried (10,000 tons)	98.01	97.40	134.73	142.61	146.09

Scope of the above data (except for energy consumption per RMB10,000 income) is for Air China Group as a whole.



3 Creating Economic Value

The civil aviation industry can contribute to the optimization of regional economic structure, drive industrial upgrading, stimulate scientific and technological innovation, and promote the development of high-tech industries. In response to the growing economic integration between China and the rest of the world and the new trends in the development of the global aviation industry, Air China provides large-turnover channels for international movement of people and cargo and promotes economic integration of the world. Air China has made continuous efforts to improve its competitiveness and create values for stakeholders while achieving its own sustainable development. We believe that this provides the necessary foundation for our endeavors to fulfill our social responsibilities.

In 2012, playing to the synergy of its multi-brand strategy, Air China worked with its partners across the value chain to build world-class civil aviation hubs in support of the economic development in the central and western regions of China, and continued to lead the industry in its performance.

Promoting Economic Integration ✈

Given the close relationship between the aviation industry and economic development, Air China is committed to providing efficient and convenient air transportation for regional economic development. In 2012, Air China continued to advance its hub and network strategy, and with balanced development of its domestic and international air route networks, it provided passengers with more options and convenience. In the process, it contributed to enhancing the competitiveness of the cities along its air routes and promoting regional economic development and economic integration of the world.

Developing passenger network

Air China has continuously enhanced the operational quality and commercial value of its **Beijing Composite Hub**. In 2012, Air China further increased the number of flights to and from its Beijing Hub and expanded the coverage of its hub network with more frequent flights from Beijing to Wuhan, Hangzhou and Chongqing, and new air routes opened from Beijing to London (Gatwick), Ganzhou and Yangzhou; as many as 181 Air China aircraft were in operation around the Beijing hub, 13 more than the previous year, with over 650 flights daily; 127 destinations were connected, including 48 international destinations; 31.31 million passengers were carried to or from the Beijing Capital International Airport, making Beijing an important gateway for exchanges with the rest of China and countries around the world.

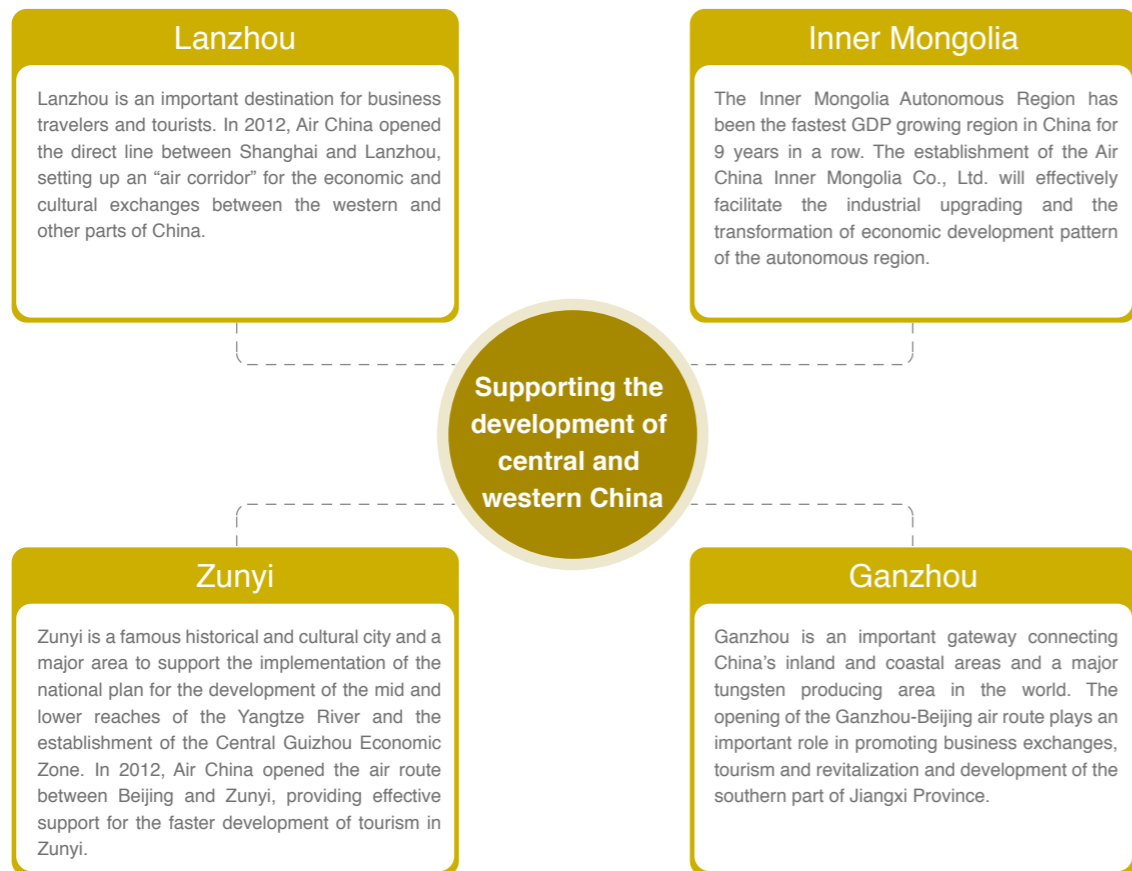
In 2012, Air China focused on optimizing the fleet and air route structures with the building of the **Shanghai International Gateway**. With the opening of the Shanghai-Paris air route and by introducing the A330-200 aircraft to increase the frequency of flights between Shanghai and Milan, it further improved the connection between domestic and international flights and strengthened the long-distance capacity of Shanghai International Gateway. While enhancing passenger travel efficiency, it not only promoted the development of and exchanges within the Yangtze River Delta Economic Circle but also expanded the international reach of the region.

In the same year, Air China opened the air routes from its **Chengdu Regional Hub** to Katmandu and Mumbai, increasing the number of navigable cities to 61 and significantly improving the chances of securing flight connections.

On the international front, Air China, seizing the opportunities offered by the initial signs of a turnaround in the US economy and the ease of visa policy towards China, quickly changed the aircraft models and increased the number of flights servicing the China-US air routes, thereby providing more options and convenience for a great number of passengers on their trips to the US for business, travelling or study purposes and significantly cutting its losses and improving its profitability in the US market.



The Launch ceremony of the "Wuhan-Beijing Intercity Express Line"



Global cargo network

As of December 31, 2012, Air China Cargo Co., Ltd. had 11 Boeing 747-400 freighters and operated 14 air routes, including two domestic, ten international and two regional air routes, flying to 17 cities in nine countries and regions. In addition, it had 497 international truck routes and over 80 domestic truck routes as a supplement to the freighters and the belly space of passenger aircraft in Europe, the United States, Japan and Asia Pacific to ensure fast cargo delivery to locations around the world.

Despite a sluggish cargo market situation in 2012, Air China Cargo offered strong support for industrial upgrading and transformation of economic development pattern in central and western China and provided a more convenient condition for regional economic development and integration into the international market. The launch of the Shanghai-Chengdu/Chongqing-Amsterdam air cargo routes (via Tianjin) and the Zhengzhou-Shanghai-Chicago route has opened express pathways for cargo transportation from Chongqing, Chengdu, Tianjin and Zhengzhou to Europe and the United States, allowing the cargo from Tianjin and Zhengzhou to quickly reach North America, Europe, Japan and Asia Pacific through Air China Cargo's Shanghai cargo hub and global network.

Creating Value for Shareholders →

We believe that only companies with sustainable profitability can better meet the expectations of stakeholders. In 2012, Air China Group continued to lead the aviation industry in its business performance against a backdrop of international economic downturn and sluggish demands in the global aviation market. It recorded operating revenues of RMB99.841 billion and a net profit of RMB4.948 billion attributable to the shareholders of the company.

The Group's net profit, net assets and total annual dividend from 2008 to 2012 are shown in the following table

Unit: RMB100M

Item	2008	2009	2010	2011	2012
Net profit attributable to shareholders of the company	-91.49	50.29	122.08	74.77	49.48
Net assets	197.74	239.23	416.53	467.38	505.79
Total annual dividend	-	-	15.24	15.21	7.77 <small>(to be approved by the General Meeting of Shareholders)</small>

Improving operational efficiency

To enhance its ability to acquire, allocate and manage core resources, Air China has optimized the allocation and utilization efficiency of all types of resources in light of its development strategies to ensure efficient resources allocation and maximization of the overall cost-effectiveness.

In 2012, Air China continued to optimize its fleet structure by retiring 19 old aircraft with low marginal returns and reducing the average fleet age from 7.03 to 6.65 years.

In face of the steady growth of domestic market, the downturn of the European market, the recovery of the US market and the sudden decline of the Japanese market, together with the opportunities identified in connection with the London Olympic Games and other counter-seasonal market opportunities, we made timely adjustments to the allocation of our transport capacity across the domestic and international markets by deploying double-aisle wide-body aircraft such as Boeing 777 and Airbus 330 on some of the US air routes as well as domestic air routes from Beijing, Shanghai, Guangzhou and Shenzhen, to better align our transport capacity with market conditions and the specific features of the aircraft and air routes.

Information system plays an important facilitating role in the efficient allocation of resources. In 2012, Air China strengthened its efforts in the application of information technology in its operations and officially launched the second phase of the production planning management system. The system covers all the major aspects of the operations of aviation companies, including flight plans, aircraft maintenance plans, crew scheduling, and flight operation control, and is designed to further optimize the allocation of operational resources and improve operational efficiency.

Air China continued to refine its flight resources management system, resulting in significantly improved integrated management and utilization of flight resources; by introducing 13 cost-effectiveness management checkpoints under five categories, including improvement of operational effectiveness, optimization of aircraft maintenance, and savings of funds and tax expenditure, it increased revenues and reduced expenditures; it also achieved savings on financial expenses and improved the efficiency of fund utilization through intensified efforts on cost control and the introduction of measures to expand financing channels and adjust debt structures. In 2012, Air China maintained a relatively low level of transport costs in the industry.

Synergy among the Air China group companies

We have worked to create synergies through our multi-brand strategy to allow a high level of resources sharing, market segmentation, business integration and synergy-driven competitiveness of aviation companies in which Air China has made an equity investment or held a controlling interest. In 2012, Air China group companies signed the Regulations on Flight Resources Sharing Platform of the Air China Group Companies and Their Rules of Implementation, with a view to improving aircraft support and maintenance efficiency, reducing maintenance costs, supporting one another in aircraft supplies and maintenance, and providing stronger support for the safe operation and higher on time performance rate of the member companies.



Air China Group Companies

- ▶ Supported by Dalian Airlines, Air China enhanced its presence in the northeast China market to facilitate the movement of people and cargo between the region and the rest of China.
- ▶ With improved coordination with Shenzhen Airlines in the utilization of transport capacity resources, Air China increased its influence in southern China.
- ▶ With the establishment of Air China Inner Mongolia Co., Ltd., Air China increased its handling capacity on the main and sub-routes in the Inner Mongolia Autonomous Region, thereby promoting economic, social and cultural exchanges between the autonomous region and other parts of China.
- ▶ Air China continued to advance the “air route network + hub cargo stations + truck network” operation model at Air China Cargo and gradually expanded into both the upper and lower streams of the industrial chain.
- ▶ Air China continued to advance resources integration at Ameco Beijing and develop its core competence in high value-adding and high-tech-based maintenance business, to turn Ameco Beijing into an internationally competitive, independent aviation maintenance company under Air China.

Working Hand in Hand with Partners along the Value Chain ✈

Companies forming the same value chain are partners of interests and values. Our progress in service quality, brand and reputation is impossible without the cooperation and support of our partners across the value chain. Believing that its CSR endeavors must “meet social needs and create mutual values”, Air China stays committed to working closely with business partners to promote progress and development of the aviation industry by adopting new technologies and setting up new standards.

We encourage our supplier partners to also take up their social responsibilities so that, together, we can create more value for our customers and the environment. In 2012, Air China formulated a code of conduct for suppliers on health, safety and environmental protection and used it as a reference for selecting suppliers, whose compliance with the code

will be monitored in future cooperation. In the nine joint procurement programs under the Air China Group and some of the centralized procurement of aircraft supplies, suppliers were required to complete an Air China Supplier Code of Conduct and Self-Audit Questionnaire while providing qualifications and other supporting documents to demonstrate their environmental compliance.



In 2012, Air China incurred a capital expenditure of RMB16.017 billion for purchasing aircraft, paid RMB25.26 billion in jet fuel costs to suppliers, and paid RMB6.246 billion to airports for take-off, landing and ground handling services.

- ▶ Frequent Passenger Program - Air China has over 200 contracted partners for its frequent passenger program, Phoenix Miles. These partners come from a variety of fields, including catering and entertainment, tourism and recreation, banking and asset management, fashion, sports and health, and other areas.
- ▶ Leveraging its many years of flying experience, Air China works to promote technological advancement by aircraft and equipment manufacturers, with a view to improving flight reliability and service quality, and has contributed to the growth of the manufacturers as well as technological progress.
- ▶ In 2012, Air China worked with the Shanghai Airport Authority, Shanghai International Airport Co., Ltd. and Hong Kong Airport Services Ltd. in the establishment of the Shanghai International Airport Services Co., Ltd. Drawing on integrated resources and managerial strengths of various parties, the newly-established company will help improve ground services at the Shanghai Airport and contribute to the airport’s efforts to develop itself into a major transportation hub.

Star Alliance aircraft seats -- client experience event

The Star Alliance Long-Haul Economy Class Seats program is a strategic procurement program involving 11 Star Alliance members, including Air China, Lufthansa, United Airlines and others. Its purpose is to develop economy class seats with Star Alliance intellectual property right. Being a leading airline in Asia Pacific, Air China took part in the whole process of the program and invited frequent Air China flight passengers to also take part in the event. The latter’s experience was used as an important reference in the final decision on the specifications of the seats.



Air China representatives participated in the discussions on the Star Alliance economy class seats



4 Turning Safety into a Faith

Safety is the eternal priority and lifeline of airlines, as well as the most important criterion by which customers choose airlines. Safety guarantee is a huge system project, where every safe flight takes the hard work of many Air China employees. Following the safety management idea of "safety first, focus on prevention and integrated management", we are making tireless efforts to further cement the foundation for safety operations and achieve sustainable safety through proactive and effective cooperation with the government, airport terminals, passengers and other related parties.

In 2012, Air China put in place an all-round, multi-layered safety management and monitoring system providing network-based protection, and realized comprehensive safety management with the headquarters at the center and the branches and airport terminals as nodes. Air China also intensified its effort to train employees to act responsibly and with dedication at work, and continued to advance the application of new safety technologies, ending another year with satisfactory safety performance.

Advancing the Building of the Safety Management System ✈

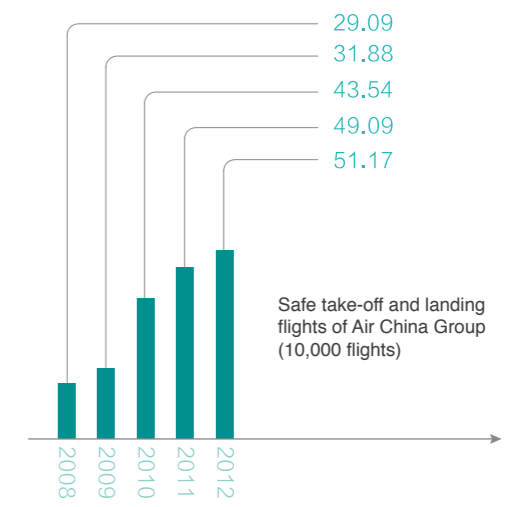
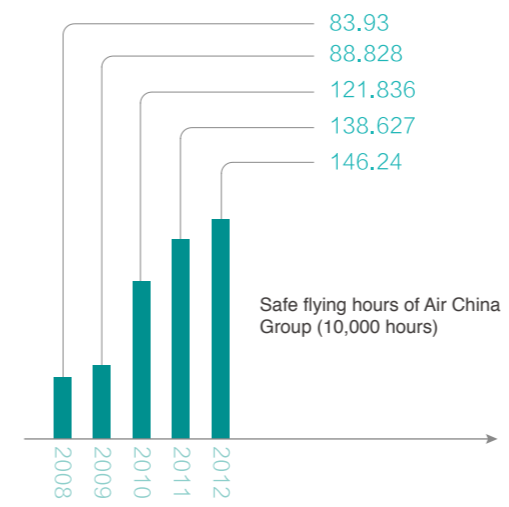
Driven by its commitment to sustainable safety, Air China has done its utmost to build an aviation safety management system (SMS) centered on risk management and focused on risk protection and prevention in its safety management efforts, to ensure that its work on safety management is sustainable, comprehensive and systematic.

Deepening the application of SMS

With the help of the SMS, in 2012 Air China enhanced its capacity to identify the sources of risks, and on the basis of domestic and international safety information and taking into account the seasonal nature of its operations, it identified potential risks, updated the risk source database and formulated and improved various plans for risk control and mitigation; it promoted the application of SMS management method at all levels of the Company to strengthen the prevention and control of typical incidents and potential risks; it also accelerated the process of introducing closed-loop management of safety, to ensure the effective implementation and continued improvement of safety management through monitoring, follow-ups and quantifiable measurement.

Full integration of multiple systems

In 2012, Air China advanced the implementation of the third phase of its aviation management system and increased the number of layers of the system from three to four, with specific emphasis on the application of SMS risk management at the grassroots level. Based on the SMS, it implemented a whole range of safety management measures, including the collection and reporting of safety violations, reporting by employees and investigation of safety violations, and developed the safety information database, hazard source database and measures and control database. The in-depth application of the aviation safety system facilitated the improvement of safe management throughout the Company. In 2012, the key project of the third phase of the aviation safety system, i.e., the aircraft safety management system, was launched to improve the sharing and application of the safety and operation data of the aviation safety, SOC and QAR systems, and to ensure that safety management is done in a standardized, regulated and systematic manner.

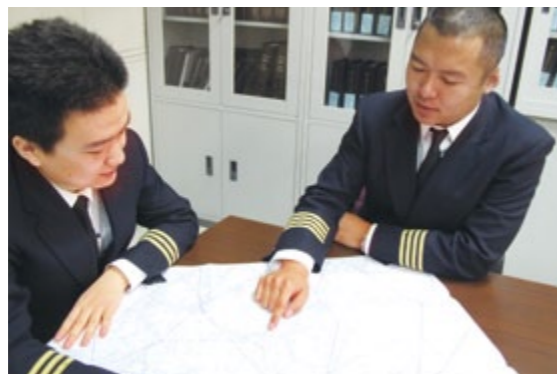


Improving Professional Quality and Competency ✈️

Air China has always believed that the human factor plays a critical role in aviation safety. Qualified aviation professionals must have all the necessary safety skills as well as a keen sense of responsibility, and stay alert about safety issues at all times. With this in mind, in 2012 Air China conducted well-targeted awareness and education programs designed to guide every employee to act responsibly at work; and it developed a scientific specialist training system under the guidance of the SMS to facilitate the development of qualified technical specialists.

Developing a sense of responsibility

Effective standardization of the operational procedures and implementation of the SMS provide the foundation for the development of a sense of responsibility. In 2012, Air China conducted investigations on its performance in five priority safety areas, i.e., compliance with flight disciplines, quality and competency of employees in key positions, abilities to prevent, monitor and control operational risks, quality of flight preparations and crew composition, and management of crews staying overnight away from the headquarters, to eliminate existing safety gaps, and amended and improved its regulations on safety management, with 29 sets of detailed rules put into effect.



Pre-flight preparations



Safety evaluation session

Unswerving commitment for 12 years

It has been 12 years since Huo Junping, an overseas aircraft maintenance representative of Air China, was assigned to work at the Moscow Airport, the longest period of time for all of the Company's overseas aircraft maintenance representatives. For 4,000-plus days and nights, Huo Junping has followed the standard procedures for flight clearance with the same level of stringency and without compromise. He knows every detail of the terminal equipment and facilities by heart, and works hard to make sure that they are always in perfect condition. In 2012, Huo Junping and his colleagues completed maintenance for 295 aircraft without a single case of delay or forced return for maintenance reasons and achieved a normal flight departure rate of 100%.

Air China promotes a safety culture

In 2012, Air China organized a variety of safety awareness events, including the "Ankang Cup" flight knowledge contest, speech contests, the "Safety Month" campaign, and a photo exhibition tour on aviation safety education, and held a series of skill contests involving various disciplines, including flying, aircraft maintenance and ground handling services. All these activities contributed significantly to the development of a safety culture throughout the Air China Group.

Enhancing the safety protection capability

The major measures taken by Air China to enhance the professional competency of its staff include the intensification of its effort on professional skill training, improvement of the training methods, and introduction of new technologies coupled with timely training. In 2012, Air China conducted a total of 117,264 hours of training for 19,544 pilots and achieved a 23% increase in type conversion training over the previous year; and it conducted simulator refresher training for 3,052 people and emergency response refresher training for 1,655 people.

In 2012, Air China implemented a new version of its flight training program, which contains a set of more clearly-defined and detailed subjects and technical standards for pilot training. Emphasizing training on new skills and new models as a critical element of skills upgrade for the pilots, Air China put its new flying and operations training center into full operation, and completed the upgrade of five systems, including the simulator vision system and MMR, thereby providing effective support for increasing both the intensity of training and the realness of simulations. Air China established a training evaluation and monitoring management system based on the data collection capacity of the QAR system, and effectively improved the relevance and effectiveness of the training based on insightful analysis of the pilots' skills and operational quality.



evaluation and examination of simulator training

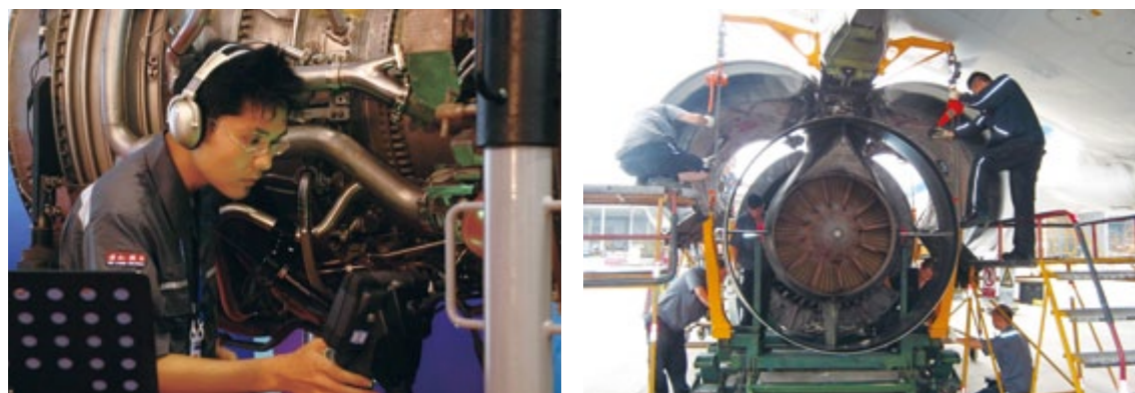
In 2012, Air China put into full operation its new cabin crew training center. It incorporated in-flight passenger first aid into the training curriculum of the refresher course, to make sure that cabin crew members are equipped with the basic knowledge of in-flight first aid and that the aircraft are equipped with basic medical facilities to ensure timely medical assistance to passengers in case of needs. In 2012, a total of 160 medical emergency incidents happened during Air China flights, resulting in no death or severe injury caused by Air China thanks to the timely response by our crew members.

In response to the changing safety and security environment, Air China devoted its attention to a number of priority and critical safety issues and adopted a number of preventive measures to cope with potential safety and security incidents and crises. The emphasis is on taking preventive measures by drawing on a high-intensity, multi-layered and all-embracing safety and security network. We carried out the "Blade 2012" counter-terrorist exercise, which was set against the background of increasingly grave air safety and security situation both at home and abroad. In light of the new methods and new features of violence-based aircraft hijacking, the exercise mainly focused on an anti-hijacking and anti-bombing scenario and put emphasis on reproducing real-life situations. It fully examined the emergency response capability of our air safety and security staff in case of terrorist attacks, and contributed to the improvement of the actual combat capability of our frontline safety and security staff.

Safer Facilities and Technologies ✈

One of the main reasons that air transport has become the safest means of transportation today is the wide use of high and new technologies and advanced facilities and equipment. Air China gives full play to the overall role and systematic effects of new equipment and technologies in its safety management, and actively guards against the safety risks arising from the transition from traditional to new technologies to ensure that no mistakes are made in its safety work.

Aircraft maintenance is a critical element that ensures safe flights. 2012 saw the largest ever fleet structure upgrade in Air China's history. To build a fleet with advanced technologies and excellent performance, Air China introduced 32 aircraft and retired 19 old aircraft during the year, reducing the average fleet age to 6.65 years. In 2012, with the help of its engine life-cycle management system, Aircraft Health Management (AHM) system and Aircraft Maintenance Analysis (AIRMAN) software system, Air China collected and analyzed data on aircraft malfunctions and system defects across its fleets, and was able to quickly identify problems and make plans for their solutions. As a result, trouble-shooting time was shortened considerably, and through continuous monitoring with add-ons to the SAP system, the aircraft were kept in good conditions.



Aircraft maintenance

The application of new technologies plays a visible role in expanding the safety margin of civil aviation. Air China attaches great importance to the effective application of advanced technologies. While enhancing its technological application capacity in a timely manner, it has developed numerous proprietary technologies on its own. In 2012, with intensified application of the Aircraft Communication Addressing and Reporting System (ACARS), Air China successfully established independent, real-time and reliable two-way data communication with each aircraft and effectively ensured flight safety through monitoring and tracking throughout the flight. In addition to what has been done at the Beijing Hub and other major hubs, Air China vigorously promoted the application of the ACARS in its Southwest Branch and Inner Mongolia Branch.

Link:

The Aircraft Communication Addressing and Reporting System (ACARS) is a digital datalink system for transmission of short messages between aircraft and ground stations via radio or satellite. The system effectively enhances information exchanges between aircraft and ground stations to ensure aviation safety.

Safety Depends on All of Us ✈

In an increasingly complex safety and security environment and with emerging risks, Air China not only enhances its own safety capacity but also works actively to get passengers involved in its safety management efforts. Through expanded communication channels, Air China engages with passengers to raise their safety awareness and sensitize them on safety issues, and encourages them to join Air China in a common effort to fight against safety risks.

Whenever there is a conflict between cabin services and safety requirements, safety considerations must always prevail. For example, the period when the aircraft is taxiing, the 20-minute period after take-off and 30-minute period before landing are all accident-prone periods, during which passengers and crew members should take all kinds of safety precautions to avoid accidents.

As important participants, passengers also have the obligation to contribute to a safe aviation environment and abide by safety regulations. During a flight, a seemingly innocent behavior may well turn out to be a potential safety hazard.

- ▶ Leaving mobile phones on the flying mode during the flight poses potential safety risks. Using mobile phones before the aircraft has come to a complete stop may disrupt the normal functioning of the on-board radar system and affect the normal communication between the aircraft and command and control on the ground, thereby causing the aircraft to deviate from its intended path and resulting in accidents.
- ▶ An aircraft must keep its load balance during the flight, and to this end, the cargo, baggage and fuel must be kept in fixed locations. In order to maintain the balance, passenger seats are also allocated based on careful calculations. If passenger disputes or physical confrontation result in crowds of mediators or onlookers, the balance can be disrupted and in extreme cases this may cause the aircraft to crash. Unauthorized change of seats may also affect the balance of the aircraft and may even prevent the aircraft from taking off normally.
- ▶ Management of the transportation of special goods is another important aspect affecting aviation safety. Air China has put in place stringent measures and controls to eliminate the possibility of such goods being carried onboard. Air China also informs passengers in advance through effective channels, so that prohibited items will not be inadvertently carried onboard by passengers and cause any inconvenience.

Handling and transportation of lithium batteries

Lithium is an unstable metal, and when heated in a high altitude environment, lithium batteries are prone to spontaneous combustion. According to the provisions of the ICAO Technical Instructions for the Safe Transport of Dangerous Goods, the IATA Dangerous Goods and Regulations and the Standards for Transport of Lithium Batteries by Air (MH/T1020-2009) for China's civil aviation industry, lithium batteries should be put in hand baggage to be taken onto the aircraft. Given the fact that lithium batteries are now being used in a wider range of electronic products and that most passengers are not aware of the requirements on the transport of lithium batteries, Air China has, on the one hand, actively implemented special training programs on the operational standard for the transport of lithium batteries to equip its employees with knowledge on the subject, and on the other hand, explained the relevant rules and regulations to passengers through the Internet and display boards to offer them a safe and pleasant travel experience.



5 Serving with Utmost Sincerity

Service quality is the core competitiveness of airlines. By focusing on customer demands, we incorporate our corporate tenet of "serving the world with love and leading the future with innovation" into every aspect of our services. We pay close attention to every customer's experience and value every customer's needs, providing customers with reliable, convenient, comfortable and touching services.

In 2012, Air China focused more on customer voices by officially launching the passenger feedback management system, putting into place the internal 24-hour emergency service phone, and supporting front-line staff in proper handling of special emergencies. To improve the quality of services, Air China launched the baggage check-through service for domestic and international transfers at the Beijing Capital Airport to simplify the passenger transfer service process. We introduced new VIP lounges and exclusive check-in areas for VIP passengers at the Beijing Capital Airport T3 Terminal and the Chengdu Shuangliu International Airport. We also launched new services for customers with a series of technological innovations.

Winning Customer Recognition ✈

Despite setbacks and confusions along the way, we have always benefited from the support and understanding of our customers. In 2012 we continued to carry out the passenger satisfaction survey, and collected a total of 192,653 valid questionnaires, recording an overall passenger satisfaction index of 79.6 points. Each questionnaire carries customers' concerns and expectations for Air China. After careful analysis of these questionnaires, we made continuous improvement in our services in light of customers' expectations and needs, with focus kept always on customer service and experience.

Listening to customers' voices

Air China has intensified its effort to build the channels of communication with passengers. Air China officially launched the passenger feedback management system in 2012. Covering telephone call centers, domestic and overseas business outlets, terminals, branches and passenger comments on Air China's official website, this system offers a handy tool for data collection, integration and analysis and helps identify passenger concerns and key areas in services, ensuring that Air China can improve its services more effectively.

We launched the 95583 "Small Secretary" SMS platform, which allows passengers to keep abreast of the latest information and inform Air China of their needs from home with just a few finger touches. Air China also opened an internal 24-hour emergency service phone, which represents the company's third information "through train" in addition to round-the-clock duty phones on safety and operations.

Air China launched a number of micro-blog accounts, including "Air China International", "Small Secretary", and "Phoenix Miles", and actively interacted with netizens on these platforms. We responded to user messages and comments with sincerity and took every suggestion seriously, in a bid to provide customers with a better experience.

Air China global English call center starts trial operation

Air China launched a unified 95583 service hotline, providing services in eight languages including Chinese, English, French, German, Russian, Korean, Japanese and Spanish, covering ticket sales, ticket change, and service consulting.

To provide international flight passengers with more convenient and efficient booking services, Air China global English call center started trial operation in 2012. Air China's North America call center functions as the airline's global English call center and offers services in telephone consultations, ticket booking, and ticket change for English-speaking inbound calls to the newly launched 800-86-100-999 hotline available in Australia, Singapore, Hong Kong, and the Philippines.

Making utmost efforts to ensure on time performance

Flight delays are a major challenge for the aviation industry. In addition to the internal causes attributable to airlines themselves, other common causes of flight delays include air traffic control, flow control, weather and passengers. Air China takes positive measures to deal with delays, following the principle of "early preparation, advance planning and advance notice".

In case of flight delays, Air China will inform passengers of the delay immediately through a variety of means. When widespread flight delays occur, Air China will set in motion the flight delays coordinated response plan to simplify procedures for refunds and rescheduling by allowing guests to rebook tickets at home and help passengers who have already arrived at the airport to change flights in the shortest time possible. In addition, in order to reduce weather-caused flight delays, Air China started trial operation of backup routes in 2012 to effectively reduce the overall running time of flights. Take CA1532 flight from Shanghai Hongqiao Airport to Beijing for example. The aircraft landed 1.5 hours on average behind the schedule in March when using the normal route, but they largely landed as scheduled in April when an alternate route was launched.

In 2012, 98.6% of Air China flights were implemented, up by 0.9 percentage points from a year earlier; the average length of delays was shortened by 0.6%; and flight delays of more than four hours decreased by 0.08 percentage points.

Hamburgers in torrential rains on July 21

The torrential rains that hit Beijing on July 21, 2012 turned out to be an unexpected touching moment for the crew of Air China headed by Ji Hong. During the more than six hours of waiting for CA112 flight from Hong Kong to Beijing, the flight attendants were always at the service of more than 200 passengers and did not even take a break. After the last passenger got off the plane when the flight was canceled, the attendants walked in file to the terminal, where they were greeted by the CA112 flight passengers and were handed burgers and beverages, because the passengers were so moved by the dedication and sincerity of the attendants.

"We will never forget that scene, as we feel a great sense of fulfillment." What the passengers had done not only left a warm memory in the crew, but also inspired the crew to be more passionate about the profession.

Shouldering the blame

Over the years, Air China has always put public interests first when dealing with emergencies involving public interests.

On July 9, 2012, announcement of free tickets for a number of international routes including Beijing to Bangkok and Beijing to Melbourne appeared on the official website of Air China. Some customers took the opportunity and rushed to get the tickets. After confirming that there was a system failure, we examined the free ticket orders and decided to take responsibility and posted a message on the official micro-blog, as follows:

"Because of temporary system failure, some passengers successfully bought free tickets for international routes on the Air China website. No matter where the fault lies, Air China has decided to take the loss, because we believe that integrity matters the most. We will continue to provide services for those travelers and wish them a pleasant journey."

Relentless Pursuit of Higher Standards ✈

By identifying services as a priority in the company's development strategy, Air China seeks to establish an efficient management system and deliver tremendous value for customers and the carrier alike through more intelligent means. Air China's service system consists of three levels: (CSM) service management system, service quality evaluation system, and future service product development.

In 2012, Air China officially put CSM into service, laying a solid foundation for the rapid improvement in Air China's passenger services. CSM was launched to meet the needs of Air China for fine management and sustainable development of its services. In 2012, Air China completed the preparation of CSM "Product Management Manual" and relevant management protocols and training materials; meanwhile, Air China held workshops on service management system and conducted internal and external audits on the service management system to constantly improve system building.

Air China has established a strict system for service quality evaluation and supervision to gain a true, objective and comprehensive understanding of the quality of service, and performed quantitative analysis of the results to enhance management and follow-up services. In 2012, Air China conducted two internal quality audits in strict accordance with the CSM standards to effectively identify service issues and determine the direction and focus for improvement. Air China also cooperated with SKYTRAX in launching the quality and brand development audit (QBDA) project. Starting from passenger service experience, this project covered the whole service process, identified the areas that needed service enhancement, and developed appropriate corrective measures to ensure professional and consistent services at a "five-star" level.



We strive to establish a service system that centers on single customer demand and proactively responds to customer needs throughout the whole process. In this service model, Air China includes the preferences, features and travel plans of passengers into the service system for one-stop management, providing an intelligent "considerate housekeeper" for every passenger. In 2012, we started cooperation with China TravelSky Holding Company to build a new-generation passenger service system, which is currently in the initial stage of construction. Upon completion, this system will deliver a whole new experience to passengers with intelligent services. The system represents the first effort in the Chinese aviation industry to develop intelligent services. Air China has also started to establish a "data warehouse", so that employees can find the information necessary for customer services in a flexible and fast manner and provide customers with immediate response in the service.

While operating a quick service platform, Air China has spared no efforts on the protection of consumer privacy and guarantees that it will never disclose customer information on its website to third parties. In addition to its official website in China, Air China also runs international websites in 29 countries. To ensure that its site operations are in compliance with local laws on consumer privacy protection, Air China has hired international lawyers to review its privacy provisions to safeguard the interests of consumers.

All-Round Services ✈️

For Air China, comfort and warmth reminiscent of homes is what we want to bring to passengers most. From expanding routes and fleet upgrades to an ever-growing portfolio of services covering the whole process, we are doing whatever we can to achieve this goal. Air China hopes to extend attentive service from the cabin to the ground, to enable passengers to enjoy high-quality services during the whole journey.

Care for special passengers

To provide attentive service for passengers, Air China developed the Service Standards for Special Passengers to establish a uniform set of service standards covering ticketing, airport service and in-flight service.

To provide excellent services for physically challenged passengers, Air China has hired professional instructors to hold a series of company-wide professional training courses on service skills, methods, etiquette, and psychology of physically challenged passengers. In terms of the service process for physically challenged passengers, Air China has conducted in-depth researches on the physiological and psychological characteristics and service needs of passengers with different disabilities, and customized personalized services covering the whole process.

Air China has set up a "Mom and Dad Service Team" by specially selecting employees with good service skills and rich experience to offer services for "unaccompanied" children. Since the launch of this service, tens of thousands of eligible children have travelled safe and sound with Air China. This service has greatly facilitated those parents who are too busy to travel with their children and whose children must travel by air, saving the parents the extra transport costs.



Looking after unaccompanied child passenger



Serving disabled passenger

Link: "Special passengers" onboard

Air China Cargo and Air China have carried many "special passengers" onboard, such as giant pandas, Chinese Dragon Bird fossil and the Olympic torch. Air China has pioneered the transport of special and dangerous cargo in the air transport industry in China, and has taken the lead in the development of many industry standards.

More comfortable air travel

We strive to create a comfortable, relaxing, and pleasant experience for passengers onboard and set a new benchmark for comfortable air travel.

Pleasant entertainment

In 2012, Air China invested a total of RMB1.08 billion in cabin renovation and upgrading and the expansion of onboard entertainment system in A321, A332 and B772 aircraft, resulting in steady improvement in cabin equipment availability and cabin cleanliness.

In-flight yoga exercise

To ease the fatigue of passengers during the flight, Shenzhen Airlines launched onboard yoga exercise in 2012 for passengers, creating a more professional and appealing way of interacting with passengers through the combination of live demonstrations by trained attendants and video demonstrations. On the flights of Shenzhen Airlines that last over 2.5 hours, passengers and crew members were together immersed in the peaceful world of yoga, bringing a new experience for the lengthy journeys.

New wider and larger aircraft delivers higher comfort

Air China deployed twin-aisle wide-body aircraft Boeing 777 and Airbus 330 in 17 routes covering 15 cities including Beijing, Shanghai, Guangzhou, and Shenzhen, and also made a facelift in cabin layout, providing passengers with wider seats and aisles, larger overhead space, and more flexible seating arrangements.

Making air travel a pleasurable experience

Taking full account of the needs of long-haul passengers, Air China provides passengers with the most optimal personal space in the B777-300ER. The B777-300ER is equipped with the most advanced entertainment system and kitchen system. First class and business class offer full 180 degree flat seats; economy class seats are fully ergonomic and the number of seats in a row is reduced from ten to nine, creating a more roomy space. A mood lighting system throughout the cabin combines with such user-friendly features as onboard bar and barrier-free washrooms to provide passengers with comfort even after more than ten hours of transoceanic flight.



Enjoying delicious in-flight food

Air China attaches great importance to the hygiene and taste of in-flight meals. Our galley features and bar design take full account of the physical and psychological needs of long haul passengers. We rotate the menus in the economy class in flights to and from Shanghai, Guangzhou and Shenzhen every ten days and provide richer meal choices, such as dim sum, baked wheat cakes, Huangqiao Sesame Cakes as well as Chinese-style salads.

Quality ground services

Ground service is also an important part of Air China's services. Air China is the first Chinese airline to launch baggage check-through service and has improved the ground lounge environment.

It is very inconvenient for passengers to go through the procedures with all the baggage during transfer. Driven by Air China, the Beijing Capital Airport Customs, Beijing Capital Airport and Air China signed a cooperation agreement, under which Air China passengers from Milan, Frankfurt and Stockholm bound for other cities in mainland China via the Beijing Capital Airport are spared the trouble of claiming baggage for security check again and only need to go through the entry procedures. Within three months, Air China performed test runs on 334 flights, benefiting over 200 passengers daily on average with the through check-in service.

In 2012, Air China invested a total of RMB123 million in the construction and renovation of lounges for premium class passengers in Beijing, Chengdu, Shanghai, Chongqing, and Lhasa. Air China also introduced new VIP lounges and exclusive check-in areas for VIP passengers at the Beijing Capital Airport T3 Terminal and Chengdu Shuangliu International Airport. In addition, domestic outbound flights of Air China in Chengdu Shuangliu International Airport have been fully transferred to the newly built T2 terminal, where Air China has greater exclusive resources. This move has greatly improved Air China's ground service.



Air China's VIP lounge in Beijing Capital Airport T3 terminal



Delicious food in the lounge



Air China launched check-through service for transfer passengers

Air China further expanded its check-through and rapid baggage transfer services to 109 terminals at home and abroad. With the rolling out of the services in Nagoya, Fukuoka and Sendai, the number of terminals where this service is available has been increased to nineteen.

Ground and air through transport

Air China is the first airline to launch ground and air through transport service in mainland China. In 2012, Air China opened three ground and air through transport routes including Beijing - Tangshan, Ningbo - Shanghai, and Ningbo - Hangzhou. Ground and air through transport service provides inquiring, booking and purchasing functions in the airline's reservation system and allows automatic calculation of fares. Passengers can purchase air and bus tickets to the destination all at once through the booking system and get on the bus by producing the through transport itinerary printout or the valid ID document used for ticket purchase, thereby greatly improving the efficiency of ticket purchase and travel.

"Phoenix Miles", a frequent flyer program launched by Air China and other airlines within the Air China system, has more than 200 contractual partners, making Air China the Chinese airline with the largest number of non-airline partners. Air China's Phoenix Miles members can use mileage to purchase products and services from the airline's partners, including in the fields of catering and entertainment, travel and leisure, banking and finance, fashion, sports and health, in major cities and regions such as Beijing, Shanghai, Chengdu, Guangzhou, Hong Kong, Macau and Taiwan.

Technology Brings New Enjoyment ✈️

In the course of improving services, Air China continues to incorporate new technology-based surprises into services in innovative ways, bringing great convenience to people's lives. Wherever they are, customers can always experience the sincere service of Air China.

Internet in the cloud

We have long been working towards ground-air network interconnection and in-flight Internet surfing to allow passengers to stay connected with their families and business partners for a pleasant journey. In 2012, Air China successfully passed the test flight for in-flight connection to the mobile communication system. Upon the approval of this business, passengers flying on specially adapted planes for this business can have access to in-flight Internet surfing by simply switching on their mobile electronic terminals and searching for the Wi-Fi access point on the aircraft.



In-flight Internet

New mobile services

Mobile Internet provides a more timely and efficient platform for passengers to access information and conduct exchanges. Air China is the first airline in China to introduce a mobile client and the mobile service has greatly enhanced customers' travel experience.

2010	2011	2012
<ul style="list-style-type: none"> ▶ Launched mobile strategy ▶ Launched mobile client 	<ul style="list-style-type: none"> ▶ Supported APP booking service ▶ Mobile platform registered more than RMB100 million in sales 	<ul style="list-style-type: none"> ▶ Launched the first iPad client in China ▶ Officially launched the U.S. mobile site

In 2012, the mobile service of Air China offered full coverage of smart mobile platforms including IOS, Android, Symbian, Blackberry, Windows Phone, and iPad. Air China's iPad client offers more personalized features, providing users with flight dynamic queries, ticket reservations, and check-in services, and incorporating service guides to airports nationwide, including bus and rail traffic information, in addition to GPS and real-time traffic features. In 2012, Air China gave a facelift to its Chinese version of the official website according to the order of full process passenger services and launched online customer service and site-wide search capabilities; and for its international sites, Air China added support for online payment with local bank cards in the United Kingdom, Sweden, Korea and Germany.

Full process passenger self-services

In 2012, Air China was granted the Fast Travel Gold Award by IATA in recognition of the airline as the first in North Asia to meet the IATA standards for full process passenger self-services. In the near future, Air China will gradually introduce full process self-services to deliver a more convenient travel experience for passengers.



Self-service check-in

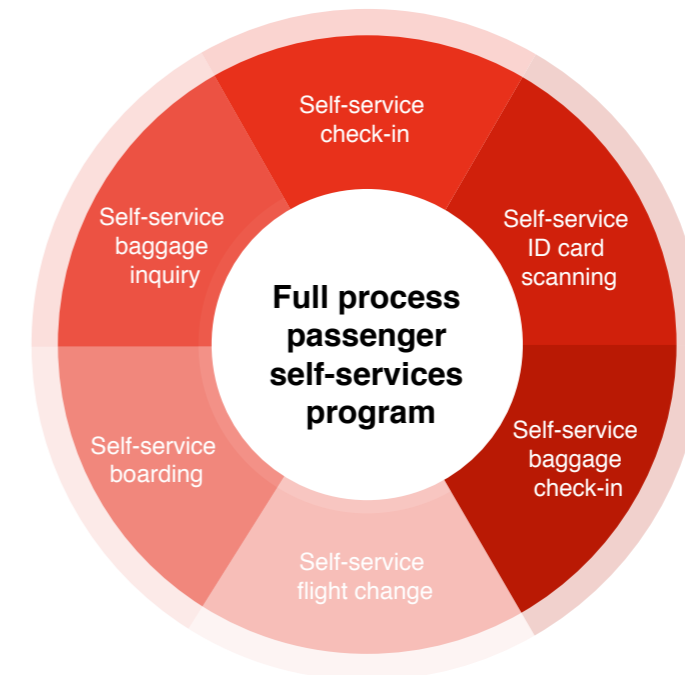


Figure: Full process passenger self-services program



6 Green Flight

Aviation flight offers people a glimpse of the planet from a completely different perspective, and makes people more aware of the close association between human existence and environmental protection. At Air China, we always uphold the concept of "green operations and sustainable development" by introducing and developing advanced energy-saving technologies, improving energy efficiency, reducing environmental pollution and promoting green operations within the company and the industry. Meanwhile, Air China follows closely the latest developments in international aviation and climate changes. While complying with the government instructions on non-participation in EU's carbon emissions trading, we always take active measures to effectively conserve energy and reduce emissions.

In 2012, Air China conducted an energy audit for the first time, for which we received financial rewards from the Beijing Municipal Government. We started and completed the second phase of building an energy and environmental monitoring system, which enabled standardized statistics and monitoring of company-wide energy consumption. We garnered one of the Environmental Responsibility Awards for Chinese Listed Companies, the "Green Standard Award".

Promoting Environmental Philosophy ✈

Realizing the value that widespread promotion of energy saving and environmental protection will deliver to businesses and society, Air China made effective use of its own resources and carried out environmental campaigns among all employees and passengers to prompt them to pay more attention to environmental issues and get involved in environmental protection and energy conservation.

Energy conservation campaigns

In 2012, Air China strengthened training and exchanges on environmental protection. Air China held training sessions on fuel conservation among operational control workers in Shanghai, Xi'an and Hangzhou. The General Fleet summarized the fuel-saving technology solutions adopted in recent years, conducted training among all employees, and promoted the importance of fuel saving through various means including posters and courseware. Air China's Chongqing Branch held lectures and technical seminars on fuel saving policies.

A Green Story

On June 30, 2012, echoing the China theme for 2012 World Environment Day of "Green consumption: You do it?", Air China launched the "Low-carbon Energy Saving, Green Flight" topic flights. On the flights, the crew gave every passenger a green bracelet ribbon, a symbol of hope and environmental protection, and organized an interactive energy conservation and environmental protection Q&A session themed on "green consumption". The activity was well received by passengers and helped promote the concept of green consumption. Shenzhen Airlines launched the "Care for Shenzhen with Green Mobility" campaign and released the call to action on the company intranet, receiving very good response.

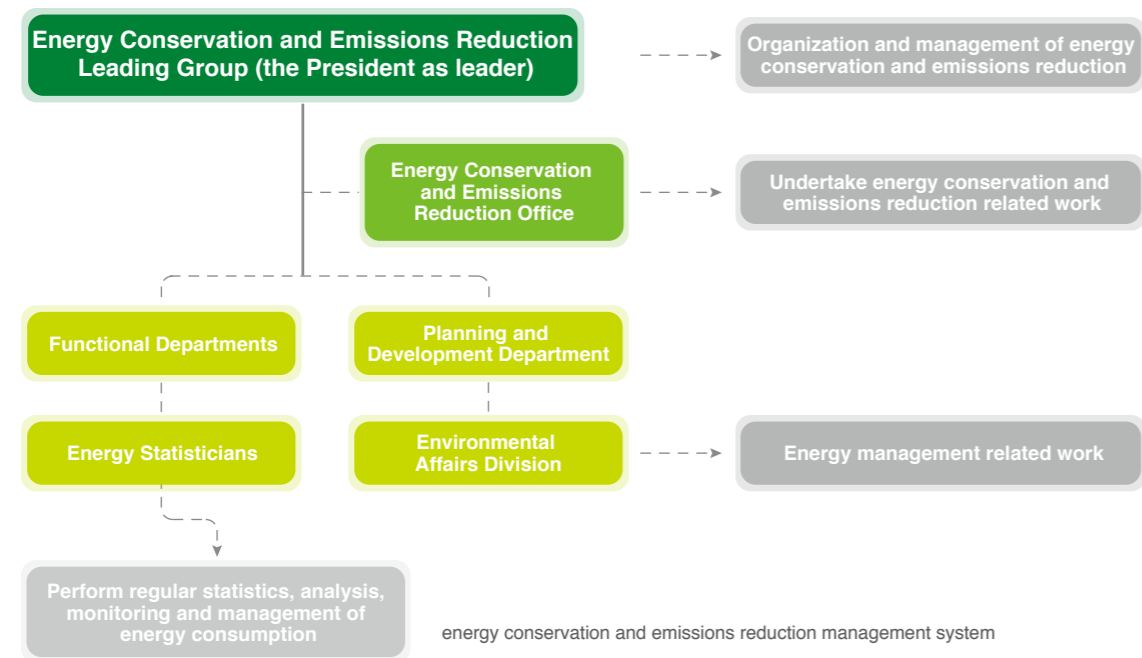


Green office initiative

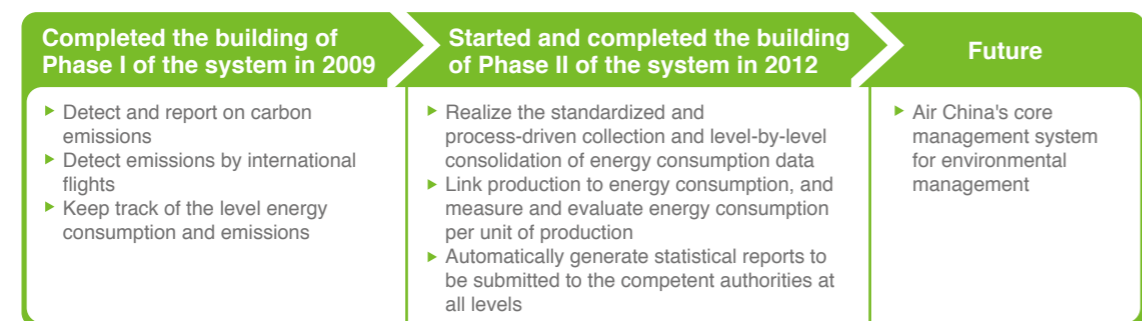
Although office energy consumption accounted for a small proportion of the overall energy consumption of airlines, the "green office" initiative is of great significance for inspiring an awareness of energy saving among employees because of its wider impact and relevance to their daily work. In 2012, Air China the "green office" initiative was effectively implemented at the headquarters and branch offices.

Fine Management of Energy Saving and Emissions Reduction ✈️

Energy conservation and emissions reduction is an important part of environmental management. It is explicitly required in the Twelfth Five-Year Plan for China's Civil Aviation Development that airlines should strengthen system building for environmental protection and energy saving as part of their effort to address resource scarcity and climate change. By identifying energy conservation and emissions reduction as a key goal of green operations, Air China has established a management system for energy saving and emissions reduction and introduced a stringent reward and penalty system in this regard, assigning specific persons with annual energy saving targets, and monitoring how well the targets were met on a monthly basis.



Development of the energy and environmental monitoring system is an important part of Air China's environmental management. It is aimed at achieving fine management of monitoring, evaluating and reporting of energy consumption information and ultimately building a core system platform that supports the management of environmental affairs by Air China. In 2012, Air China conducted the first energy audit and submitted the Energy Audit Report. The energy audit helped Air China keep a timely track of its energy management and energy use, speed up the shift to standardized and scientific energy conservation efforts, and enhance the application of information technology to energy management.



Reducing Energy Consumption ✈️

The Civil Aviation Administration of China has set the target for energy consumption and carbon dioxide emissions per ton kilometer to fall by 22% from the 2005 level by 2020. By targeting the efficient use of jet fuels, Air China reinforced its control on the weak links and promoted the implementation of energy conservation plans through the Fuel Saving Management Committee.

Breakdown of energy consumption by category in 2012

Category	Coal equivalent (ton)	Percentage
Jet fuel	5,306,323.93	98.86%
Gasoline	2,477.59	0.05%
Diesel	7,565.92	0.14%
Coal	2,355.05	0.04%
Natural gas	9,564.93	0.18%
Electricity	11,304.92	0.21%
LPG	112.96	0.0021%
Others	22,655.63	0.42%
Total	5,362,360.93	100%

Energy conservation and emissions reduction statistics, 2008 -2012*

Statistics	2008	2009	2010	2011	2012
Jet fuel consumption (ton)	284.31	299.66	340.58	351.74	360.63
Jet fuel consumption per ton kilometer (ton)	0.3020	0.2981	0.2785	0.2767	0.2771
Combined energy consumption per RMB10,000 of revenue (ton coal equivalent/RMB10,000)	0.8419	0.9038	0.7579	0.6730	0.7187

*Data include Air China and Air China Cargo

Operational control management

Air China continued to enhance its fuel management efficiency by strengthening the management and control of weak links and taking various measures to reduce jet fuel consumption. In 2012, in operational control alone, Air China saved a total of 2,135 tons of fuel over the previous year and saved 590 hours of flight time. Savings in fuel and flight time led to a reduction of 14,800 tons of carbon dioxide emissions and a decrease of RMB31.88 million in cost.



Upgrading fleet to promote energy conservation

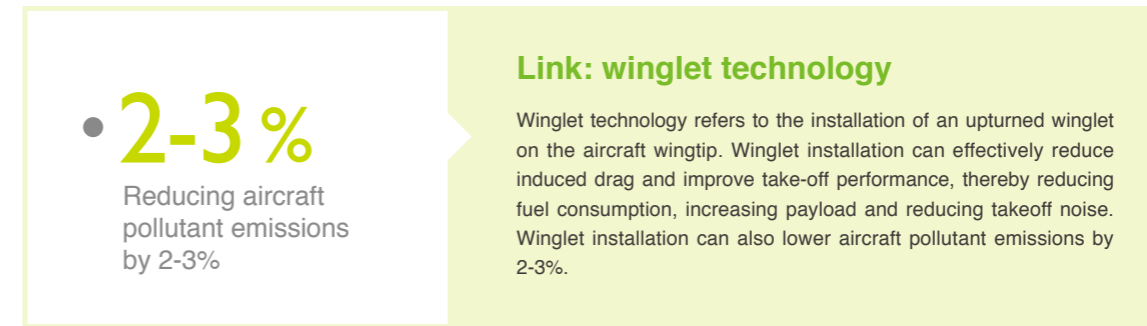
New aircraft have obvious advantages in fuel efficiency. Air China continued to introduce new models to replace aging aircraft with high fuel consumption and poor performance, in an effort to optimize fleet structure. For example, in 2012, Air China started to use B777-300ER for flights between Beijing and Los Angeles to phase out B747-400. Compared with B747-400, B777-300ER features 25% less fuel consumption per hour and lower noise, fitting well with the green flight philosophy that Air China advocates.

Reducing APU use

APU stands for auxiliary power unit and is a small power unit indispensable for large and medium-sized aircraft. However, the use of APU is associated with the downside of high energy consumption. By taking a number of measures such as ground charging and bridge charging, Air China has made constant progress in APU fuel management. In 2012, Air China reduced APU ground use by about 178,000 hours.

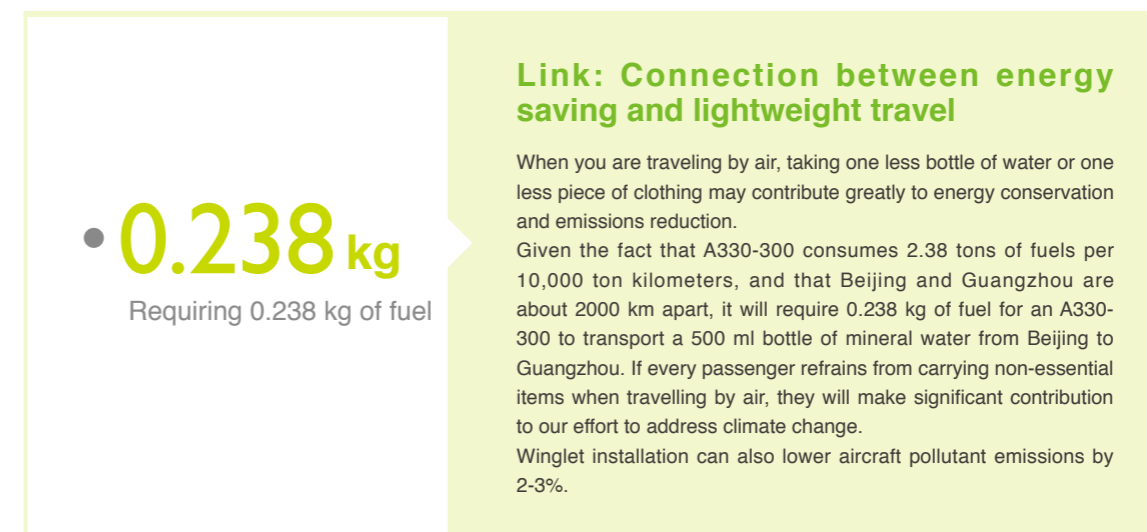
Winglet installation

By the end of 2012, Air China had installed winglets in 60% of the aircraft in its fleet. The newly introduced B737NG series and A320 series were both fitted with winglets. In the coming years, Air China will continue to closely follow the latest technical developments of manufacturers in energy saving and emissions reduction, in order to timely adopt cutting-edge technologies and implement the concept of "green flight."



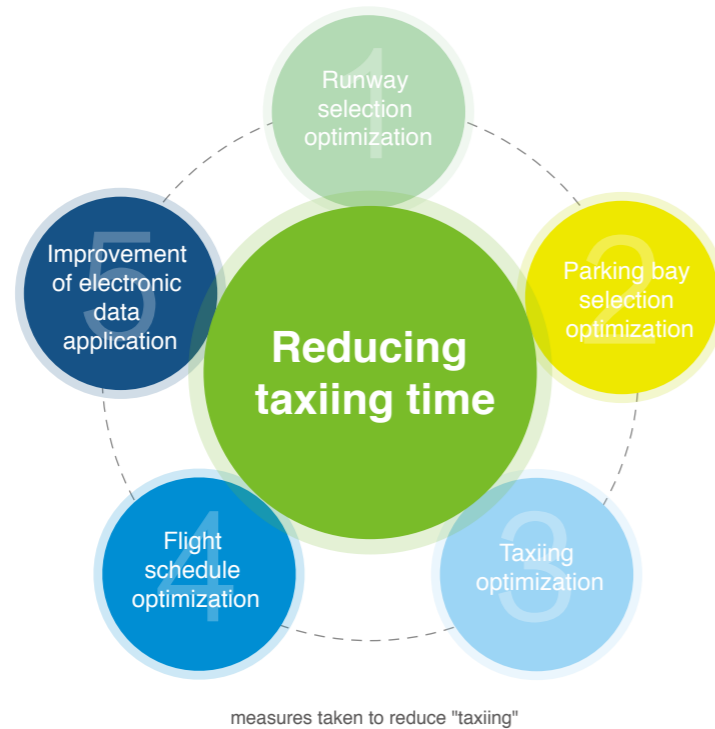
Reinforcing aircraft weight management

Fuel consumption is very closely associated with flying weight and therefore lower unladen weight is an important means of reducing fuel consumption. Air China created an archive of aircraft weight to enhance aircraft weight management and improve fuel efficiency. In addition, Air China adopted a number of measures to reduce aircraft weight, for example, by replacing portable oxygen cylinders, removing cargo sliding carpets, and changing the way water tanks are filled.



“Reducing taxiing” to cut energy consumption

In 2012, Air China made a special effort to "reduce taxiing" and improve equipment and energy utilization in order to deliver both economic and environmental benefits.



Link: 1 minute = RMB300 million

"Reducing taxiing" means cutting aircraft taxiing time on the ground, as longer taxiing results in less efficient resource utilization, higher energy consumption, and increased pressure on production, income and services. If each one of Air China flights can cut taxiing time by one minute, it will translate into an increase of about 5,000 hours a year in capacity, or the generation of additional revenues of RMB300 million.

Practicing the concept of building energy efficiency

Air China's Tianjin Branch cut energy consumption in infrastructures by implementing the concept of building energy efficiency. The branch renovated the water supply system of Air China Plaza and streamlined secondary water supply, resulting in less waste from leakage and an annual saving of RMB149,000.

Building on the success of the oil-to-gas project in 2011, Air China's Zhejiang Branch introduced a flue gas waste heat recovery system on a central air conditioning system and a boiler, leading to an annual saving of about 30,000 cubic meters of natural gas at a heat recovery rate of 8-10%.

Mitigating Environmental Load ✈

Air China made great efforts to control the environmental impact of its operations and explore ways to reduce environmental load.

Disposal of retired aircraft

In the disposal of aging aircraft to be retired, Air China followed strictly the disposal procedures for aircraft retirement to minimize the environmental impact.

In 2012, Air China and GA TELESIS (GAT) founded a joint venture named GA Innovation China, which focuses on value management of aging aircraft and aviation materials by identifying and maximizing their residual value. It is China's first company involved in such business. Leveraging on GAT's extensive experience in aviation materials distribution and trade, as well as in dismantling and leasing of aircraft and engines, Air China sought to strike a balance between the economic and environmental interests in the disposal of aging aircraft.



GA Innovation China signing ceremony

Waste disposal management

Air China implemented strict control over waste materials generated from its operations to ensure coordinated resources management as well as classification and recycling, in a bid to mitigate the negative impact of waste materials on the environment. The Beijing Ground Handling Department tightened control on 13 types of recyclable items, and built a dedicated team for recycling, sorting, re-packaging, and re-distribution of the 13 types of reusable items. From April 1, 2012 onwards, the Cabin Service Department no longer offered paper drink cups and instead started to use new heat-resistant biodegradable cups made of an imported food grade PP material.

Wastewater treatment

Air China sees wastewater treatment as an important part of its effort to cut environmental load. Air China strengthened water resources management and improved water utilization to reduce the generation of waste water in its branches and bases. It worked closely with professional wastewater treatment companies to promote purification and reuse of wastewater and prevent water pollution caused by indiscriminate discharge of waste water.



7 Helping Staff Grow

Quality and attentive services are impossible without our people who are caring, cooperative, and ready to offer excellent services. Our people are the bridge connecting the Company and customers and are the key to our delivery of a superior customer experience. We believe that just as agreeable warmth starts from within, only happy employees can provide passengers with warm services. We value the contribution of every employee and strive to build a career development platform for our people to closely link the all-round development of our people to the value of Air China.

In 2012, we launched the "Harmony Thermometer" employee satisfaction survey to listen to the voices of all the employees. In light of the survey results, we conducted the strategic Cohesion Project to provide employees with care in all respects. Air China introduced a remuneration adjustment program in 2012, leading to a 9% pay rise for all employees on average.

"Harmony Thermometer" ✈

In 2012, Air China launched the "Harmony Thermometer" campaign designed to listen to the voice of the employees so as to serve them better. The number of employees who participated in the campaign reached 30,285, with a participation rate of 98.4%. The survey results showed an overall satisfactory labor relationship at Air China, with employees identifying themselves with the Company's philosophy and corporate culture. Air China responded to common concerns of employees in an earnest manner and developed more than 200 measures to address these concerns.

Cherishing the opportunity of communication

The "Harmony Thermometer" satisfaction survey won the recognition and trust of the employees, who valued this opportunity greatly. A senior worker was reading the questions carefully and thinking twice before each click while answering the questions organized by the Ground Handling Department. He said, "The company is asking these questions to learn about my opinion. We should take them seriously! This is not something to be played with; otherwise the company will not learn where the real problems are. One who does not take the survey seriously will have to pay for it in the end!"

With the launch of the "Harmony Thermometer" campaign, Air China further expanded the channels of communication between the Company and the employees by creating five communication channels including the bulletin board system (BBS), magazines and email, and pushed forward the building of a mobile platform for the labor union, in order to keep employees informed of the developments of the Company so that they can make comments and suggestions on the development and management of the Company. Air China made timely responses to common issues raised by the employees via the communication platform as part of its effort to strengthen mutual trust and understanding.

In 2012, Air China held a workers' congress to extensively solicit the comments of employees. Employee representatives listened to and deliberated the Company's annual work report, financial report, and hospitality expenses report, and made suggestions and comments on operations, management, corporate development, culture construction, welfare benefits and democratic management. In doing so, Air China gave full play to the role of employee representatives in democratic management and democratic supervision.



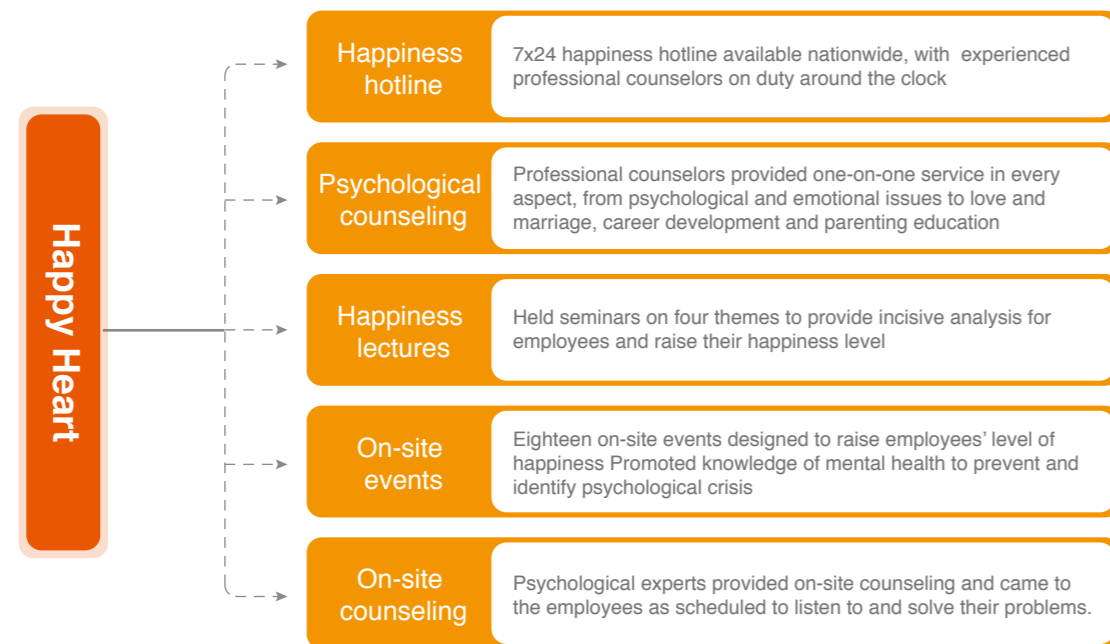
"Harmony Thermometer" survey report meeting

Cohesion Project ✈️

We believe that only with happy employees can we make our guests happy. By upholding the concept of serving and satisfying both employees and customers, Air China strives to shift its role from managing employees to serving employees and make our employees feel respected, cared and happy, so that our employees will pass on their feelings of love to every customer of Air China.

Mind massage

Air China employees, particularly front-line employees, including pilots, flight attendants and ground service workers, have to cope with psychological burden from a number of uncertain factors in addition to high-intensity work. In 2012, Air China launched the "Happy Heart" mental health service initiative to ease the psychological pressure on the employees and help them better manage work and life issues.



"Happy Heart" initiative provides employees with various forms of psychological counseling

Stimulating positive energy

Employees at the Customer Relationship Maintenance Center, which handles customer complaints, are most vulnerable to psychological pressure. The "Happiness Heart" initiative consisted of tailored-made psychological counseling and training programs for employees and provided training on emotional management and communication performance to help them get rid of negative emotions and stimulate positive energy. "The 40-minute communication session with the psychological consultant solved the problem that has troubled me for years. The free, confidential and professional service assured me that I could talk out my thoughts and feelings, as if putting my worries and troubles into a safe box," said an employee after a counseling session.

Legal aid and protection

The smiles, patience and tolerance of employees may not always earn them understanding and respect from customers. In recent years, numerous attacks against service staff occurred. On the one hand, Air China has intensified its effort to ensure that employees follow the rules and act with professional dedication when serving the customers, and to this end, has introduced stringent rules and regulations; on the other hand, it has put in place effective mechanisms to safeguard employees' rights and interests, providing them with legal aid, and has effectively protected the legitimate rights and dignity of employees by relying on fact-based judgment.



Legal aid program launched by Air China

Protecting occupational health

For employees to work and live properly, good health is indispensable. In 2012, Air China further improved its requirement on medical check-ups, specifying mandatory items for examination based on employees' age, gender and functional roles. Depending on the nature of individual jobs, Air China provided employees with necessary protective gears and labor protection supplies to safeguard their health. Air China issued the Occupational Health and Safety Manual for Cabin Crew, which contains specific instructions for the occupational health of the crew. Air China enhanced its health management for the flight crew by launching "health counseling month" activities, conducting rehabilitation treatment for employees with high blood pressure, high blood glucose, and high blood lipid, organizing specialty medical clinics, and introducing a health risk warning mechanism for flight crew. The Company developed programs to educate employees on occupational disease prevention and facilitate crew members to prevent or recover from occupational diseases.

Warmer clothes, warm in heart

The conditions on the airport apron during winter are quite harsh. However, employees like platform truck drivers have to work long hours on the airport apron amidst minus double-digit degree temperatures and icy wind. In 2012, Air China improved the design of cotton overalls by padding extra cotton and adjusting cotton hood drawstring to improve the warmth and comfort of the overalls. Air China increased the permeability of existing work shoes and improved their skidding resistance to address operational and flight risks caused by damp and slippery ground.

Better working conditions

We strive to improve employees' working conditions. In 2012, Air China prepared takeaway breakfast for employees who started to work in the early morning, with a focus on dish variety and nutritional balance. Through several communication and coordination, Air China overcame the problems of tight resources and construction difficulty in the T3 terminal and put aside three offices as temporary lounges for employees on night shift. Air China continued to promote the transitional home project and made preparations for the construction of dormitory buildings for flight crew and the dormitory buildings in the northern section of T3 terminal. Air China adjusted the timetable for shuttle buses in Beijing and increased frequency of shuttle buses to metro stations. The various initiatives have led the employees to feel that the Company has become more sensitive to their needs.

A loving Air China family

The new understanding of work and life has led to lifestyle changes. Air China actively promoted a healthy philosophy in work and life and carried out a variety of recreational and sports activities to allow employees to relax, relieve stress, regulate emotions and assert themselves after intense work, in order to help employees develop a healthy, optimistic and harmonious mentality towards work.

Air China started the Home of Workers and organized various recreational and sports activities in photography, literary creation, painting, fishing, stamp collecting, hiking and three-player basketball game. The Air China Choir won Silver Award during the China International Choral Festival.

Air China set store by employees in special difficulties and provided timely assistance to them with the help of an archive created for employees in distress. It was concerned about occupational health and development of female employees and established a mutual aid fund for female employees that attracted the participation of 10,428 female employees. In 2012, Air China provided RMB230,000 from the CAAC and Air China mutual aid fund for 23 female employees, and provided employees with "Jing Card" mutual assistance cards to offer additional protection for employees against non-work-related accidental injury and property damage. In an effort to be more relevant to young employees, Air China teamed up with Beijing Capital International Airport to organize gatherings for single young employees.

Air China strives to build the bond of trust and tolerance between employees and their families. In 2012, Air China conducted pilot home visits, Family Day and other activities to allow employees' family members to learn more about the special nature of the work at Air China and therefore show more understanding and support to our work.

Pray for a young mother!

Yu Qian, a colleague from the audit department, was diagnosed with a brain tumor while she was expecting a new baby. Air China launched an initiative calling on colleagues to help her out with their love, and in response to the call, donations began to grow and cards carrying blessings started to circulate. The affection of colleagues and the warmth of the company created a miracle of life, as Yu Qian finally survived the brain surgery and postoperative fever.

Yu Qian's family said, "In the most difficult times of our family, it is Air China's people that lent us the most-needed helping hand and it is exactly your help that has made us more determined to fight against the disease. We are extremely grateful to all of you and Air China!"

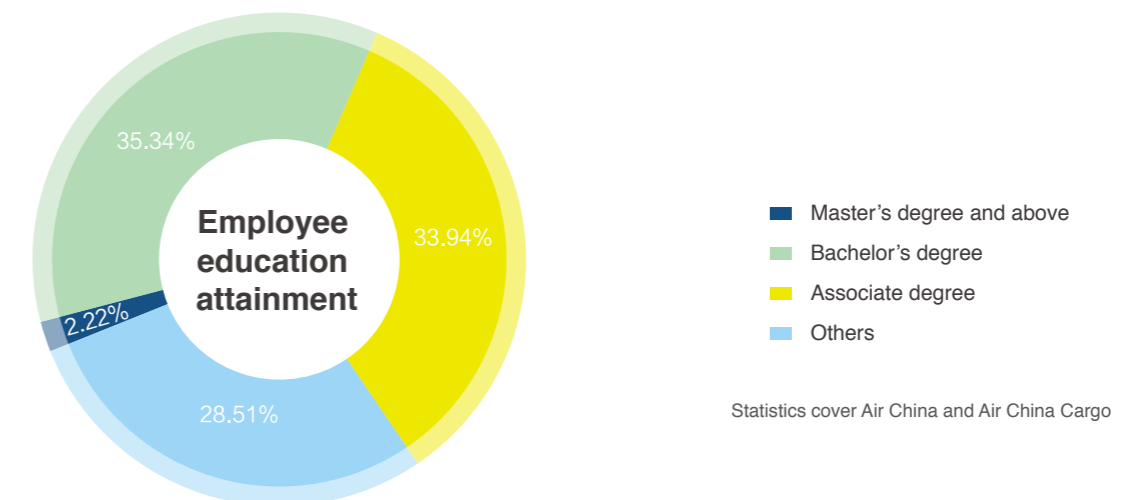
Achieving Career Development →

Capacity building and career development are not only a must for employees to realize their value, but also an important part of Air China's effort to build a talent team and deliver business growth. By adhering to the "professional, international, informational, and systematic" development concept, Air China strives to explore the training mechanism suitable for employees of different business units and various cultural backgrounds, so that employees can enhance their professional skills, broaden their horizons, and have more development opportunities.

Attracting a diversified pool of talent

Air China is an inclusive community, where we treat every employee fairly and equitably irrespective of their nationality, skin color, gender, religion and cultural background and promote mutual communication and integration. We do not employ child labor or force any employee to work; we strictly comply with the Labor Law of the People's Republic of China and other relevant laws and regulations; and we have signed labor contracts with all of our employees. As of 2012, Air China, including Air China Cargo, had a total workforce of 43,199 people, including 18,706 female employees, accounting for 43.39 percent of the total; the percentage of female senior executives was 11.89%. There were 1,025 foreign employees (2.38%) and 1,880 ethnic minority employees (4.35%).

Employee education attainment as of 2012



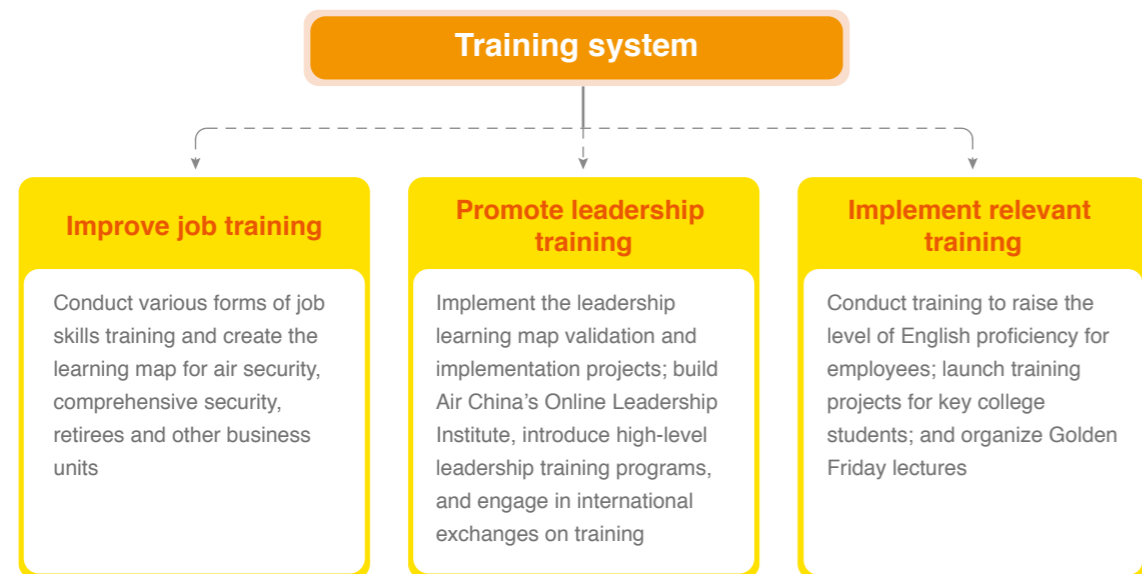
An increasingly diverse Air China Cargo

With an increasingly diverse workforce, building a cohesive team has become an important part of Air China Cargo's effort to promote employee development. Through a variety of means such as conducting business training for foreign employees, selecting best-performing employees, and preparing multi-cultural custom manuals, Air China Cargo works hard to promote communication and exchanges among employees with different cultural backgrounds. In 2012, seven foreign pilots of Air China Cargo were selected as "the employee of the quarter" or "employee of the year" in recognition of their excellent work. Rafael, Air China Cargo's first star pilot with a foreign background, was pictured on the cover of the Company's magazine International Cargo to honor his superb performance.

Building a growth platform

Air China offers multi-level training to its employees with the aid of high-quality faculty. In 2012, Air China offered 129,660 hours of training in total, benefiting 77,012 employees. For employees at the grassroots level, Air China focused on building a team of full-time and part-time trainers and helped top-performing employees become full-time and part-time trainers to make the training more relevant to the needs in the field. For intermediate and senior management, Air China worked to help them achieve their own growth while they were helping others to grow. We have built an on-the-job learning system and promoted employee development as well as business improvement and innovation through structured coaching by on-the-job mentors, technical exchanges across teams, vocational skills competitions and other flexible forms of learning.

In 2012, Air China and the Civil Aviation University of China jointly launched the Master of Business Administration and Master of Logistics Engineering programs tailored for the aviation industry. Its purpose was to develop the ability of employees for continuous learning through cooperation with colleges and open education.



Air China's training system

“Morning Star” shines from Air China Techniques

The “Morning Star” team is one of the many work teams at Air China. It consists of 12 team members who are engaged in the structural repair of aircraft composite materials and cabin interior refurbishment. Over the past two years, ten members of the team have succeeded in obtaining the basic license for civil aviation maintenance and 11 passed the maintenance English examination organized by Air China. In 2012, the “Morning Star” team won the title of “China’s Most Influential Civil Aviation Team”.

Recognizing employee contribution

Happiness comes from real life, but more importantly, it comes from self-realization and broad prospects for development. In 2012, Air China studied the problems of horizontal communication among various business units and professional and technical positions. In light of the features of different positions, Air China chartered a growth path for employees in different posts and created a coordinated development pattern characterized by “differential development, vertical flow and horizontal interflow” for officers in different positions. Air China also optimized its means for year-end appraisals to conduct online and comprehensive evaluation and simplify procedures, in a bid to create a fair, just, rational and effective mechanism for personnel selection and promotion.

Air China recognizes the contribution of every employee through competitive compensations and various forms of honors. By upholding the principle of “value for position, value for personal ability, and value for performance”, Air China has established a scientific system for job classification based on values and a remuneration system that is aligned to corporate development, supports corporate strategy and reflects the value of individual talent.

In 2012, Air China implemented a comprehensive remuneration adjustment program, which introduced the largest ever pay rise in both absolute and relative terms. While keeping labor costs at affordable levels, Air China offered an average remuneration rise of 9% to all employees. This remuneration adjustment focused on improving external competitiveness and internal equity to offer effective incentives to core teams and key talents. Air China took this remuneration adjustment as an opportunity to improve the incentive mechanism and enhance employee cohesion and corporate vitality.



Youth representatives who were awarded May 4th Youth Medal and the representative of the first group of “Ambassadors of Air China” cut the ribbon for the opening ceremony of Air China exhibition season



Model workers accept certificate of honor

In 2012, Air China sought to develop a more people-centered allowance and benefit system that better meets the needs of different employees. It introduced a supplementary medical insurance system to bridge the regional gap in medical insurance and developed a comprehensive medical security program for employees at Air China. It also developed the procedures for transferring basic pension and basic medical insurance accounts of employees moving from one region to another and improved the measures governing insurance for injuries at work.



8 A Force for Harmony

The society is the soil on which Air China exists and grows. Air China actively fulfills its social responsibility as a central government-owned enterprise by providing effective support for major events, working with governments, other enterprises and non-profit organizations in all kinds of public welfare programs, exploring new ways of paying back the communities in which it operates, and taking all possible actions to serve the society.

In 2012, Air China successfully provided transport support for the 18th National Congress of the Communist Party of China and the London Olympic Games and assisted in the “Chinese Culture Year” event in Germany. During the first Competition on Excellence in Voluntary Services among central government-owned enterprises, Air China won the awards under the categories of “Gold Medal Youth Voluntary Service Program”, “Gold Medal Youth Volunteers” and “Outstanding Organization for Youth Voluntary Services”.

Supporting Cultural and Sports Undertakings ✈

With a network connecting all parts of the world, Air China helps promote the development of tourism and facilitate integration of different ethnic groups and cultures. More convenient and faster communication and exchanges are turning this world into a global village, and because of us, the world is becoming closer.

Promoting cultural exchanges

Air China serves as a bridge in the air in support of all kinds of cultural exchange events.

- ▶ Germany designated 2012 as the Chinese Culture Year, during which more than 500 China-Germany cultural exchange events were organized. In this context, Air China increased the frequency of flights between China and Germany, operating as many as 56 flights per week to better meet the growing air travel needs of the people of the two countries.
- ▶ The pilgrimage is one of the five most important duties a Muslim must do. Since 2002, Air China has provided charter flight services for pilgrims for 11 consecutive years, operating a total of 410 flights back and forth and providing charter flight services for nearly 130,000 passengers.

Supporting the development of sports

Air China has always cared about and supported the development of sports in China and encouraged its employees to take exercises and experience in the process the athletic spirit of tireless pursuit of excellence and perseverance.

- ▶ To support the London Olympic Games, Air China launched direct flights from Beijing to London Gatwick Airport, and was the airline that offered the largest number of flights between Beijing and London, making it much easier for Chinese people to visit the UK and watch the Games. Air China successfully completed 120 Olympic-related transport missions, providing quality services to 1,529 members of China’s Olympic team.
- ▶ In 2012, the Tour of Qinghai Lake celebrated its 11th anniversary. The success of the event over the years has served to promote local economic development. As a sponsor of this event for 11 consecutive years, Air China has provided quality services for more than 20 teams from the five continents and several hundred cyclists and supporting staff.
- ▶ The Beijing International Marathon is the highest level marathon in China and has become a traditional international event with considerable influence. In 2012, Air China sponsored the event and contributed its share to the promotion of Beijing’s image and the development of sports in China.



Providing quality services for the Olympic team



Triumphant return of Chinese athletes

Support for Special Flight Operation ✈

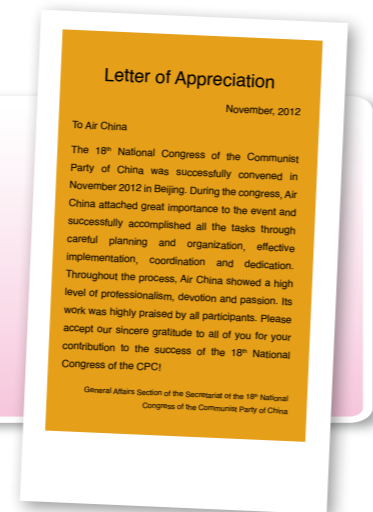
The aviation industry not only contributes to social cohesion, regional balance, social stability and ethnic unity, but also serves as an important part of public service system and emergency relief system. Air China has never shied away from its responsibility when it comes to dangerous and challenging emergencies.

In special times when there is a surge in the air travel needs, for example, during the Spring Festival, summer holidays and “golden weeks”, Air China works actively to prepare careful plans in advance in order to cope with the demand during the peak periods. In 2012, Air China successfully supported the travel and transport needs associated with the annual NPC and CPPCC sessions, the launch of Shenzhou-9 spacecraft, and the 18th National Congress of CPC, with safe and smooth flights and related services.

Support for the 18th National Congress of CPC

To help with the travel and transport needs associated with the 18th National Congress of CPC, Air China’s air and ground operation departments worked closely together and successfully completed its mission.

Photo: Letter of Appreciation from the General Affairs Section of the Secretariat of the 18th CPC National Congress to Air China.



Air China actively engages in international rescue and relief endeavors. In 2012, when Hurricane Sandy hit Cuba and caused severe damages to the country, Air China undertook the task to transport humanitarian goods offered by the Chinese government to Cuba. The efficient coordination among all the related departments ensured the success of the disaster-relief charter flight operations.



Emergency humanitarian goods provided by China to Cuba are being loaded onboard

A Weibo message prompted rescue operation for a backpacker travelling in Tibet

Air China noticed on the Internet a weibo message calling for rescue: “Four backpackers were caught in a road accident in Changdu while travelling to Lhasa, with two dead and one in critical conditions. Without immediate operation, the injured may be handicapped for the rest of her life”. Despite harsh conditions at the Changdu Bangda Airport, which is located at the highest altitude in the world, Air China immediately launched emergency response procedures. With the cooperation among the airline, airport, hospital and passengers, a young life was saved, making the emergency transport operation a success.



Developing Volunteer Spirit ✈

Air China has been engaged in a wide range of volunteer activities as part of its commitment to voluntary services. In 2012, it won three awards during the first Competition on Excellence in Voluntary Services among central government-owned enterprises, namely “Gold Medal Youth Voluntary Service Program”, “Gold Medal Youth Volunteers” and “Outstanding Organization for Youth Voluntary Services”.

Establishing volunteer teams

Air China is committed to advocating civilization with love, contributing to the society with devotion and realizing its values with actions. To this end, it takes an active part in a variety of volunteer activities, setting up volunteer teams and gathering individuals of love and care to serve the society in the most direct and effective way.

The “Green Ribbon” volunteer team from the Cabin Service Department of Air China consists of air crew, pilots, controllers, security staff as well as platinum and gold mileage card holders. More and more people have been attracted to participate in the public welfare program. In 2011, the “Green Ribbon” team went on an investigation trip to 12 villages in Xieshan Village, Hebei Province and identified 38 poor students for one-on-one support, providing each of them with a study fund of RMB800 every year until they graduate from the middle school. Furthermore, they donated food, medicine and clothes to low-income families. In 2012, the “Green Ribbon” team also initiated a donation campaign called “50 Yuan in Action” to help leukemia-affected kids.

The “Guo Mingyi Love and Care Team” of Air China was established in 2007. Each year the team holds a volunteer event with a special theme. In 2012, the event carried the theme of “putting wings of love to a caring heart”, and was a welfare event for kids in Taiyang Village, Beijing. Once again it demonstrated the loving and caring qualities of all of us at Air China.

Establishing public welfare bases

Air China has established public welfare bases in many parts of the country to locate those who are in need of long-term support and try to spread its love to all corners of the country.

I can hear the voice of love

The Inner Mongolia Hearing and Speaking Rehabilitation Centre for Aurally Impaired Kids is a designated recipient of long-term support from Air China Inner Mongolia Branch. Their cooperation started in 1998, and since then the volunteers from Air China have always made use of their vacations to visit the kids at the Centre. Air China Inner Mongolia Branch has bought some equipment and many DVDs and sportswear for the kids, and the Care Library built for the kids has become a demonstration project of Inner Mongolia Federation for Disabled Persons.



Air China Inner Mongolia Staff Visiting the Inner Mongolia Rehabilitation Centre for Aurally Impaired Kids

Caring about the Growth of Children ✈

Children are the hope and future of our country. We have carried out all kinds of activities to help them get better access to education and broaden their horizon by injecting fun into the education process, so that they can experience the charm of knowledge and enjoy the happiness and wonder of growing up.

Supporting the healthy growth of children with the Care Fund

We sincerely hope that all children will grow up in a healthy and happy way. For many years, Air China has worked with various care groups to help sick children and organized a series of events to involve more people in the cause. Together with the China Children and Teenagers' Fund, Air China launched the China Children Insurance Foundation initiative, with a view to promoting the charity program on medical insurance for major diseases for children and teenagers, and, in particular, allowing those from poor families to have access to systematic treatment. Since the program was launched on September 1, 2009, Air China has made donations to the Foundation for four years in a row. In 2002, Air China and its passengers donated a total of RMB929,600.



Air China employees at a promotion campaign for the China Charities Aid Foundation for Children

Happy studies and life

The sight of an airplane flying across the sky can always lighten a child's dream for the blue sky. Air China Zhejiang Branch visited Mao Yisheng Primary School and conducted aviation knowledge sessions with the children to bring them closer to their dreams. The volunteers also provided cabin meals to the students, bringing them to their desks in the way as they would serve the passengers onboard an aircraft. Tasting the food and cakes, the children were immersed in joy and happiness.

A volunteer team of Air China also visited Li Qiao Primary School in Shunyi District, Beijing to show their care for the kids and help them grow more confidently and healthily. The team conducted a half-day oral English training session for the kids each week and gave each kid an English name. The richly designed contents of the training not only helped improve the children's spoken English but also spread the joy of knowledge.

As part of its effort to help improve the studying and living conditions of the kids of migrant workers in Beijing, Air China has donated air tickets to raise fund for the Dandelion Middle School, the first middle school in Beijing dedicated to the children of migrant workers. It also offered free tickets for the Christmas "Glory Blossoms" concert to the teachers and students at the school. Leveraging the influence of its "Shenzhen Airlines Babies" program, Shenzhen Airlines held a charity bazaar in OCT Bay, Shenzhen to raise fund for autistic kids. Nearly 100 kids from "Shenzhen Airlines Babies" program participated in the event.

"The Dandelion Middle School supports the education of the kids of migrant workers. We hope that through their studies here our kids can grow up to become someone useful to our country and society. The Dandelion project aims at promoting social harmony and we are extremely grateful to Air China for its support for the project. This initiative is a concrete step to materialize our care and love for the children."

Ms Ye Xiaowei, Director General, Dandelion Project

Celebrating International Children's Day

On the occasion of the International Children's Day, the Air China Cargo team held a voluntary service event at schools for the children of migrant workers, donating school bags, safety helmets, chalk, etc. The Shijiazhuang Office of Air China Commercial Committee donated clothes, school bags and books to Manshan Primary School in Lingshou County, Hebei Province in collaboration with several other companies. The Cabin Department of Air China Inner Mongolia Branch donated money and stationeries to kids at Caonian Town Primary School in Liangcheng County, Ulaan Chab Prefecture and celebrated the International Children's Day with the kids.



Donation Ceremony at Caonian Town Primary School in Liangcheng County, Ulaan Chab Prefecture



9 2013 Outlook

2013 will be the first year for China to put into practice the spirit of the 18th National Congress of CPC and also an extremely important year for Air China's development, as it faces more challenges and pressure ahead. We will embrace the challenges with greater dedication, morale and passion, and create new competitive advantages in a new development phase through renewed effort on reform and innovation as well as enhanced capacity and competence.

Economy

- ▶ We will set the right pace for production, improve our ability to manage flight resources and increase the efficiency of resource utilization. Together, Air China, Air China Cargo and Shenzhen Airlines plan to complete 1.576 million flying hours and carry 80.97 million passengers, with its RTKs and RFTKs reaching 18.46 billion and 5.3 billion respectively.
- ▶ We will speed up the transformation of our marketing model and achieve innovation in our approach to manage profitability and costs, with a view to enhancing our competitive advantages. We plan to open up new routes of Beijing-Geneva, Chengdu-Frankfurt, and Beijing-Houston.
- ▶ We will enhance our capacity for strategic coordination and promote the coordinated developments of our companies.

Safety

- ▶ We will make sure that no flight accident or major accident on the ground or major aircraft maintenance accident will happen, and we will do our utmost to foil any hijacking or bombing attempt provided that the safety of passengers and the aircraft is secured.
- ▶ We will exercise effective control on the key risks and enhance the capacity of key functional units to fend off potential risks.
- ▶ We will effectively monitor the safety performance of our branches and subsidiaries and put in place a centralized safety evaluation system by introducing unified standards for aviation safety errors and flight quality control.

Service

- ▶ We will intensify our service management to effectively improve customer experience; and we will further consolidate the foundation for the development of our services through improved institutions and mechanisms.
- ▶ We will promote product innovation and expand our competitive edge in the development of services; and we will make particular efforts to improve our service quality by effectively realizing whole-process service.

Environmental protection

- ▶ We will continue to advance the development of effective systems and institutions for stringent and efficient environmental management.
- ▶ We will strengthen the mechanisms for energy supervision and control and refine performance appraisal for energy conservation and emissions reduction endeavors.
- ▶ We will continue to step up the research and application of energy conservation and emissions reduction technologies and management measures.
- ▶ We will work to enhance employees' environmental awareness and cultivate an environmentally friendly corporate culture.

Employees

- ▶ We will build a smooth channel of communication between the management and employees and establish a platform for exchanges and interactions.
- ▶ We will continue to make progress in the implementation of our cohesion program and put in place and improve a long-term working mechanism that serves the interests of and is satisfactory to both the Company and employees.
- ▶ We will intensify our efforts on and increase our investment in employee training and build teams that excel in safety, services, learning and cultural development. By optimizing the development path for employees, we will develop a learning organization and leadership team that are also service-oriented and innovation driven.

Society


- ▶ We will continue to carry out special flight operations for major events and emergency events.
- ▶ We will continue to provide support to scientific, educational, cultural, health and other public welfare causes.
- ▶ We will further enhance the capacity of our volunteer teams in order to provide better support to the education and development of children and engage in activities designed to help the disadvantaged groups.

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BUREAU VERITAS
Certification

INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work

BUREAU VERITAS has been engaged by AIR CHINA LIMITED (hereafter referred to as "AIR CHINA") to conduct an independent assurance to 2012 SOCIETY RESPONSIBILITY REPORT (hereafter referred to as "the Report") of AIR CHINA. This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the report are the sole responsibility of the management of AIR CHINA. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

Scope of work

- Verifying Data and information included in the report for the report period from 2012.1.1 to 2012.12.31;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyse and review the information reported;
- The verification team only visited AIR CHINA head-office (located in No.30# Tianzhu Road, Tianzhu Airport Industry Zone in Beijing) and did not visit other site and external stakeholders.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements (expressions of opinion, belief, aim or future intention by AIR CHINA) and statements of future commitment;
- Much of the operating financial data in this Report is taken from AIR CHINA Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:

- Interviews with relevant personnel of AIR CHINA;
- Sampled and Review of documentary evidence produced by AIR CHINA;
- verify of sampled performance data;
- Review of data and information systems for collection, aggregation, analysis and review;

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance. For this assignment, we have used the verification rules and instructions IASE3000 and GRI G3.1.



The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- The revised information and data included in the report are general objective, reliable and free from material mistake or misstatement;
- During the process of assurance engagement, BV also identified some improvement opportunities to be included in the "Key areas for ongoing development" and "Management Letter"

Objectivity

The information and data presented in the report is objective and reliable. The data was collected, recorded and analyzed through management system. Relative departments supplied data and relative evidence and the secretariat bureau of AIR CHINA directors board gather information in all domains covered by the report.

Completeness

The Report covered CSR policy and actions of AIR CHINA HQ, subsidiaries and branches in 2012. Focused on safety, client service and environment, the report also disclosed CSR management, economics development, employee care and charity activities.

Clarity

The report framework is reasonable. The statement is concise, clear, and appropriately explaining technical terms and definitions. So it is easy for readers to understand and make decisions.

Comparability

The report disclosed some key CSR data (including economic data, safety operation data and energy consumption data) for 5 years, and appropriately demonstrated in graph. It is easy for readers to compare.

Key areas for ongoing development

Based on the verification work conducted, the following opportunities for improvement have been identified for AIR CHINA:

In order to improve completeness of the report, AIR CHINA should define CSR data summarizing scope and keep consistent with the report scope, also consider disclosing quantized data about client service and charity activities in the report according to GRI (G3.1) requirements.

In order to improve data accuracy in the report, AIR CHINA should perfect quantized data management system, such as energy consumption summary system, and establish CSR non-finance data internal verification procedure.



Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Society and Environmental management with almost 180 years history in providing independent assurance services. No member of the assurance team has a business relationship with AIR CHINA. We have conducted this verification independently, and there has been no conflict of interest.

Fabien JOLY DE BRESILLON
Director For Greater China Region
Bureau Veritas Certification

2013-3-16

May Huang

May Huang
Assurance Team Leader
Bureau Veritas Certification

2013-3-16



The World Is Smaller Because of Us



A STAR ALLIANCE MEMBER 