

Management Discussion of December Operating Data

Air China saw a moderate growth in passenger traffic as evidenced by Revenue Passenger Kilometres (RPK) as well as passengers carried in December 2011 on a year-over-year basis. However domestic traffic declined in December on a month-over-month basis, reflecting seasonal factors in the Chinese industry. The cargo business experienced a decrease in December in terms of Revenue Freight Tonne Kilometres (RFTK) and freighter tonnage carried, both on a year-over-year and month-over-month basis.

Overall passenger capacity, or Available Seat Kilometres (ASK) rose by 4.9% in December year-over-year while passenger traffic, measured in Revenue Passenger Kilometres (RPK) climbed by 3.8%. On a year-over-year basis in December, domestic RPK increased by 3.8% while domestic ASK was up by 5.6%. International RPK grew 3.1% whereas international ASK increased by 3.5%. Regional RPK jumped by 12.5% year-over-year while regional ASK expanded by 10.7%. The company booked 76.9% of the overall passenger load factor in December, a slight decline of 0.8 percentage points year-over-year.

Cargo capacity indicated by Available Freight Tonne Kilometres (AFTK) shrunk by 4.5% year-over-year in December while cargo traffic RFTK decreased by 16.6% and freighter tonnage carried declined by 10%. The cargo load factor dropped 8.4 percentage points year-over-year to 58.3%.

Air China launched a daily non-stop Beijing-Lhasa flight from December 15th 2011. The airline also started a flight service from Beijing to Fuyang in Anhui Province with three weekly flights, and from Beijing to Baynnur in Inner Mogolia with four weekly flights. A daily flight between Dalian and Shenzhen also debuted in December.

In December, Air China consumed a total of 270,000 tonnes of jet fuel. The fuel purchase price averaged RMB7501 per tonne, a year-over-year surge of 25%. The overseas average fuel purchase price was RMB6595 per tonne, up by 19% year-over-year. The domestic fuel purchase price for outbound international flights at the top six Chinese airports was RMB7014 per tonne, up by 22% year-over-year. The average jet fuel purchase price for domestic flights was RMB8087 per tonne, a rise of 30% compared with December last year.

The relevant authority increased the price of jet fuel by RMB380 per tonne starting from 1 December 2011.

During December, the Company made the following adjustments to jet fuel surcharges:

| Effective Date (Based on Ticket Issue Date) | Route | Previous Rate (Per Head Per Sector) | New Rate (Per Head Per Sector) |
|--|---------------------------------|--|---|
| 5 December | Domestic routes 800 km or above | RMB 130 | RMB140 |

Last month, the Company took deliveries of four aircraft, including a B737-800, a B777-300ER, an A320 and an A321. As at the end of December, Air China operated a fleet of 310 aircraft.

*Note: Data excludes Shenzhen Airlines and Air Macau.