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中國國際航空股份有限公司
AIR CHINA LIMITED

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

(Stock Code: 753)

FIRST QUARTERLY REPORT 2009

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) hereby announces that a meeting of the Board was held on 16 April 2009 and the Board passed, inter alia, the resolution approving the quarterly report for the first quarter of 2009 for the three months ended 31 March 2009 prepared in accordance with the PRC Accounting Rules and Regulations.

§1 IMPORTANT NOTICE

- 1.1 The Board, the Supervisory Committee, as well as the directors, supervisors and senior management of the Company hereby warrant that there are no false representations, misleading statements or material omissions in this report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this quarterly report.
- 1.2 Director Mr. Christopher Dale Pratt was unable to attend the Board meeting due to a business engagement and appointed Director Mr. Chen Nan Lok, Philip to attend and vote on his behalf. Independent Director Mr. Hu Hung Lick, Henry was unable to attend the Board meeting due to a business engagement and appointed Independent Director Mr. Zhang Ke to attend and vote on his behalf. Independent Director Mr. Wu Zhipan was unable to attend the Board meeting due to a business engagement and appointed Independent Director Mr. Jia Kang to attend and vote on his behalf.
- 1.3 This First Quarterly Financial Report of the Company is unaudited.
- 1.4 The Chairman of the Company Mr. Kong Dong, Chief Financial Officer Mr. Fan Cheng (person in charge of accounting function), and the General Manager of the Finance Department Mr. Li Youqiang hereby jointly declare that the financial statements set out in this quarterly report is true and complete.

§2 BASIC INFORMATION OF THE COMPANY

2.1 Major accounting data and financial ratios

			<i>In RMB</i>
	At the end of the reporting period	At the end of pervious year	Increase/ decrease at the end of the reporting period as compared to the end of the pervious year (%)
Total assets (<i>RMB'000</i>)	99,788,035	98,897,743	0.90
Owner's equity (or shareholders' equity) (<i>RMB'000</i>)	20,753,375	19,773,890	4.95
Net asset per share (<i>RMB</i>)	1.75	1.67	4.79
	From the beginning of the year to the end of the reporting period		Increase/ decrease over the corresponding period of previous year (%)
Net cash flows from operating activities (<i>RMB'000</i>)		773,598	-62.93
Net cash flows from operating activities per share (<i>RMB</i>)		0.07	-61.11

	Reporting period	From the beginning of the year to the end of the reporting period	Increase/ decrease of this reporting period as compared to the corresponding period of previous year (%)
Net profit attributable to shareholders of the listed company (<i>RMB'000</i>)	981,212	981,212	-5.68
Basic earnings per share (<i>RMB</i>)	0.08	0.08	-9.09
Basic earnings per share after exceptional gains and losses (<i>RMB</i>)	0.04	0.04	-75.00
Diluted earnings per share (<i>RMB</i>)	n/a	n/a	–
Fully diluted return on net assets (%)	4.73	4.73	Decreased by 13.65 percentage points
Fully diluted return on net assets after exceptional gains and losses (%)	0.9	0.9	Decrease by 13.69 percentage points
Exceptional gain and loss items		From the beginning of the year to the end of the reporting period (<i>RMB'000</i>)	
Gains from disposal of non-current assets			3,074
Government grants attributable to gains and losses for the period			676,303
Other non-operating net income and expenses apart from those stated above			4,327
Loss/(gain) from changes in fair value arising from holding trading financial assets/liabilities			992,284
Loss/(gain) realized from trading financial assets/liabilities			-947,840
Income tax effect on exceptional gain and loss			66,034
Total			<u><u>794,182</u></u>

2.2 Total number of shareholders and top 10 holders of listed shares not subject to trading moratorium as at the end of the reporting period

Unit: Share

Total number of shareholders at the end of the reporting period 467,504 (among which 6,239 of H Shares and 461,265 of A Shares)

Particulars of the top 10 holders of listed shares not subject to trading moratorium

Name of shareholder (full name)	Number of listed shares not subject to trading moratorium held as at period end	Class of Shares
Cathay Pacific Airways Limited	2,217,617,455	Overseas listed foreign shares
HKSCC NOMINEES LIMITED	2,148,147,904	Overseas listed foreign shares
China National Aviation Holding Company	122,870,578	RMB ordinary shares
Sinotrans Air Transportation Development Co., Ltd.	80,000,000	RMB ordinary shares
China National Aviation Corporation (Group) Limited	66,852,000	Overseas listed foreign shares
China Construction Bank – Yin Hua Core Value Equity Fund	30,019,707	RMB ordinary shares
Industrial and Commercial Bank of China – HuiTianFu Balanced Growth Stock Securities Investment Fund	17,999,832	RMB ordinary shares
Industrial and Commercial Bank of China – China Southern Sustaining Growth Stock Securities Investment Fund	17,136,051	RMB ordinary shares
Industrial and Commercial Bank of China – China Southern Component Selected Stock Securities Investment Fund	16,999,919	RMB ordinary shares
Agricultural Bank of China – Fuguo Tianrui Affluent Regions Selected Mix Open-ended Securities Investment Fund	16,691,250	RMB ordinary shares

§3 SIGNIFICANT EVENTS

3.1 Significant changes of the principal accounting statements and financial indicators and reasons thereof

Applicable Not applicable

1. The total profit of the Company for the three months ended 31 March 2009 decreased by RMB148 million i.e. 13.61% compared with the corresponding period last year. Of which, operating income decreased by RMB1,508 million, exchange gain decreased by RMB741 million. However, non-operating income increased as a result of the refund and exemption amounting to 655 million in relation to CAAC Infrastructure Development Fund. Further, changes in the fair value of the fuel hedging contracts resulted in losses reverting to RMB989 million while jet fuel costs dropped by 1,652 million.
2. As at 31 March 2009, bill payables of the Company increased by RMB1.4 billion, i.e. 94.77%, as compared to the beginning of the year. It was mainly due to the increase in the use of bank promissory notes in paying suppliers for the various services provided. Bonds payable increased by 200% compared with the beginning of the year as the Company issued two tranches of medium-term notes with an aggregate value of 6 billion on 26 February 2009 and 19 March 2009.

3.2 Analysis and explanation on the progress of significant events and their impact and resolutions

Applicable Not applicable

3.3 Performance of undertakings given by the Company, the shareholders and the effective controlling person

Applicable Not applicable

CNAHC and CNACG gave an undertaking that it would not transfer, or nominate other persons to manage, the shares of the Company held by it, and none of these shares would be acquired by the Company, during the period of 36 months from the listing date of the A shares of the Company.

3.4 Warning in respect of forecast of possible net loss from the beginning of the year to the end of the next Reporting Period or warning in respect of any significant changes in net profit as compared with that of the corresponding period of previous year and the reasons therefore

Applicable Not applicable

Air China Limited
Legal representative: Kong Dong
16 April 2009

§4 APPENDIX

4.1 Consolidated Balance Sheet

31 March 2009

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT ASSETS:		
Cash and bank balances	4,601,133	4,663,792
Provisions on payables		
Contributions received		
Trading financial assets	228,384	253,406
Bills receivable		1,604
Accounts receivable	2,085,854	2,074,178
Prepayments	262,024	309,945
Premium receivable		
Receivables on reinsurance		
Provisions for reinsurance contracts		
Interests receivable		
Dividend receivable		
Other receivables	1,253,202	1,110,524
Purchase of financial assets resold		
Inventories	787,666	812,941
Non-current assets due within a year		
Other current assets		
Total current assets	9,218,263	9,226,390

Items	Balance at the end of the period	Balance at the beginning of the year
NON-CURRENT ASSETS:		
Loans and advances		
Available-for-sale financial assets		
Held-to-maturity investment		
Long-term receivables	223,775	231,586
Long-term equity investment	7,574,572	7,323,075
Investment property		
Fixed assets	66,629,990	66,244,815
Construction in progress	11,274,850	10,887,225
Construction materials		
Disposal of fixed assets		
Biological assets for production		
Oil and gas assets		
Intangible assets	2,557,283	2,563,887
Development expenses		
Goodwill	349,055	349,055
Long-term deferred expenses	135,160	141,601
Deferred income tax assets	1,825,087	1,930,109
Other non-current assets		
Total non-current assets	90,569,772	89,671,353
Total assets	99,788,035	98,897,743
CURRENT LIABILITIES:		
Short-term borrowings	8,067,171	9,379,700
Borrowings from central bank		
Deposits from clients and placements from other banks		
Contributions made		
Trading financial liabilities	6,128,023	7,727,918
Bills payable	2,909,557	1,493,815
Accounts payable	6,883,385	7,792,638
Domestic air traffic liabilities	597,603	744,804
International air traffic liabilities	1,173,790	1,517,530
Receipts in advance	44,567	56,022
Sale of financial assets repurchased		
Fees and commissions payable		
Salaries and wages payable	161,420	163,918
Taxes payable	117,818	300,198
Interests payable	373,794	303,066
Dividend payable		
Other payables	2,847,170	3,030,210
Amounts payable on reinsurance		
Provisions on insurance contracts		
Brokerage payable		
Underwriting fees payable		
Non-current liabilities due within a year	7,987,185	10,186,078
Other current liabilities		
Total current liabilities	37,291,483	42,695,897

Items	Balance at the end of the period	Balance at the beginning of the year
NON-CURRENT LIABILITIES:		
Long-term borrowings	13,251,355	14,109,828
Debentures payable	9,000,000	3,000,000
Long-term payables	1,487,172	1,307,706
Finance leases payables	16,524,360	16,480,784
Specific payables		
Estimated liabilities	112,754	112,754
Deferred income tax liabilities	165,000	214,000
Deferred income	789,867	689,232
Other non-current liabilities		—
Total non-current liabilities	41,330,508	35,914,304
Total liabilities	78,621,991	78,610,201
SHAREHOLDERS' EQUITY:		
Equity	12,251,362	12,251,362
Capital surplus	11,674,377	11,676,739
Less: Treasury shares		
Surplus reserves	1,563,914	1,563,914
General risk provisions		
Profit available for appropriation	-3,126,393	-4,107,603
Currency translation differences	-1,609,885	-1,610,522
Total equities attributable to owners of the Company	20,753,375	19,773,890
Minority interests	412,669	513,652
Total shareholders' equity	21,166,044	20,287,542
Total liabilities and shareholders' equity	99,788,035	98,897,743

Legal representative of the Company: Kong Dong
Person in charge of accounting function: Fan Cheng
Person in charge of accounting department: Li Youqiang

Balance Sheet of the Company
31 March 2009

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT ASSETS:		
Cash and bank balances	1,913,784	1,511,221
Trading financial assets	228,384	253,406
Bills receivable		965
Accounts receivable	2,515,108	1,941,404
Prepayments	222,445	261,822
Interests receivable		
Dividend receivable		
Other receivables	1,416,962	1,422,428
Inventories	714,067	741,916
Non-current liabilities due within a year		
Other current assets		
Total current assets	7,010,750	6,133,162
NON-CURRENT ASSETS:		
Available-for-sale financial assets		
Held-to-maturity investment		
Long-term receivables	167,868	166,690
Long-term equity investment	13,862,813	13,534,419
Investment property		
Fixed assets	63,135,527	62,712,454
Construction in progress	10,376,731	10,072,643
Construction materials		
Disposal of fixed assets		
Biological assets for production		
Oil and gas assets		
Intangible assets	2,176,199	2,181,481
Development expenses		
Goodwill		
Long-term deferred expenses	127,944	133,707
Deferred income tax assets	1,785,000	1,890,000
Other non-current assets		
Total non-current assets	91,632,082	90,691,394
Total assets	98,642,832	96,824,556

Items	Balance at the end of the period	Balance at the beginning of the year
CURRENT LIABILITIES:		
Short-term borrowings	7,988,904	9,201,444
Trading financial liabilities	6,128,023	7,727,918
Bills payable	2,909,557	1,493,815
Accounts payable	6,148,324	6,817,030
Domestic air traffic liabilities	589,883	739,247
International air traffic liabilities	1,047,972	1,411,075
Receipts in advance	27,731	35,152
Salaries and wages payable	110,924	113,413
Taxes payable	115,939	290,579
Interests payable	361,322	301,088
Dividend payable		
Other payables	2,342,588	2,402,427
Non-current liabilities due within a year	7,987,185	10,048,877
Other current liabilities		
Total current liabilities	35,758,352	40,582,065
NON-CURRENT LIABILITIES:		
Long-term borrowings	11,770,535	12,855,636
Debentures payable	9,000,000	3,000,000
Long-term payables	1,226,111	1,017,791
Finance leases payables	16,510,013	16,480,784
Specific payables		
Estimated liabilities	112,754	112,754
Deferred income tax liabilities	165,000	214,000
Deferred income	789,867	681,001
Other non-current liabilities		
Total non-current liabilities	39,574,280	34,361,966
Total liabilities	75,332,632	74,944,031
SHAREHOLDERS' EQUITY:		
Equity	12,251,362	12,251,362
Capital surplus	14,331,750	14,334,111
Less: Treasury shares		
Surplus reserves	1,554,324	1,554,324
Profit available for appropriation	-4,827,236	-6,259,272
Currency translation differences		
Total shareholders' equity	23,310,200	21,880,525
Total liabilities and shareholders' equity	98,642,832	96,824,556

Legal representative: Kong Dong

Person in charge of accounting function: Fan Cheng

Person in charge of accounting department: Li Youqiang

4.2 Consolidated Income Statement

January to March 2009

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the period	Amounts for the corresponding period of previous year (restated)
I. Revenue from operations	11,243,520	12,751,265
Including: Operating income	11,243,520	12,751,265
Interest income		
Premium earned		
Fees and commission income		
II. Total operating cost	11,023,484	12,039,068
Including: Operating costs	9,394,323	11,139,496
Interest expenses		
Fees and commission expenses		
Returned premium		
Net reimbursement paid		
Net amounts of provisions on insurance contracts drawn		
Bonus paid on insurance policy		
Reinsurance premium		
Business taxes and other surcharges	271,961	314,813
Selling expenses	812,696	800,449
Administrative expenses	285,477	244,274
Finance expenses	259,027	-459,964
Impairment loss of assets		
Add: Gains from changes in fair value (loss is represented by “-” sign)	992,284	19,300
Investment income (loss is represented by “-” sign)	-956,790	364,270
Including: Gains arising from investments in associated companies and joint ventures	-8,951	218,854
Exchange gains (loss is represented by “-” sign)		

Items	Amounts for the period	Amounts for the corresponding period of previous year (restated)
III. Profit from operations (loss is represented by “-” sign)	255,530	1,095,767
Add: Non-operating income	685,704	39,473
Less: Non-operating expenses	1,999	48,079
Including: Net loss arising from disposal of non-current assets		
IV. Total profit (loss is represented by “-” sign)	939,235	1,087,161
Less: Income tax expenses	58,992	82,928
V. Net profit (loss is represented by “-” sign)	880,241	1,004,233
Net profits attributable to owners of Company	981,214	1,040,254
Gains or losses from minority interests	-100,971	-36,021
VI. Earnings per share:		
(I) Basic	0.08	0.09
(II) Diluted	n/a	n/a

Legal representative of the Company: Kong Dong
Person in charge of accounting function: Fan Cheng
Person in charge of accounting department: Li Youqiang

Income Statement of the Company

January to March 2009

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	Amounts for the period	Amounts for the corresponding period of previous year (restated)
I. Revenue from operations	10,798,510	11,287,560
Less: Operating cost	8,534,423	9,654,633
Business taxes and other surcharges	268,097	291,259
Selling expenses	786,212	775,159
Administrative expenses	234,348	216,479
Finance expenses	256,248	-404,021
Impairment loss of assets		
Add: Gains from changes in fair value (loss is represented by “-” sign)	992,284	31,039
Investment income (loss is represented by “-” sign)	-884,611	205,315
Including: Gains arising from investments in associated companies and joint ventures	63,229	59,899
II. Profit from operations (loss is represented by “-” sign)	826,855	990,406
Add: Non-operating income	663,175	37,807
Less: Non-operating expenses	1,994	47,650
Including: Net loss arising from disposal of non-current assets		
III. Total profit (loss is represented by “-” sign)	1,488,036	980,562
Less: Income tax expenses	56,000	76,996
IV. Net profit (loss is represented by “-” sign)	1,432,036	903,566

Legal representative of the Company: Kong Dong
Person in charge of accounting function: Fan Cheng
Person in charge of accounting department: Li Youqiang

4.3 Consolidated Cash Flow Statement

January to March 2009

Prepared by Air China Limited

Unit: RMB (Unaudited)

Items	Amounts for the period	Amounts for the corresponding period of previous year
I. Cash flows from operating activities:		
Cash received from sales of goods, provision of services	10,443,252	12,016,400
Net increase in deposits from clients and placements from other banks		
Net increase in borrowings from central bank		
Net increase in contributions made to other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash receipt from reinsurance operations		
Net increase in reserve of the insured and investment		
Net increase in trading financial assets		
Cash received from interests, fees and commission		
Net increase in contributions		
Net increase in cash from repurchase operations		
Refund of tax and levy	2,716	28,143
Other cash received relating to operating activities	243,158	213,848
Subtotal of cash inflows of operating activities	10,689,126	12,258,391
Cash paid for goods purchased, services rendered	6,853,377	7,022,906
Net increase in loans and advances to clients		
Net increase in deposits to central bank and to other banks		
Cash payment of claims under original insurance contracts		
Cash payment of interests, fees and commission		
Cash payment of bonus paid to insurance policy		
Cash paid to or on behalf of employees	1,098,670	1,168,885
Tax paid	673,320	742,176
Other cash paid in relation to operating activities	1,290,161	1,237,804
Subtotal of cash outflows of operating activities	9,915,528	10,171,771
Net cash flows from operating activities	773,598	2,086,620

Items	Amounts for the period	Amounts for the corresponding period of previous year
II. Cash flows from investing activities:		
Cash received from investments		
Cash from investment income	–	14,405
Net cash from disposal of fixed assets, intangible assets and other long-term assets	61,758	24,559
Net cash from disposal of subsidiaries and other business units		
Other cash received from investing activities	6,297	466,902
Subtotal of cash inflows of investment activities	68,055	505,866
Cash paid to purchase of fixed assets, intangible assets and other long-term assets	1,311,745	2,709,571
Cash paid to investments	265,200	826,364
Net increase in pledged loans	1,371	–
Net cash from subsidiaries and other business units		
Cash payments relating to other investments		
Subtotal of cash outflows of investment activities	1,578,316	3,535,935
Net cash flows from investing activities	-1,510,261	-3,030,069
III. Cash flows from financing activities:		
Cash received from investments		
Including: Cash received from investments of minority shareholders through subsidiaries		
Cash received from borrowings	10,093,162	7,695,234
Cash received from issue of debentures		
Other cash relating to financing activities		
Subtotal of cash inflows of financing activities	10,093,162	7,695,234
Cash repaid to amounts borrowed	7,892,173	4,287,843
Cash payments for distribution of dividends, profits or interest expenses	411,374	414,244
Including: Dividends and profit paid to minority shareholders by subsidiaries		
Other cash payments relating to financing activities	1,084,310	1,314,895
Subtotal of cash outflows of financing activities	9,387,857	6,016,982
Net cash flows from financing activities	705,305	1,678,252
IV. Effect of exchange rate changes on cash and cash equivalents	-32,984	-28,875
V. Net increase in cash and cash equivalents	-64,342	705,928
Add: Balance of cash and cash equivalents at the beginning of the period	2,913,332	3,668,528
VI. Balance of cash and cash equivalents at the end of the period	2,848,990	4,374,456

Legal representative of the Company: Kong Dong
 Person in charge of accounting function: Fan Cheng
 Person in charge of accounting department: Li Youqiang

Cash Flow Statement of the Company

January to March 2009

Prepared by Air China Limited

Unit: RMB (Unaudited)

Items	Amounts for the period	Amounts for the corresponding period of previous year
I. Cash flows from operating activities:		
Cash received from sales of goods, provision of services	9,463,493	11,037,294
Refund of tax and levy	2,716	28,143
Other cash received relating to operating activities	206,361	152,363
Subtotal of cash inflows of operating activities	9,672,570	11,217,800
Cash paid for goods purchased, services rendered	5,766,805	6,294,726
Cash paid to and on behalf of employees	1,022,800	1,065,998
Tax paid	656,763	699,669
Other cash paid in relation to operating activities	1,161,853	1,104,204
Subtotal of cash outflows of operating activities	8,608,221	9,164,597
Net cash flows from operating activities	1,064,349	2,053,203
II. Cash flows from investing activities:		
Cash received from investments		
Cash from investment income		
Net cash from disposal of fixed assets, intangible assets and other long-term assets	61,756	24,559
Net cash from disposal of subsidiaries and other business units		
Other cash received from investing activities	3,951	149,483
Subtotal of cash inflows of investment activities	65,707	174,042
Cash paid to purchase of fixed assets, intangible assets and other long-term assets	1,151,910	2,469,311
Cash paid to investments	265,200	-
Net cash from subsidiaries and other business units		
Cash payments relating to other investments		
Subtotal of cash outflows of investment activities	1,417,110	2,469,311
Net cash flows from investing activities	-1,351,403	-2,295,269

Items	Amounts for the period	Amounts for the corresponding period of previous year
III. Cash flows from financing activities:		
Cash received from investments		
Cash received from borrowings	9,977,721	7,664,882
Other cash relating to financing activities		
Subtotal of cash inflows of financing activities	9,977,721	7,664,882
Cash repaid to amounts borrowed	7,778,113	4,257,492
Cash payments for distribution of dividends, profits or interest expenses	410,249	395,334
Other cash payments relating to financing activities	1,084,310	1,314,896
Subtotal of cash outflows of financing activities	9,272,672	5,967,722
Net cash flows from financing activities	705,049	1,697,160
IV. Effect of exchange rate changes on cash and cash equivalents	-15,432	-10,159
V. Net increase in cash and cash equivalents	402,563	1,444,935
Add: Balance of cash and cash equivalents at the beginning of the period	1,508,947	1,348,887
VI. Balance of cash and cash equivalents at the end of the period	1,911,510	2,793,822

Legal representative of the Company: Kong Dong
Person in charge of accounting function: Fan Cheng
Person in charge of accounting department: Li Youqiang

By order of the Board
Air China Limited
Huang Bin Tam Shuit Mui
Joint Company Secretaries

Beijing, PRC, 16 April 2009

As at the date of this announcement, the Directors of the Company are Mr. Kong Dong, Ms. Wang Yinxiang, Mr. Wang Shixiang, Mr. Christopher Dale Pratt, Mr. Chen Nan Lok, Philip, Mr. Cai Jianjiang, Mr. Fan Cheng, Mr. Hu Hung Lick, Henry, Mr. Wu Zhipan*, Mr. Zhang Ke* and Mr. Jia Kang*.*

* *Independent non-executive Director of the Company*