



A STAR ALLIANCE MEMBER 

Air China Limited

Stock code: 00753 Hong Kong 601111 Shanghai AIRC London

2022

INTERIM REPORT

中國國際航空股份有限公司 (short name: 中國國航) (English name: Air China Limited, short name: Air China) is the only national flag carrier of China.

As the old saying goes, “Phoenix, a bird symbolizing benevolence” and “The whole world will be at peace once a phoenix reveals itself”. The corporate logo of Air China is composed of an artistic phoenix figure, the Chinese characters of “中國國際航空公司” in calligraphy written by Deng Xiaoping, by whom the China’s reform and opening-up blueprint was designed, and the characters of “AIR CHINA” in English. Signifying good auspices in the ancient Chinese legends, phoenix is the king of all birds. It “flies from the eastern Happy Land and travels over mountains and seas and bestows luck and happiness upon all parts of the world”. Air China advocates the core spirit of phoenix which is to “serve the world, to lead and move forward to higher goals”. By virtue of the immense historical heritage, Air China strives to create perfect travel experience and keep passengers safe by upholding the spirit of phoenix of being a practitioner, promoter and leader for the development of the Chinese civil aviation industry. The Company is also committed to leading the industrial development by establishing itself as a national brand, at the same time pursuing outstanding performance through innovation and excelling efforts.

Air China was listed on The Stock Exchange of Hong Kong Limited (stock code: 00753) and the London Stock Exchange (stock code: AIRC) on 15 December 2004, and was listed on the Shanghai Stock Exchange (stock code: 601111) on 18 August 2006.

Headquartered in Beijing, Air China has set up branches in Southwest China, Zhejiang, Chongqing, Tianjin, Shanghai, Hubei, Xinjiang, Guangdong, Guizhou, Tibet and Wenzhou. As at the end of the Reporting Period, the major subsidiaries of Air China are Shenzhen Airlines Company Limited (including Kunming Airlines Company Limited), Air Macau Company Limited, Beijing Airlines Company Limited, Dalian Airlines Company Limited, Air China Inner Mongolia Co., Ltd., Aircraft Maintenance and Engineering Corporation, Air China Import and Export Co., Ltd., Chengdu Falcon Aircraft Engineering Service Co., Ltd., Air China Shantou Industrial Development Company; and its joint ventures mainly include GA Innovation China Co., Ltd. and Sichuan Services Aero-Engine Maintenance Co., Ltd. Moreover, the associates of Air China are Cathay Pacific Airways Limited, Shandong Airlines Co., Ltd. and Tibet Airlines Co., Ltd.. Air China is also the largest shareholder of Shandong Aviation Group Co., Ltd.

With the goal of becoming “the world’s leading airline”, Air China adheres to the four strategic directions of “hub network, balanced development of cargo and passenger services, cost leadership and brand strategy” and remains dedicated to serving passengers with credibility, convenience, comfort and choice. “Air China Miles” is the oldest frequent flier programme in China, under which all members of the frequent flier programmes under various brands of its subsidiaries and associates have been consolidated into the brand of “Phoenix Miles”.



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CORPORATE INFORMATION

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

1st Floor-9th Floor 101
Building 1
30 Tianzhu Road
Shunyi District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

5th Floor
CNAC House
12 Tung Fai Road
Hong Kong International Airport
Hong Kong

WEBSITE:

www.airchina.com.cn

DIRECTORS: ¹

Mr. Song Zhiyong
Mr. Ma Chongxian
Mr. Feng Gang
Mr. Patrick Healy
Mr. Li Fushen
Mr. He Yun
Mr. Xu Junxin
Ms. Winnie Tam Wan-chi

SUPERVISORS: ¹

Mr. He Chaofan
Mr. Wang Jie
Mr. Qin Hao
Ms. Lyu Yanfang
Ms. Guo Lina

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Song Zhiyong

JOINT COMPANY SECRETARIES:

Mr. Huang Bin
Mr. Huen Ho Yin

AUTHORISED REPRESENTATIVES:

Mr. Song Zhiyong
Mr. Huang Bin

LEGAL ADVISERS TO THE COMPANY:

DeHeng Law Offices (*as to PRC Law*)
DLA Piper Hong Kong (*as to Hong Kong and English Law*)

INTERNATIONAL AUDITOR:

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

H SHARE REGISTRAR AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING VENUES:

Hong Kong, London and Shanghai

1. The Company completed the re-election and appointment of members of the sixth session of the Board and the Supervisory Committee on 25 February 2022. For details, please refer to the announcement of the Company dated 25 February 2022.

SUMMARY OF FINANCIAL INFORMATION

| (RMB'000) | Six months ended 30 June 2022 | Six months ended 30 June 2021 |
|---|----------------------------------|----------------------------------|
| Revenue | 23,952,653 | 37,663,803 |
| Loss from operations | (16,972,714) | (6,042,612) |
| Loss before taxation | (23,075,797) | (9,404,949) |
| Loss after taxation | (22,214,145) | (7,670,665) |
| Loss attributable to non-controlling interests | (2,777,299) | (889,236) |
| Loss attributable to equity shareholders of the Company | (19,436,846) | (6,781,429) |
| EBITDA ⁽¹⁾ | (6,514,396) | 4,289,009 |
| EBITDAR ⁽²⁾ | (6,277,761) | 4,844,258 |
| Loss per share attributable to equity shareholders of the Company (RMB) | (1.4151) | (0.4937) |
| Return on equity attributable to equity shareholders (%) | (45.32) | (9.10) |

⁽¹⁾ EBITDA represents earnings before finance income and finance costs, net exchange gain/loss, income tax expense, share of results of associates and joint ventures, depreciation and amortisation as computed under IFRSs.

⁽²⁾ EBITDAR represents EBITDA before deducting lease expenses on aircraft and engines as well as other lease expenses.

| (RMB'000) | At 30 June 2022 | At 31 December 2021 |
|---|--------------------|------------------------|
| Total assets | 299,295,794 | 298,381,190 |
| Total liabilities | 254,694,816 | 232,550,079 |
| Non-controlling interests | 1,711,930 | 4,462,554 |
| Equity attributable to equity shareholders of the Company | 42,889,048 | 61,368,557 |
| Equity attributable to equity shareholders of the Company per share (RMB) | 2.95 | 4.23 |

SUMMARY OF OPERATING DATA

The following is the operating data summary of the Company, Shenzhen Airlines (including Kunming Airlines), Air Macau, Beijing Airlines, Dalian Airlines and Air China Inner Mongolia.

| | January to June 2022 | January to June 2021 | Increase/ (decrease) |
|--|-------------------------|-------------------------|-------------------------|
| Capacity | | | |
| ASK (million) | 44,282.01 | 82,499.92 | (46.32%) |
| International | 1,595.40 | 2,115.00 | (24.57%) |
| Mainland China | 41,869.76 | 79,091.22 | (47.06%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 816.84 | 1,293.70 | (36.86%) |
| AFTK (million) | 5,172.28 | 5,494.08 | (5.86%) |
| International | 3,916.08 | 3,251.70 | 20.43% |
| Mainland China | 1,195.86 | 2,183.95 | (45.24%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 60.34 | 58.43 | 3.27% |
| ATK (million) | 9,162.00 | 12,928.38 | (29.13%) |
| Traffic | | | |
| RPK (million) | 26,756.90 | 58,252.60 | (54.07%) |
| International | 572.59 | 894.83 | (36.01%) |
| Mainland China | 25,796.55 | 56,630.89 | (54.45%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 387.77 | 726.89 | (46.65%) |
| RFTK (million) | 2,104.47 | 2,067.48 | 1.79% |
| International | 1,625.14 | 1,402.29 | 15.89% |
| Mainland China | 458.32 | 646.52 | (29.11%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 21.00 | 18.67 | 12.48% |
| Passengers carried (thousand) | 17,373.04 | 38,610.67 | (55.00%) |
| International | 94.59 | 145.81 | (35.13%) |
| Mainland China | 17,051.59 | 38,023.37 | (55.15%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 226.87 | 441.49 | (48.61%) |
| Cargo and mail carried (tonnes) | 486,513.58 | 600,504.45 | (18.98%) |
| Kilometres flown (million) | 329.34 | 532.23 | (38.12%) |
| Block hours (thousand) | 508.13 | 860.26 | (40.93%) |
| Number of flights | 172,708 | 310,257 | (44.33%) |
| International | 9,602 | 9,490 | 1.18% |
| Mainland China | 160,037 | 295,927 | (45.92%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 3,069 | 4,840 | (36.59%) |
| RTK (million) | 4,481.37 | 7,264.73 | (38.31%) |

SUMMARY OF OPERATING DATA

| | January to June 2022 | January to June 2021 | Increase/ (decrease) |
|--|-------------------------|-------------------------|-------------------------|
| Load factor | | | |
| Passenger load factor (RPK/ASK) | 60.42% | 70.61% | (10.19 ppt) |
| International | 35.89% | 42.31% | (6.42 ppt) |
| Mainland China | 61.61% | 71.60% | (9.99 ppt) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 47.47% | 56.19% | (8.71 ppt) |
| Cargo and mail load factor (RFTK/AFTK) | 40.69% | 37.63% | 3.06 ppt |
| International | 41.50% | 43.12% | (1.63 ppt) |
| Mainland China | 38.33% | 29.60% | 8.72 ppt |
| Hong Kong SAR, Macau SAR and Taiwan, China | 34.80% | 31.95% | 2.85 ppt |
| Overall load factor (RTK/ATK) | 48.91% | 56.19% | (7.28 ppt) |
| Utilisation | | | |
| Daily utilisation of aircraft (block hours per day per aircraft) | 3.95 | 7.05 | (3.10 hours) |
| Yield | | | |
| Yield per RPK (RMB) | 0.5645 | 0.5304 | 6.43% |
| International | 2.0472 | 1.6561 | 23.62% |
| Mainland China | 0.5268 | 0.5108 | 3.13% |
| Hong Kong SAR, Macau SAR and Taiwan, China | 0.8789 | 0.6652 | 32.13% |
| Yield per RFTK (RMB) | 3.2691 | 2.2130 | 47.72% |
| International | 3.6153 | 2.5858 | 39.81% |
| Mainland China | 1.7782 | 1.2510 | 42.14% |
| Hong Kong SAR, Macau SAR and Taiwan, China | 9.0151 | 7.5265 | 19.78% |
| Unit cost | | | |
| Operating cost per ASK (RMB) | 0.9569 | 0.5575 | 71.64% |
| Operating cost per ATK (RMB) | 4.6248 | 3.5577 | 29.99% |

DEVELOPMENT OF FLEET

During the Reporting Period, the Group introduced a total of 16 aircraft, including one A350 aircraft, seven A320NEO aircraft and eight A321NEO aircraft, and phased out 14 aircraft, including three A330-200 aircraft, five B737-800 aircraft, three B737-900 aircraft and three A319 aircraft. As at the end of the Reporting Period, the Group had a total of 748 aircraft with an average age of 8.39 years, of which the Company operated a fleet of 472 aircraft in total, with an average age of 8.54 years. During the first half of the year, the Company introduced 13 aircraft and phased out eight aircraft.

Details of the fleet of the Group are set out in the table below:

| | 30 June 2022 | | | | | Average age (year) |
|----------------------|--------------|------------|-------------------|---------------------|-------------|-----------------------|
| | Sub-total | Self-owned | Finance leases | Operating leases | | |
| Airbus | 418 | 159 | 140 | 119 | 8.01 | |
| A319 | 38 | 32 | 6 | – | 14.56 | |
| A320/A321 | 302 | 103 | 109 | 90 | 7.14 | |
| A330 | 61 | 24 | 8 | 29 | 9.79 | |
| A350 | 17 | – | 17 | – | 2.53 | |
| Boeing | 318 | 143 | 93 | 82 | 9.03 | |
| B737 | 266 | 119 | 73 | 74 | 9.16 | |
| B747 | 10 | 8 | 2 | – | 12.97 | |
| B777 | 28 | 4 | 18 | 6 | 8.21 | |
| B787 | 14 | 12 | – | 2 | 5.36 | |
| COMAC | 7 | 1 | 6 | – | 1.31 | |
| ARJ21 | 7 | 1 | 6 | – | 1.31 | |
| Business jets | 5 | 1 | – | 4 | 9.01 | |
| Total | 748 | 304 | 239 | 205 | 8.39 | |

DEVELOPMENT OF FLEET

| | Introduction Plan | | | Phase-out Plan | | |
|---------------|-------------------|-----------|-----------|----------------|-----------|-----------|
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| Airbus | 36 | 10 | 31 | 10 | 10 | 15 |
| A319 | - | - | - | 4 | 2 | 8 |
| A320/A321 | 27 | 5 | 31 | - | 3 | 7 |
| A330 | - | - | - | 6 | 5 | - |
| A350 | 9 | 5 | - | - | - | - |
| Boeing | - | - | - | 12 | 8 | 1 |
| B737 | - | - | - | 12 | 8 | 1 |
| COMAC | 10 | 9 | 9 | - | - | - |
| ARJ21 | 10 | 9 | 9 | - | - | - |
| Total | 46 | 19 | 40 | 22 | 18 | 16 |

Note: Please refer to the actual operation for the introduction and phase-out of the Group's fleet in the future.

BUSINESS OVERVIEW

SAFE OPERATION

The Group enhanced its safety management capabilities and continued to maintain a stable and safe operation. During the Reporting Period, the Group thoroughly studied and implemented the value of the overall national security, and applied the concept of safe development to all levels of the Company comprehensively. The Group strictly implemented the various work requirements of higher-level units in the face of a complex and challenging safety environment of the industry. By consolidating and upgrading the specific three-year safety rectification action, it continued to improve the operation safety system, strengthen the development of the “four systems”, namely safety management, flight training, operation management and aircraft maintenance. The Group seriously ensured the proper implementation of 8 safety areas such as aviation safety, aviation security and pandemic containment to prevent and eliminate major safety risks, enhanced the specific annual actions and implemented the “15 measures of operation safety” in detail. Continuing to further conduct major inspection for safety purpose and investigation and rectification of hidden safety hazards, the Group proactively responded to the changes in operation, implemented risk prevention and control measures, and promoted the style development of the safety personnel effectively. The Group released the revised overall contingency plan of the Company to continuously enhance the Company’s contingency response capability.

During the Reporting Period, the Group recorded 0.508 million safe flight hours. It also successfully accomplished important air transportation safeguard missions for Spring Festival travel rush, the Two Sessions, the Beijing Winter Olympics/Paralympics and other major events. Upholding the concept that the safety responsibility is a kind of political responsibility, the Group strictly implemented its own responsibility in safety management so as to welcome the successful commencement of the 20th National Congress of the Party with concrete actions.

CONTAINING THE PANDEMIC

The Group strictly implemented the pandemic prevention and control measures in a detailed manner and consolidated the containment results continuously. During the Reporting Period, the Group seriously implemented the approaches and policies of containing the pandemic confirmed by the Central Committee of the Party. Adhering to the master strategy of “guarding against the importation of cases and the resurgence of domestic infections” and the master approach of “dynamic clearing”, the Group carefully and consistently carried out the pandemic containment measures. It pushed forward the implementation of the main responsibility level by level and launch of prevention and control measures step by step, including closely tracking the pandemic developments and containment policy changes, targeted deployment of key containment tasks and carrying out supervision and inspection. With the proper responses to the unexpected local pandemic outbreaks by our branches in Shanghai, Tianjin, Zhejiang and Guangdong, life, health and safety of employees and the orderly and stable operation were safeguarded effectively. Air China Inner Mongolia successfully and repeatedly accomplished the charter flight assignment for pandemic control and relief-aid in the autonomous region, and ensured the safe operation of inbound flight diversion. By formulating the high-standard prevention and control measures and contingency plans of air transportation safeguard for major events such as the Beijing Winter Olympics and Paralympics and the Two Sessions, the key mission of “zero-infection” was accomplished. The Group carried out specific emergency drills to fight the pandemic, and established the system of the three-tier emergency plan in order to continuously enhance the capability in regular prevention and control. Besides, it enhanced education and training of employees to promote the vaccine booster program as far as possible for those who are eligible. The campaign of caring for the mental health of the flight attendant team was further implemented to increase efforts in employee care. In addition, the Group strengthened the pandemic containment management of overseas pilot trainees and expatriates to safeguard personal safety and normal operation of training.

MAXIMISING OPERATING PERFORMANCE

The Company adhered to the general principle of pursuing progress while ensuring stability, and strived to maintain the momentum of stable operation. During the Reporting Period, the Group closely followed the market and pandemic situation to adjust its transport capacity, explored the maximum operating performance and enhanced its potential, exercised stringent cost control and managed capital risks.

The Group proactively responded to the market changes and dynamically adjusted its operation arrangement. Having seized the market opportunities presented by Spring Festival travel rush, it operated 33,000 domestic flights, representing a year-on-year increase of 12% in transport capacity. In May and June, aligning with the pace of market recovery, the Group resumed the scale of transport capacity allocation in an orderly manner, which resulted in month-on-month increases of 34.9% and 53.2% in transport capacity, respectively. It continued to push ahead the development of the domestic express routes and optimized the flight schedules while enhanced the allocation of wide-body aircraft to 47% and 38% for six express routes and 10 boutique routes, respectively. Adhering to the price-driven strategy, the Group strictly controlled cargo spaces and maintained its advantage in the overall freight price level. It refined the marketing strategy and promoted precise marketing in order to increase the stickiness of frequent flier members. With the enhanced support of interline products to the passenger load of flights, the sales volume and revenue from interline products for the first half of the year amounted to 0.65 million passengers and RMB0.31 billion, respectively. Under the strengthened integration of passenger aircraft for cargo operations, the Group operated 9,851 cargo flights by passenger aircraft, representing an increase of 24.1% year-on-year.

Striving to curb expenses under strict cost control, the Group strengthened the value management throughout the life cycle of aircraft and made focused efforts to boost the cost efficiency of aircraft use. It optimized the aircraft cost and put greater efforts into implementing the fuel-saving measures and APU replacement. By making full use of the alleviation policies properly, the Group obtained the supporting funds. By adjusting and optimizing the debt structure, the Group has increased the proportion of medium- and long-term debts, thereby ensuring its capital security.

ENHANCING SERVICES

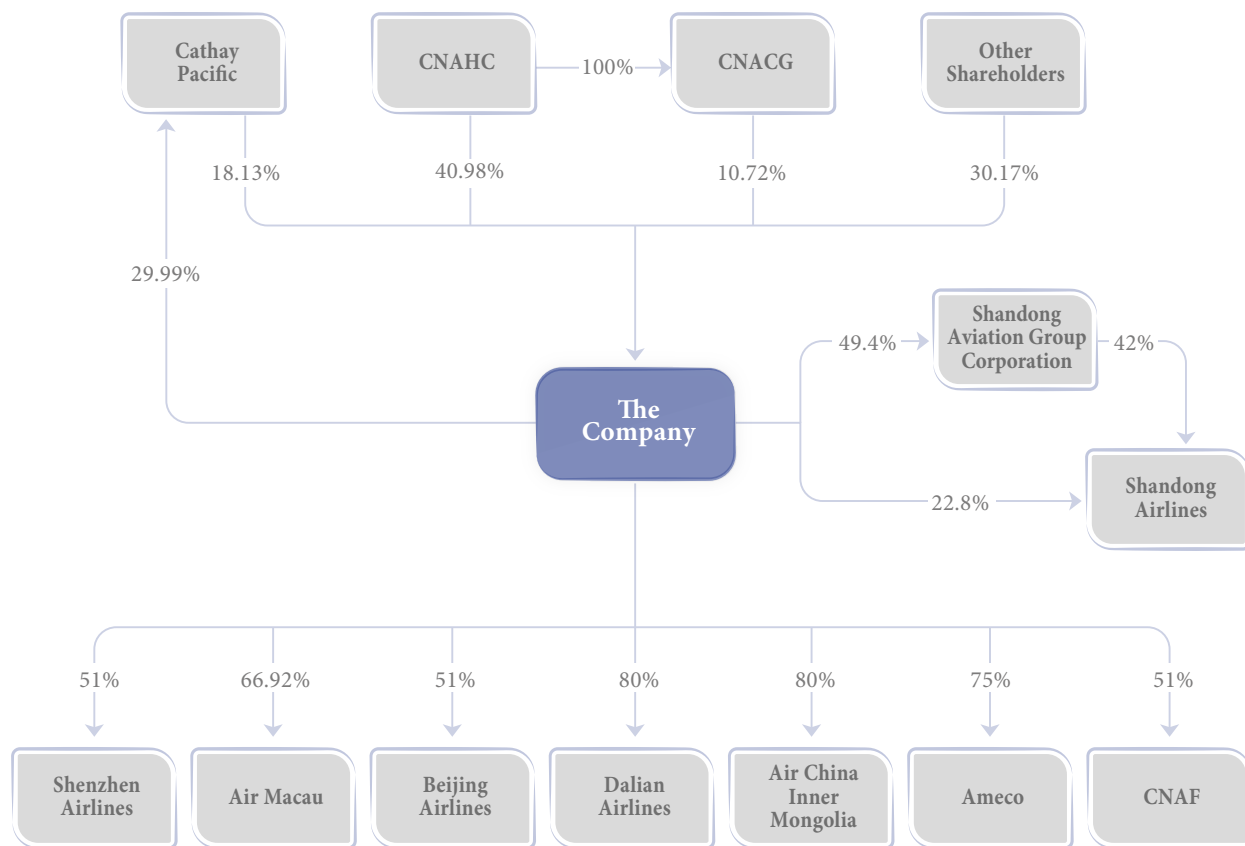
The Group continued to promote the implementation of service initiatives to constantly improve the customer service experience. During the Reporting Period, the Group continued to optimize the travel experience of passengers under the pandemic containment measures, upgrade the quality of services and products and develop the service brand with more special features and influences so as to contribute to the Company's high-quality development.

Promptly responding to the pandemic prevention and control policies, the Group devoted strenuous efforts in timely and effectively making announcements of any change in flights and rendering full-process passenger services such as ticket refund and change. Focusing on the passenger demands, the Group accelerated the development of its convenient passenger service. With the expanded contactless online service, all the domestic terminals have realized the full coverage of "paperless" travel services. Remote self check-in service has been launched at 137 operating domestic airports. The Group enhanced the online self-service experience by launching charged services designed for unaccompanied children aged 12-18 in domestic routes and upgrading smart transit guidance functions in the APP. It commenced health information inquiry and auto-examination services for arriving international passengers at 14 operating overseas airports in Europe, America, Asia and Africa. To align with the international standard, the Group improved the quality of baggage transportation and successfully passed the full-network baggage tracking and certification under the Resolution 753 of the International Air Transport Association, thus continuing to expand the network of route coverage for baggage tracking.

BUSINESS OVERVIEW

Highlighting the brand features, the Group created Air China's exclusive ground-air experience for passengers. To develop featured ground rest spaces of Air China, the Group pushed forward the implementation of the design standard of innovative self-operated lounges and the construction of four new lounges (approximately 2,500 square meters) in Hangzhou and Guiyang in an orderly manner. To create Air China's featured enjoyable and comfy flying experience for passengers, the Group adopted the customized design for the innovative business class seats of A350, and upgraded the graphic user interface of the in-flight entertainment system so as to refresh the flight experience of passengers. The Group updated the Wi-Fi platform with five major selected sections featuring "Xuexi Qiangguo (學習強國)" to allow more fun for passengers' flights with richer entertainment content. Launching the innovative "Henishuo (盒你說)" and "Dainifei (袋你飛)" series meal box services, the Group continued to create new products through research and development, serve and optimize the new modes of our in-flight meals, thereby offering higher quality meal options to passengers.

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



- Notes:
1. CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 51.70% of the shares of the Company.
 2. As of the end of the Reporting Period, Shandong Aviation Group Corporation is owned as to 49.4% by the Company, while Shandong Airlines is owned as to 42% by Shandong Aviation Group Corporation. Accordingly, Shandong Airlines is directly and indirectly owned as to 43.548% by the Company.

During the Reporting Period, the operating results of the major subsidiaries and associates of the Company were as follows:

| | Shenzhen Airlines | Air Macau | Beijing Airlines | Dalian Airlines | Air China Inner Mongolia | Ameco | CNAF | Cathay Pacific | Shandong Airlines |
|--|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|---|--|--------------------------------------|--------------------------------------|
| Year of establishment | 1992 | 1994 | 2011 | 2011 | 2013 | 1989 | 1994 | 1946 | 1999 |
| Place of domicile | Shenzhen | Macau | Beijing | Dalian | Inner Mongolia | Beijing | Beijing | Hong Kong | Shandong |
| Principal business | Air passenger and air cargo services | Air passenger and air cargo services | Business charter and public air passenger and air cargo services | Air passenger and air cargo services | Air passenger and air cargo services | Repair and overhaul of aircraft, engines and components | Provision of financial services to CNAHC Group and the Group | Air passenger and air cargo services | Air passenger and air cargo services |
| Registered capital | RMB5,360,000,000 | MOP2,242,042,000 | RMB1,000,000,000 | RMB3,000,000,000 | RMB1,000,000,000 | USD300,052,800 | RMB1,127,961,864 | 6,437,200,203 shares in issue | RMB400,000,000 |
| Percentage of shareholding by the Company | 51% | 66.9178% | 51% | 80% | 80% | 75% | 51% | 29.99% | 22.8% |
| Revenue (RMB100 million) | 53.08 (on a consolidated basis) | 3.52 | 0.68 | 2.14 | 2.20 | 29.82 | 0.85 | 155.16 (on a consolidated basis) | 32.39 (on a consolidated basis) |
| Year-on-year changes (%) | (45.17) | (31.39) | (66.67) | (64.98) | (65.13) | (17.53) | (12.39) | 16.94 | (51.18) |
| Total assets (RMB100 million) | 671.39 | 57.73 | 10.26 | 40.84 | 21.55 | 63.87 | 235.32 | 1,600.87 | 328.87 |
| Profit/(loss) attributable to parent company (RMB100 million) | (45.93) | (4.26) | (0.89) | (3.32) | (1.91) | (4.09) | 0.23 | (44.32) | (32.96) |
| Profit/(loss) attributable to parent company in the corresponding period of last year (RMB100 million) | (13.65) | (3.36) | (0.39) | (0.54) | (0.37) | (0.75) | 0.22 | (63.31) | (7.95) |

BUSINESS OVERVIEW

The fleet information and operating data of the major subsidiaries and associates of the Company were as follows:

| As at the end of the Reporting Period/ During the Reporting Period | Shenzhen Airlines | Air Macau | Beijing Airlines* | Dalian Airlines | Air China Inner Mongolia | Cathay Pacific | Shandong Airlines |
|---|----------------------------------|-----------|-------------------|-----------------|-----------------------------|----------------------------------|----------------------|
| Fleet size (unit) | 227 (on a consolidated basis) | 17 | 3 | 13 | 11 | 228 (on a consolidated basis) | 134 |
| Average age (year) | 8.18 | 6.06 | 12.58 | 8.73 | 9.17 | 10.9 | 8.71 |
| ASK (100 million) | 157.98 | 6.65 | 0.42 | 6.67 | 6.41 | 30.59 | 95.67 |
| Year-on-year changes (%) | (41.68) | (41.79) | (86.09) | (56.59) | (59.77) | (26.6) | (49.24) |
| RPK (100 million) | 99.24 | 3.53 | 0.23 | 3.93 | 3.46 | 18.10 | 65.60 |
| Year-on-year changes (%) | (48.52) | (49.76) | (89.14) | (63.33) | (69.08) | 129.7 | (56.12) |
| Passengers carried (10 thousand) | 654.32 | 20.41 | 1.49 | 28.08 | 29.49 | 33.5 | 428.23 |
| Year-on-year changes (%) | (50.39) | (51.82) | (93.72) | (69.31) | (70.40) | 113.4 | (59.14) |
| Average passenger load factor (%) | 62.82 | 53.14 | 55.10 | 58.87 | 53.98 | 59.2 | 68.57 |
| Year-on-year changes (ppt) | (8.34) | (8.43) | (15.45) | (10.83) | (16.27) | 40.3 | (10.75) |

* Note: As at the end of the Reporting Period, Beijing Airlines operated a fleet of four entrusted business jets and one self-owned business jet with an average age of 9.02 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 157 flights, representing a year-on-year increase of 1.95%; it completed 430.42 flying hours, representing a year-on-year decrease of 8.69%; it carried a total of 1,190 passengers, representing a year-on-year increase of 9.17%.

PARTICULARS OF EMPLOYEES

As at the end of the Reporting Period, the Company had a total of 46,197 employees, and the subsidiaries of the Company had a total of 40,427 employees.

REMUNERATION POLICY

Upholding the concept of “paying salary with reference to the job value, personal ability as well as performance appraisal” and centering on enhancing enterprises vitality and improving benefit and efficiency, the Company advances high-quality development. During the Reporting Period, the Company continued to deepen the reform of the distribution system and sought a breakthrough in the increase and decrease of salary. It optimized the management and control mechanism of gross payroll and accelerated the enhancement of labor productivity, thereby vitalizing its corporate intrinsic momentum. In addition, the Company improved the appraisal and distribution mechanism of responsible persons of enterprise to reasonably widen the salary gap, while dynamically adjusted the remuneration policy of front-line staff to maintain a stable key workforce. The Company also perfected the salary benchmarking and analysis mechanism, promoted differentiated and precise incentives, and pushed forward the implementation of medium- and long-term incentives in an orderly manner, so as to strengthen the positive incentives for core talents.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis are based on the Group's interim condensed consolidated financial statements and notes thereto which were prepared in accordance with the IAS 34 as well as the applicable disclosure requirements under Appendix 16 to the Listing Rules and are designed to assist the readers in further understanding the information provided in this report so as to better understand the financial conditions and results of operations of the Group as a whole.

REVENUE

During the Reporting Period, the Group's revenue was RMB23,953 million, representing a year-on-year decrease of RMB13,711 million or 36.40%. Among the revenues, air traffic revenue was RMB21,983 million, representing a year-on-year decrease of RMB13,487 million or 38.02%. Other operating revenue was RMB1,970 million, representing a year-on-year decrease of RMB224 million or 10.21%.

REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

| (in RMB'000) | For the six months ended 30 June | | | | |
|---|----------------------------------|----------------|-------------------|----------------|-----------------|
| | 2022 | | 2021 | | Change |
| | Amount | Percentage | Amount | Percentage | |
| International | 7,047,581 | 29.43% | 5,107,946 | 13.56% | 37.97% |
| Mainland China | 16,374,918 | 68.36% | 31,931,808 | 84.78% | (48.72%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 530,154 | 2.21% | 624,049 | 1.66% | (15.05%) |
| Total | 23,952,653 | 100.00% | 37,663,803 | 100.00% | (36.40%) |

AIR PASSENGER REVENUE

During the Reporting Period, the Group recorded an air passenger revenue of RMB15,104 million, representing a year-on-year decrease of RMB15,792 million. Among the air passenger revenue, the decrease of capacity resulted in a decrease in revenue of RMB14,312 million, and the decrease of passenger load factor resulted in a decrease in revenue of RMB2,392 million, while the increase of passenger yield resulted in an increase in revenue of RMB912 million. The capacity, passenger load factor and yield per RPK of air passenger business during the Reporting Period are as follows:

| | For the six months ended 30 June | | |
|-------------------------------------|----------------------------------|-----------|-------------|
| | 2022 | 2021 | Change |
| Available seat kilometres (million) | 44,282.01 | 82,499.92 | (46.32%) |
| Passenger load factor (%) | 60.42 | 70.61 | (10.19 ppt) |
| Yield per RPK (RMB) | 0.5645 | 0.5304 | 6.43% |

MANAGEMENT DISCUSSION AND ANALYSIS

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

| (in RMB'000) | For the six months ended 30 June | | | | |
|---|----------------------------------|----------------|-------------------|----------------|-----------------|
| | 2022 | | 2021 | | Change |
| | Amount | Percentage | Amount | Percentage | |
| International | 1,172,233 | 7.76% | 1,481,942 | 4.80% | (20.90%) |
| Mainland China | 13,590,439 | 89.98% | 28,929,694 | 93.64% | (53.02%) |
| Hong Kong SAR, Macau SAR and Taiwan, China | 340,831 | 2.26% | 483,530 | 1.56% | (29.51%) |
| Total | 15,103,503 | 100.00% | 30,895,166 | 100.00% | (51.11%) |

AIR CARGO AND MAIL REVENUE

During the Reporting Period, the Group's air cargo and mail revenue was RMB6,880 million, representing a year-on-year increase of RMB2,304 million. Among the air cargo and mail revenue, the increase of yield of cargo and mail business contributed to an increase in revenue of RMB2,222 million, and the increase of cargo and mail load factor resulted in an increase in revenue of RMB350 million, while the decrease of capacity resulted in a decrease in revenue of RMB268 million. The capacity, cargo and mail load factor and yield per RFTK of air cargo and mail business during the Reporting Period are as follows:

| | For the six months ended 30 June | | |
|--|----------------------------------|----------|----------|
| | 2022 | 2021 | Change |
| Available freight tonne kilometres (million) | 5,172.28 | 5,494.08 | (5.86%) |
| Cargo and mail load factor (%) | 40.69 | 37.63 | 3.06 ppt |
| Yield per RFTK (RMB) | 3.2691 | 2.2130 | 47.72% |

AIR CARGO AND MAIL REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

| (in RMB'000) | For the six months ended 30 June | | | | |
|---|----------------------------------|----------------|------------------|----------------|---------------|
| | 2022 | | 2021 | | Change |
| | Amount | Percentage | Amount | Percentage | |
| International | 5,875,348 | 85.40% | 3,626,004 | 79.25% | 62.03% |
| Mainland China | 814,998 | 11.85% | 808,780 | 17.68% | 0.77% |
| Hong Kong SAR, Macau SAR and Taiwan, China | 189,323 | 2.75% | 140,519 | 3.07% | 34.73% |
| Total | 6,879,669 | 100.00% | 4,575,303 | 100.00% | 50.37% |

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses were RMB42,373 million, representing a decrease of 7.88% from RMB45,996 million for the same period of the previous year. The breakdown of the operating expenses is set out below:

| (in RMB'000) | For the six months ended 30 June | | | | |
|---|----------------------------------|----------------|-------------------|----------------|----------------|
| | 2022 | | 2021 | | Change |
| | Amount | Percentage | Amount | Percentage | |
| Jet fuel costs | 10,348,319 | 24.42% | 9,914,804 | 21.56% | 4.37% |
| Take-off, landing and depot charges | 3,221,432 | 7.60% | 5,020,224 | 10.91% | (35.83%) |
| Depreciation and amortisation | 10,458,318 | 24.68% | 10,331,621 | 22.46% | 1.23% |
| Aircraft maintenance, repair and overhaul costs | 2,370,572 | 5.59% | 3,586,761 | 7.80% | (33.91%) |
| Employee compensation costs | 11,444,006 | 27.01% | 11,301,581 | 24.57% | 1.26% |
| Air catering charges | 415,683 | 0.98% | 912,392 | 1.98% | (54.44%) |
| Selling and marketing expenses | 908,624 | 2.14% | 1,140,228 | 2.48% | (20.31%) |
| General and administrative expenses | 507,940 | 1.20% | 469,485 | 1.02% | 8.19% |
| Others | 2,697,858 | 6.38% | 3,318,460 | 7.22% | (18.70%) |
| Total | 42,372,752 | 100.00% | 45,995,556 | 100.00% | (7.88%) |

- Jet fuel costs increased by RMB434 million on a year-on-year basis, mainly due to the combined effect of the increase in the prices of jet fuel and the decrease in the consumption of jet fuel.
- Take-off, landing and depot charges decreased by RMB1,799 million on a year-on-year basis, mainly due to the year-on-year decrease in the number of take-offs and landings.
- Aircraft maintenance, repair and overhaul costs decreased by RMB1,216 million on a year-on-year basis, mainly due to the year-on-year decrease in the investment in production and operation.
- Employee compensation costs increased by RMB142 million on a year-on-year basis, mainly due to the combined effect of the resumption of contribution to the corporate annuity plan and the decrease in investment in production and operation.
- Air catering charges decreased by RMB497 million on a year-on-year basis, mainly due to the decrease in the number of passengers.
- Other operating expenses mainly included civil aviation development fund and ordinary expenses arising from the core air traffic business other than those mentioned above, which decreased by 18.70% on a year-on-year basis, mainly due to the decrease in the investment in production and operation.

MANAGEMENT DISCUSSION AND ANALYSIS

NET EXCHANGE (LOSS) GAIN AND FINANCE COSTS

During the Reporting Period, the Group recorded a net exchange loss of RMB2,240 million, as compared to a net exchange gain of RMB563 million for the same period of the previous year. The Group incurred finance costs of RMB3,141 million (excluding those capitalised) during the Reporting Period, representing a year-on-year increase of RMB483 million.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group's share of losses of its associates was RMB1,041 million, representing a year-on-year decrease of RMB378 million. The Group recorded a loss on investment of Cathay Pacific of RMB423 million during the Reporting Period, representing a year-on-year decrease of RMB941 million; and recorded a loss on investment of Shandong Aviation Group Corporation and Shandong Airlines of RMB475 million, representing a year-on-year increase of RMB384 million.

During the Reporting Period, the Group's share of profits of its joint ventures was RMB227 million, representing a year-on-year increase of RMB117 million.

ASSETS STRUCTURE ANALYSIS

As at the end of the Reporting Period, the total assets of the Group were RMB299,296 million, representing an increase of 0.31% from that as at 31 December 2021. Among them, the current assets accounted for RMB32,450 million or 10.84% of the total assets, while the non-current assets accounted for RMB266,846 million or 89.16% of the total assets.

Among the current assets, cash and cash equivalents were RMB18,556 million, representing an increase of 16.45% from that as at 31 December 2021.

Among the non-current assets, the aggregate carrying amount of property, plant and equipment and right-of-use assets as at the end of the Reporting Period was RMB220,540 million, representing an increase of 0.06% from that as at 31 December 2021.

ASSET MORTGAGE/PLEDGE

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had mortgaged certain aircraft, engines and flight equipment, other equipment and buildings with an aggregated book value of approximately RMB92,192 million (31 December 2021: RMB89,565 million) and land use rights with book value of approximately RMB25 million (31 December 2021: RMB26 million). In addition, the Group had restricted bank deposits of approximately RMB864 million (31 December 2021: approximately RMB775 million), which were mainly statutory reserves deposited in the People's Bank of China.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to a total of RMB4,919 million, of which the total investment in aircraft and engines was RMB3,856 million. Other capital expenditure investment amounted to RMB1,063 million, mainly including investment in rotables, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY INVESTMENT

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB10,219 million, representing a decrease of 1.65% from that as at 31 December 2021, among which, the balance of the equity investment of the Group in Cathay Pacific amounted to RMB9,894 million.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,850 million, representing an increase of 1.09% from that as at 31 December 2021.

DEBT STRUCTURE ANALYSIS

As at the end of the Reporting Period, the total liabilities of the Group amounted to RMB254,695 million, representing an increase of 9.52% from those as at 31 December 2021, among which current liabilities were RMB88,034 million and non-current liabilities were RMB166,661 million, accounting for 34.56% and 65.44% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB53,154 million, representing a decrease of 3.24% as compared with that as at 31 December 2021.

Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB155,077 million, representing an increase of 19.78% from that as at 31 December 2021.

Details of interest-bearing liabilities of the Group by currency are set out below:

| (in RMB'000) | 30 June 2022 | | 31 December 2021 | | Change |
|--------------|--------------------|----------------|--------------------|----------------|---------------|
| | Amount | Percentage | Amount | Percentage | |
| RMB | 163,169,761 | 78.36% | 139,158,663 | 75.46% | 17.25% |
| US dollars | 43,755,771 | 21.01% | 43,949,421 | 23.84% | (0.44%) |
| Others | 1,305,365 | 0.63% | 1,294,474 | 0.70% | 0.84% |
| Total | 208,230,897 | 100.00% | 184,402,558 | 100.00% | 12.92% |

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, decreased by 5.28% from RMB30,522 million as at 31 December 2021 to RMB28,909 million as at the end of the Reporting Period. The Group's investment commitments, which were mainly used for the investment agreements that have been signed and come into effect, amounted to RMB23 million as at the end of the Reporting Period, as compared with RMB22 million as at 31 December 2021, which was mainly attributable to the investment in GA Innovation China Co., Ltd.

Details of the Group's contingent liabilities are set out in note 20 to the condensed consolidated financial statements included in this interim report.

GEARING RATIO

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 85.10%, representing an increase of 7.16 percentage points from that as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL AND ITS SOURCES

As at the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB55,584 million, representing a decrease of RMB5,639 million from that as at 31 December 2021. The Group's current ratio (current assets divided by current liabilities) was 0.37, representing an increase of 0.04 as compared to that as at 31 December 2021.

The Group meets its working capital needs mainly through its operating activities and external financing activities. During the Reporting Period, the Group's net cash outflow from operating activities was RMB9,960 million, as compared to the net cash inflow of RMB4,432 million for the corresponding period in 2021, which was mainly due to the decline in revenue on a year-on-year basis as a result of the sporadic outbreak of the pandemic. Net cash outflow from investing activities was RMB1,261 million, as compared with the net cash inflow of RMB846 million for the corresponding period in 2021, mainly due to the year-on-year decrease in cash received from sale and redemption of investments and the year-on-year increase in cash paid for investments during the period. Net cash inflow from financing activities amounted to RMB13,758 million, as compared with the net cash outflow of RMB2,638 million for the same period of 2021, mainly due to the increase of its financing scale to ensure the liquidity safety.

The Company has obtained certain bank facilities of up to RMB193,689 million granted by several banks in the PRC, among which approximately RMB67,399 million has been utilised. The remaining amount is sufficient to meet our demands on working capital and future capital commitments.

POTENTIAL RISKS

1. Risks of External Environment

Market Fluctuation

The Chinese economy has strong resilience and its long-term positive fundamentals will remain unchanged. Nonetheless, in view of the lingering impact of the COVID-19 pandemic, it is confronted with triple pressure of shrinking demand, supply shocks and weakening expectations. There exist some uncertainties in the momentum of the general demand recovery accordingly. Based on the characteristics of the new development phase, the Group will fully implement the new development philosophy and establish new development paradigm with a primary focus on the supply-side structural reform, at the same time responding to the risks of market fluctuation actively.

Oil Price Fluctuation

Jet fuel is one of the main operating costs of the Group. The results of the Group is relatively more affected by the fluctuation of jet fuel price. During the Reporting Period, with other variables remaining unchanged, if the average price of the jet fuel rises or falls by 5%, the Group's jet fuel costs will rise or fall by approximately RMB517 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Exchange Rate Fluctuation

The Group's certain assets and liabilities are denominated in US dollar. Certain international income and expenses of the Group are denominated in currencies other than RMB. Assuming that the risk variables other than the exchange rate stay unchanged, the appreciation or depreciation of RMB against US dollar by 1% due to the changes in the exchange rate will result in the increase or decrease in the Group's net profit and shareholders' equity as at 30 June 2022 by approximately RMB319 million.

2. Risks of Competition

Industry competition

The COVID-19 pandemic created the opportunity for mergers, acquisitions and consolidation in the industry, so that the sector became more concentrated. During the early period of the "14th Five-Year" development of China's civil aviation, active adjustment and control on the growth rate of capacity based on the assessment of the industry during the period of market recovery will help alleviate the pressure of peer competition arising from short-term excess capacity in the domestic market.

Alternative competition

China has built up the world's largest high-speed railway network. It is extending its reach towards central and western China and accelerating the development through long-term planning. In the long run, the high-speed railway will change China's geographic pattern of the economy and, as a result of its cooperation and competition with civil aviation, the air-rail interlink operation will provide strong support to the development of aviation hubs. At the same time, the civil aviation sector will give full play to its competitive edges in the comprehensive transportation system and promote international exchange. It will "link main routes and branch routes and connect the whole network" to offer easily accessible transportation services to the general public.

CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

1. At the 2022 first extraordinary general meeting of the Company on 25 February 2022, Mr. Li Fushen, Mr. He Yun, Mr. Xu Junxin and Ms. Winnie Tam Wan-chi were elected as independent Directors of the sixth session of the Board of the Company. Mr. Duan Hongyi, Mr. Stanley Hui Hon-chung and Mr. Li Dajin ceased to serve as independent Directors, while Mr. Xue Yasong ceased to serve as the employee representative Director. Mr. He Chaofan, Ms. Lyu Yanfang and Ms. Guo Lina were elected as the shareholder representative Supervisors of the sixth session of the Supervisory Committee of the Company, while Mr. Zhao Xiaohang ceased to serve as the shareholder representative Supervisor. At the first meeting of the sixth session of the Supervisory Committee of the Company on the same date, Mr. He Chaofan was elected as the Chairman of the sixth session of the Supervisory Committee. On the same date, Mr. Zhao Xiaohang ceased to serve as Vice President of the Company due to expiry of his term of office.
2. On 12 May 2022, Mr. Ni Jiliang was appointed as the Vice President of the Company at the fourth meeting of the sixth session of the Board of the Company.
3. On 2 June 2022, Mr. Xu Chuanyu ceased to serve as the chief safety officer of the Company due to work reasons.
4. On 30 June 2022, Mr. Zhao Yang ceased to serve as the assistant to the President of the Company due to work reasons.
5. On 1 August 2022, Mr. Chai Weixi ceased to serve as the Vice President of the Company due to retirement.
6. During the Reporting Period, Mr. Song Zhiyong, an executive Director of the Company, was appointed as the Chairman of CNACG.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Mr. Patrick Healy is a non-executive director of the Company and is concurrently the chairman and executive Director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,633,725,455 H Shares of the Company as at the end of the Reporting Period, which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. During the Reporting Period, Mr. Song Zhiyong, an executive Director of the Company, Mr. Ma Chongxian, an executive Director, and Mr. Patrick Healy, a non-executive Director, are concurrently directors of Cathay Pacific. Cathay Pacific competes or is likely to compete either directly or indirectly with some aspects of the business of the Company as it operates airline services to certain destinations which are also served by the Company.

Save as disclosed above, none of the Directors or Supervisors of the Company and their respective close associates (as defined in the Listing Rules) has any competing interests which shall be disclosed under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name | Type of interests | Type and number of shares held by the Company | Percentage of the total issued shares of the Company | Percentage of the total issued A Shares of the Company | Percentage of the total issued H Shares of the Company | Short position |
|---|---------------------|---|--|--|--|----------------|
| CNAHC | Beneficial owner | 5,952,236,697 A Shares | 40.98% | 59.75% | - | - |
| CNAHC ⁽¹⁾ | Equity attributable | 1,332,482,920 A Shares | 9.17% | 13.38% | - | - |
| CNAHC ⁽¹⁾ | Equity attributable | 223,852,000 H Shares | 1.54% | - | 4.91% | - |
| CNACG | Beneficial owner | 1,332,482,920 A Shares | 9.17% | 13.38% | - | - |
| CNACG | Beneficial owner | 223,852,000 H Shares | 1.54% | - | 4.91% | - |
| Cathay Pacific | Beneficial owner | 2,633,725,455 H Shares | 18.13% | - | 57.72% | - |
| Swire Pacific Limited ⁽²⁾ | Equity attributable | 2,633,725,455 H Shares | 18.13% | - | 57.72% | - |
| John Swire & Sons (H.K.) Limited ⁽²⁾ | Equity attributable | 2,633,725,455 H Shares | 18.13% | - | 57.72% | - |
| John Swire & Sons Limited ⁽²⁾ | Equity attributable | 2,633,725,455 H Shares | 18.13% | - | 57.72% | - |

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Notes:

Based on the information available to the Directors, Supervisors and chief executive (including such information available on the website of the Hong Kong Stock Exchange) and so far as the Directors, Supervisors and chief executive are aware, as at the end of the Reporting Period:

- By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 223,852,000 H Shares directly held by CNACG.
- By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 57.89% equity interest and 66.24% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at the end of the Reporting Period, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H Shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as of the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

TOTAL NUMBER OF SHAREHOLDERS

| | |
|--|--|
| Total number of holders of ordinary shares as at the end of the Reporting Period (account) | 106,297 accounts, of which 3,013 accounts are registered holders of H Shares |
|--|--|

INFORMATION OF SHAREHOLDERS

Unit: Share

| Name of shareholder (full name) | Change(s) during the Reporting Period | Number of shares held as at the end of the Reporting Period | Shareholdings of the top 10 shareholders | | | | |
|---|---------------------------------------|---|--|---|----------------------------------|-------------|---------------------------------------|
| | | | Shareholding percentage (%) | Number of shares held subject to selling restrictions | Shares pledged, marked or frozen | | Nature of shareholder |
| | | | | | Status | Number | |
| China National Aviation Holding Corporation Limited | 0 | 5,952,236,697 | 40.98 | 0 | Frozen | 127,445,536 | State-owned legal person |
| Cathay Pacific Airways Limited | 0 | 2,633,725,455 | 18.13 | 0 | Nil | 0 | Foreign legal person |
| HKSCC NOMINEES LIMITED | 119,980 | 1,688,254,345 | 11.62 | 0 | Nil | 0 | Foreign legal person |
| China National Aviation Corporation (Group) Limited | 0 | 1,556,334,920 | 10.72 | 0 | Frozen | 36,454,464 | Foreign legal person |
| China Securities Finance Corporation Limited | 0 | 311,302,365 | 2.14 | 0 | Nil | 0 | State-owned legal person |
| China National Aviation Fuel Group Corporation | (198,900,443) | 226,772,624 | 1.56 | 0 | Nil | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company Limited | 34,613,772 | 110,600,814 | 0.76 | 0 | Nil | 0 | Foreign legal person |
| Agricultural Bank of China Limited - GF Balanced Preferred Hybrid Securities Investment Fund (中國農業銀行股份有限公司—廣發均衡優選混合型證券投資基金) | (16,327,300) | 50,936,529 | 0.35 | 0 | Nil | 0 | Domestic non-state-owned legal person |
| Bank of China - YFD Stable Income Bond Investment Fund (中國銀行—易方達穩健收益債券型證券投資基金) | 18,707,600 | 37,491,800 | 0.26 | 0 | Nil | 0 | Domestic non-state-owned legal person |
| Industrial Bank Co., Ltd. - GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司—廣發睿領先混合型證券投資基金) | 19,572,004 | 35,677,404 | 0.25 | 0 | Nil | 0 | Domestic non-state-owned legal person |

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Unit: Share

| Shareholdings of the top 10 shareholders not subject to selling restrictions | | | |
|--|---|--|------------------------------|
| Name of shareholder | Number of tradable shares held not subject to selling restrictions | Class and number of shares | |
| | | Class | Number |
| China National Aviation Holding Corporation Limited | 5,952,236,697 | RMB ordinary shares | 5,952,236,697 |
| Cathay Pacific Airways Limited | 2,633,725,455 | Overseas listed foreign shares | 2,633,725,455 |
| HKSCC NOMINEES LIMITED | 1,688,254,345 | Overseas listed foreign shares | 1,688,254,345 |
| China National Aviation Corporation (Group) Limited | 1,556,334,920 | RMB ordinary shares Overseas listed foreign shares | 1,332,482,920 223,852,000 |
| China Securities Finance Corporation Limited | 311,302,365 | RMB ordinary shares | 311,302,365 |
| China National Aviation Fuel Group Corporation | 226,772,624 | RMB ordinary shares | 226,772,624 |
| Hong Kong Securities Clearing Company Ltd. | 110,600,814 | RMB ordinary shares | 110,600,814 |
| Agricultural Bank of China Limited – GF Balanced Preferred Hybrid Securities Investment Fund (中國農業銀行股份有限公司—廣發均衡優選 混合型證券投資基金) | 50,936,529 | RMB ordinary shares | 50,936,529 |
| Bank of China – YFD Stable Income Bond Investment Fund (中國銀行—易 方達穩健收益債券型證券投資基金) | 37,491,800 | RMB ordinary shares | 37,491,800 |
| Industrial Bank Co., Ltd. – GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司—廣發睿毅領先混合型證券投資基金) | 35,677,404 | RMB ordinary shares | 35,677,404 |
| Explanation on repurchase accounts among the top ten shareholders | Nil | | |
| Explanation on entrusting voting right, entrusted voting right and waiver of voting right of the Shareholders above | Nil | | |
| Explanation on the related parties or concerted parties' relations of the Shareholders above | | CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 51.70% of the shares of the Company. | |
| Explanation on the preferred shareholders with voting rights restored and number of shares held | Nil | | |

- HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,688,254,345 H Shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of CNACG.
- According to the "Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market" (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by CNAHC, the controlling shareholder of the Company, and CNACG respectively are frozen at present.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Period, except for code provision B.2.2.

Code provision B.2.2 stipulates that, among others, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated 23 October 2020, the terms of the fifth session of the Board and the Supervisory Committee expired on 26 October 2020. As the nomination process of candidates for Directors and Supervisors of the new session of the Board and the Supervisory Committee has not been fully completed, the re-election and appointment of members of the Board and the Supervisory Committee of the Company have been appropriately postponed. The terms of the special committees of the fifth session of the Board of the Company have also been extended accordingly. The Company completed the re-election and appointment of members of the Board and the Supervisory Committee on 25 February 2022, and fulfilled respective information disclosure obligations in a timely manner. All members of the fifth session of the Board and the Supervisory Committee of the Company have continued to fulfill their respective duties and responsibilities of Directors and Supervisors in accordance with the requirements of the laws, administrative rules and the Articles of Association until the completion of the re-election work. The postponed re-election of the members of the Board and the Supervisory Committee of the Company did not affect the normal operation of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted and formulated a code of conduct on terms no less stringent than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code and the Company's code of conduct throughout the Reporting Period.

ENVIRONMENTAL PROTECTION INFORMATION

During the Reporting Period, the Group thoroughly studied the important instructions and directives issued by General Secretary Xi Jinping for carbon peak and carbon neutrality, unswervingly implemented the major deployments of the Central Committee of the Party on the development of the ecological civilization and the national dual-carbon strategy, and achieved excellent results by pushing ahead various green development initiatives effectively. Adhering to the national dual-carbon strategy actively, the Group established a steering group and a task team for the special carbon peak and carbon neutrality project, and held discussions on the pathways to decarbonisation of the industry with the Civil Aviation Administration, scientific research institutions for civil aviation, aircraft and jet engine manufacturers and jet fuel suppliers. Apart from optimising the management system, the Group held facilitation meetings in relation to its green development, during which it deployed the key tasks for green development and dual-carbon strategy and developed a roll-out plan for special training. As the special actions of plastic and waste reduction, the Group imposed comprehensive limitations on the use of plastic in six major areas of governance, namely passenger service, cargo service and express delivery, workplace, procurement management, hotel and apartment and refuse recycling. Meanwhile, it thoroughly complied with the requirements of the Civil Aviation's Blue Sky Protection Campaign, promoted APU replacement facilities on the basis of "maximizing the use if appropriate", and continuously deepened the results of the "fuel-to-electricity" work. The Group actively promoted the environmental and public welfare campaigns, and launched products under the "Clean Flying Experience (淨享飛行)" project to encourage passengers to offset their carbon emissions during the flights by participating in the Chinese Certified Emission Reduction (CCER) scheme and purchase of the carbon credits. Furthermore, in an effort to support the protection of the ecosystem of Yangtze River, the Group established the "Air China Yangtze River Ecological Protection Fund" and conducted the campaign of "Air China Conservation Walk for Saving the Ecology of Yangtze River" as skill enhancement training provided for the ranger personnel in Sichuan Gongga Mountain National Nature Reserve as well as other charitable events for popular science promotion in the community, so as to make contribution for the local biodiversity conservation.

MISCELLANEOUS

CORPORATE BONDS

The Group's corporate bonds as at the end of the Reporting Period are summarised as the followings:

Unit: billion, Currency: RMB

| Name of Bond | Abbreviation | Code | Issue Date | Value Date | Expiry Date | Balance of the Bond | Interest Rate (%) | Payment of principal and interest | Investor suitability arrangement | Trading Mechanism |
|---|--------------|--------|------------------|------------------|------------------|---------------------|-------------------|--|---|--|
| Air China Limited 2012 Corporate Bond (First Tranche) | 12AC01 | 122218 | 18 January 2013 | 18 January 2013 | 18 January 2023 | 5.115 | 5.10 | Interest on annual basis Repayment of principal on maturity | Issued to public and institutional investors | Listed and traded on the Auction Trading System and Fixed Income Platform of SSE |
| Air China Limited 2012 Corporate Bond (Second Tranche) | 12AC03 | 122269 | 16 August 2013 | 16 August 2013 | 16 August 2023 | 1.569 | 5.30 | Interest on annual basis Repayment of principal on maturity | Issued to public and institutional investors | Listed and traded on the Auction Trading System and Fixed Income Platform of SSE |
| Shenzhen Airlines Company Limited 2022 Non-public Issue of Corporate Bond for Professional Investors (First Tranche) | 22SA01 | 133201 | 23 February 2022 | 25 February 2022 | 25 February 2025 | 1.515 | 3.18 | Interest on annual basis Repayment of principal on maturity | For not more than 200 institutional investors among professional investors only | Listed and Transferred on the Integrated Agreement Trading Platform of SZSE |
| Shenzhen Airlines Company Limited 2022 Non-public Issue of Corporate Bond for Professional Investors (Second Tranche) | 22SA02 | 133215 | 17 March 2022 | 21 March 2022 | 21 March 2025 | 1.009 | 3.43 | Interest on annual basis Repayment of principal on maturity | For not more than 200 institutional investors among professional investors only | Listed and Transferred on the Integrated Agreement Trading Platform of SZSE |
| Shenzhen Airlines Company Limited 2022 Non-public Issue of Corporate Bond for Professional Investors (Third Tranche) | 22SA03 | 133229 | 1 April 2022 | 7 April 2022 | 7 April 2025 | 1.511 | 3.4 | Interest on annual basis Repayment of principal on maturity | For not more than 200 institutional investors among professional investors only | Listed and Transferred on the Integrated Agreement Trading Platform of SZSE |
| Shenzhen Airlines Company Limited 2022 Non-public Issue of Corporate Bond for Professional Investors (Fourth Tranche) | 22SA04 | 133240 | 25 April 2022 | 26 April 2022 | 26 April 2025 | 0.704 | 3.4 | Interest on annual basis Repayment of principal on maturity | For not more than 200 institutional investors among professional investors only | Listed and Transferred on the Integrated Agreement Trading Platform of SZSE |

The corporate bonds “12AC01” and “12AC03” are traded on the Shanghai Stock Exchange (SSE), and the corporate bonds “22SA01”, “22SA02”, “22SA03” and “22SA04” are traded on the Shenzhen Stock Exchange (SZSE). The bonds as shown in the table are not exposed to the risk of termination of listing.

The Company and Shenzhen Airlines fulfilled the obligations of payment of principal and/or interest for “12AC01”, “12AC03”, “22SA01”, “22SA02”, “22SA03” and “22SA04” corporate bonds on time. The interests of the above bonds were paid from the value date on an annual basis and the principal amount will be paid in full on maturity.

The proceeds from the issuance of “12AC01”, “12AC03”, “22SA01”, “22SA02”, “22SA03” and “22SA04” corporate bonds were used towards the replenishment of liquidity and repayment of bank loans so as to satisfy the needs of the Company’s daily production and operation. The abovementioned proceeds have been fully utilized in accordance with the use of proceeds as set out in the prospectuses and the balance of proceed as at the end of the Reporting Period is zero.

BASIC INFORMATION ON NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

The following is the basic information on the Group’s non-financial corporate debt financing instruments as at the end of the Reporting Period:

Unit: billion, Currency: RMB

| Name of Bond | Abbreviation | Code | Issue Date | Value Date | Expiry Date | Balance of the Bond | Interest Rate (%) | Payment of principal and interest |
|--|--|-----------|------------------|------------------|-------------------|---------------------|-------------------|--|
| Air China Limited 2021 Super Short-term Commercial Paper (Second Tranche) | 21ACSCP002 | 012103651 | 11 October 2021 | 11 October 2021 | 8 July 2022 | 1.017 | 2.43 | One-off payment of principal and interest on maturity |
| Air China Limited 2021 Super Short-term Commercial Paper (Fourth Tranche) | 21ACSCP004 | 012103867 | 22 October 2021 | 25 October 2021 | 22 July 2022 | 1.017 | 2.5 | One-off payment of principal and interest on maturity |
| Air China Limited 2021 Super Short-term Commercial Paper (Sixth Tranche) | 21ACSCP006 | 012105483 | 21 December 2021 | 22 December 2021 | 16 September 2022 | 2.026 | 2.49 | One-off payment of principal and interest on maturity |
| Shenzhen Airlines Company Limited 2020 Medium Term Note (First Tranche) (Bond for COVID-19 prevention and control) | 20SAMTN001(Bond for COVID-19 prevention and control) | 102000224 | 3 March 2020 | 5 March 2020 | 5 March 2023 | 1.009 | 3.00 | Interest on annual basis Repayment of principal on maturity |
| Shenzhen Airlines Company Limited 2021 Medium Term Note (First Tranche) | 21SAMTN001 | 102101631 | 19 August 2021 | 23 August 2021 | 23 August 2024 | 2.052 | 3.2 | Interest on annual basis Repayment of principal on maturity |
| Shenzhen Airlines Company Limited 2022 Medium Term Note (First Tranche) | 22SAMTN001 | 102280281 | 16 February 2022 | 18 February 2022 | 18 February 2025 | 1.514 | 2.99 | Interest on annual basis Repayment of principal on maturity |

The bonds set out in the table, namely “21ACSCP002”, “21ACSCP004”, “21ACSCP006”, “20SAMTN001(Bond for COVID-19 prevention and control)”, “21SAMTN001” and “22SAMTN001”, are all traded on the interbank bond market, issued to institutional investors in the national interbank bond market, performed in accordance with the trading rules of the National Interbank Funding Centre (全國銀行間同業拆借中心), and are not subject to the risk of termination of listing and trading.

During the Reporting Period, the debt repayment plans and debt repayment guarantee measures for non-financial corporate debt financing instruments were in line with the agreements and relevant undertakings provided in the prospectus and there was no change in that regard. The Group has paid interest to the bondholders in strict compliance with the agreements set out in the prospectus.

MISCELLANEOUS

The proceeds from the issuance of “21ACSCP002”, “21ACSCP004”, “21ACSCP006”, “20SAMTN001(Bond for COVID-19 prevention and control)”, “21SAMTN001” and “22SAMTN001” were used towards the repayment of corporate debts and replenishment of working capital. The abovementioned proceeds have been fully utilized in accordance with the use of proceeds as set out in the prospectus and the balance of proceed as at the end of the Reporting Period is zero.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company (the term “securities” has the meaning ascribed to it under paragraph 1 of Appendix 16 to the Listing Rules).

INTERIM DIVIDEND

No interim dividend will be paid by the Company for the six months ended 30 June 2022.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company’s interim report for the six months ended 30 June 2022, the Company’s unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

OTHER INFORMATION

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirms that the information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company’s 2021 annual report.

OTHER SIGNIFICANT EVENTS

On 30 May 2022, the Company published an inside information announcement, which disclosed that the Company was planning to acquire the control of Shandong Aviation Group Corporation and thereby acquiring the control of Shandong Airlines. On 14 June 2022, the Company issued an update announcement of the inside information announcement, which disclosed that the Company intended to acquire the equity interest of Shandong Aviation Group Corporation held by Shansteel Financial Holdings Asset Management (Shenzhen) Company Limited (“Shansteel Financial Holdings”) and to subscribe for the increased register capital of Shandong Aviation Group Corporation. The Company also intended to further communicate with other shareholders of Shandong Aviation Group Corporation and finalize the investment arrangement in Shandong Aviation Group Corporation. For details, please refer to the announcements of the Company dated 30 May 2022 and 14 June 2022.

SUBSEQUENT EVENTS

On 1 July 2022, as approved at the fifth meeting of the sixth session of the Board of the Company, the Company and Air China Import and Export Co., Ltd. (a wholly-owned subsidiary of the Company) entered into an agreement with Airbus S.A.S. for the purchase of 64 Airbus A320NEO series aircraft from Airbus S.A.S.. On the same day, Shenzhen Airlines, a subsidiary of the Company, entered into an agreement with Airbus S.A.S. for the purchase of 32 Airbus A320NEO series aircraft from Airbus S.A.S.. The basic price of these 96 Airbus A320NEO series aircraft (including the prices for airframes, engines and optional features) totalled approximately US\$12,213 million (price quoted as of January 2020). For details, please refer to the announcement of the Company dated 1 July 2022.

On 2 August 2022, the sixth meeting of the sixth session of the Board of the Company considered and approved the resolutions in relation to the non-public issuance of A Shares of the Company in 2022 (the “Non-public Issuance”), which included the “Resolution on the Proposal for the Non-public Issuance of A Shares of the Company in 2022”. The target subscribers of the Non-public Issuance of A Shares included not more than 35 (inclusive) specific investors (including CNAHC). In particular, CNAHC shall subscribe for shares under the Non-public Issuance in the amount of not less than RMB5,500 million in cash, and upon the completion of the Non-public Issuance, the total number of shares of the Company directly held by CNAHC and indirectly held through its wholly-owned subsidiaries shall not be less than 50.01% (inclusive). For details, please refer to the announcement of the Company dated 2 August 2022. On 18 August 2022, the Company published an announcement in relation to the receipt of approval documents regarding the non-public issuance of A Shares of the Company in 2022 issued by CNAHC (Zhong Hang Ji Tuan Fa [2022] No. 136), pursuant to which CNAHC has in principle approved the proposal for the non-public issuance of A Shares of the Company in 2022. For details, please refer to the overseas regulatory announcement of the Company dated 18 August 2022.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AIR CHINA LIMITED
(中國國際航空股份有限公司)
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Air China Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 31 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | NOTES | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Revenue | 4A | 23,952,653 | 37,663,803 |
| Other income and gains | 5 | 1,447,385 | 2,289,141 |
| | | 25,400,038 | 39,952,944 |
| Operating expenses | | | |
| Jet fuel costs | | (10,348,319) | (9,914,804) |
| Employee compensation costs | | (11,444,006) | (11,301,581) |
| Depreciation and amortisation | | (10,458,318) | (10,331,621) |
| Take-off, landing and depot charges | | (3,221,432) | (5,020,224) |
| Aircraft maintenance, repair and overhaul costs | | (2,370,572) | (3,586,761) |
| Air catering charges | | (415,683) | (912,392) |
| Aircraft and engine lease expenses | | (49,377) | (214,147) |
| Other lease expenses | | (187,258) | (341,102) |
| Other flight operation expenses | | (2,477,129) | (2,753,906) |
| Selling and marketing expenses | | (908,624) | (1,140,228) |
| General and administrative expenses | | (507,940) | (469,485) |
| Net impairment loss reversed/(recognised) under expected credit loss model | | 15,906 | (9,305) |
| | | (42,372,752) | (45,995,556) |
| Loss from operations | 6 | (16,972,714) | (6,042,612) |
| Finance income | | 92,357 | 41,215 |
| Finance costs | 7 | (3,141,435) | (2,658,298) |
| Share of results of associates | | (1,041,350) | (1,418,976) |
| Share of results of joint ventures | | 226,892 | 110,282 |
| Exchange (loss)/gain, net | | (2,239,547) | 563,440 |
| Loss before taxation | | (23,075,797) | (9,404,949) |
| Income tax credit | 8 | 861,652 | 1,734,284 |
| Loss for the period | | (22,214,145) | (7,670,665) |
| Attributable to: | | | |
| – Equity shareholders of the Company | | (19,436,846) | (6,781,429) |
| – Non-controlling interests | | (2,777,299) | (889,236) |
| | | (22,214,145) | (7,670,665) |
| Loss per share | | | |
| – Basic and diluted | 10 | RMB(141.51) cents | RMB(49.37) cents |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Loss for the period | (22,214,145) | (7,670,665) |
| Other comprehensive income/(expense) for the period | | |
| Items that will not be reclassified to profit or loss: | | |
| – Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income | 37,808 | (18,915) |
| – Income tax (charge)/credit relating to items that will not be reclassified to profit or loss | (9,452) | 4,729 |
| – Remeasurement of net defined benefit liability | (347) | (2,125) |
| – Share of other comprehensive expense of associates and joint ventures | (10) | (3,858) |
| Items that may be reclassified subsequently to profit or loss: | | |
| – Fair value loss on investments in debt instruments measured at fair value through other comprehensive income | (5,132) | (5,169) |
| – Impairment loss recognised on investments in debt instruments measured at fair value through other comprehensive income | (1,573) | (15,277) |
| – Income tax relating to items that may be reclassified subsequently to profit or loss | 1,676 | 5,111 |
| – Share of other comprehensive income of associates and joint ventures | 261,569 | 878,718 |
| – Exchange differences on translation of foreign operations | 699,473 | (194,718) |
| Other comprehensive income for the period (net of tax) | 984,012 | 648,496 |
| Total comprehensive expense for the period | (21,230,133) | (7,022,169) |
| Attributable to: | | |
| – Equity shareholders of the Company | (18,479,509) | (6,106,812) |
| – Non-controlling interests | (2,750,624) | (915,357) |
| | (21,230,133) | (7,022,169) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

| | NOTES | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 96,657,145 | 98,804,707 |
| Right-of-use assets | 11 | 123,882,684 | 121,610,254 |
| Investment properties | | 567,567 | 571,798 |
| Intangible assets | | 35,399 | 35,430 |
| Goodwill | | 1,099,975 | 1,099,975 |
| Interests in associates | 12 | 10,219,239 | 10,390,940 |
| Interests in joint ventures | | 1,850,074 | 1,830,070 |
| Advance payments for aircraft and flight equipment | | 19,511,791 | 21,510,230 |
| Deposits for aircraft under leases | | 581,677 | 566,684 |
| Equity instruments at fair value through other comprehensive income | | 214,131 | 176,323 |
| Debt instruments at fair value through other comprehensive income | | 1,361,198 | 1,373,634 |
| Deferred tax assets | | 10,628,965 | 9,757,097 |
| Other non-current assets | | 236,384 | 257,320 |
| | | 266,846,229 | 267,984,462 |
| Current assets | | | |
| Inventories | | 2,643,710 | 2,050,282 |
| Accounts receivable | 13 | 1,638,492 | 2,991,037 |
| Bills receivable | | 3,611 | 3,591 |
| Prepayments, deposits and other receivables | 14 | 4,404,522 | 3,631,521 |
| Financial assets at fair value through profit or loss | | 3,221 | 4,157 |
| Restricted bank deposits | | 863,525 | 774,951 |
| Cash and cash equivalents | | 18,555,849 | 15,934,713 |
| Assets held for sale | | 93,216 | 333,884 |
| Other current assets | | 4,243,419 | 4,672,592 |
| | | 32,449,565 | 30,396,728 |
| Total assets | | 299,295,794 | 298,381,190 |
| Current liabilities | | | |
| Air traffic liabilities | | (2,623,925) | (2,116,028) |
| Accounts payable | 15 | (13,045,434) | (12,590,775) |
| Bills payable | | (445,858) | (199,276) |
| Dividends payable | | (98,000) | (98,000) |
| Other payables and accruals | 16 | (17,126,046) | (19,593,940) |
| Current taxation | | (12,258) | (4,572) |
| Lease liabilities | 17 | (15,761,289) | (14,534,309) |
| Interest-bearing borrowings | 18 | (36,946,817) | (40,201,875) |
| Provision for return condition checks | | (540,318) | (801,235) |
| Contract liabilities | | (1,433,805) | (1,479,717) |
| | | (88,033,750) | (91,619,727) |
| Net current liabilities | | (55,584,185) | (61,222,999) |
| Total assets less current liabilities | | 211,262,044 | 206,761,463 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

| | NOTES | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--|-------|---|---|
| Non-current liabilities | | | |
| Lease liabilities | 17 | (77,341,730) | (76,347,051) |
| Interest-bearing borrowings | 18 | (77,735,203) | (53,120,047) |
| Provision for return condition checks | | (8,867,021) | (8,583,611) |
| Provision for early retirement benefit obligations | | (902) | (1,006) |
| Long-term payables | | (43,508) | (15,646) |
| Contract liabilities | | (1,612,068) | (1,772,209) |
| Defined benefit obligations | | (210,008) | (218,336) |
| Deferred income | | (524,577) | (544,383) |
| Deferred tax liabilities | | (326,049) | (328,063) |
| | | (166,661,066) | (140,930,352) |
| NET ASSETS | | 44,600,978 | 65,831,111 |
| CAPITAL AND RESERVES | | | |
| Issued capital | 19 | 14,524,815 | 14,524,815 |
| Treasury shares | | (3,047,564) | (3,047,564) |
| Reserves | | 31,411,797 | 49,891,306 |
| Total equity attributable to equity shareholders of the Company | | 42,889,048 | 61,368,557 |
| Non-controlling interests | | 1,711,930 | 4,462,554 |
| TOTAL EQUITY | | 44,600,978 | 65,831,111 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|--|-----------------|-----------------|---------------|-----------------|---------------------|-------------------|--------------|---------------------------|--------------|
| | Issued capital | Treasury shares | Capital reserve | Reserve funds | General reserve | Foreign exchange | Retained earnings | Total | Non-controlling interests | Total equity |
| | | | | | | translation reserve | | | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2022 (Audited) | 14,524,815 | (3,047,564) | 31,056,961 | 11,564,287 | 131,916 | (2,755,221) | 9,893,363 | 61,368,557 | 4,462,554 | 65,831,111 |
| Changes in equity for the six months ended 30 June 2022 | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (19,436,846) | (19,436,846) | (2,777,299) | (22,214,145) |
| Other comprehensive income | - | - | 273,197 | - | - | 684,140 | - | 957,337 | 26,675 | 984,012 |
| Total comprehensive income/(expense) | - | - | 273,197 | - | - | 684,140 | (19,436,846) | (18,479,509) | (2,750,624) | (21,230,133) |
| As at 30 June 2022 (Unaudited) | 14,524,815 | (3,047,564) | 31,330,158 | 11,564,287 | 131,916 | (2,071,081) | (9,543,483) | 42,889,048 | 1,711,930 | 44,600,978 |
| As at 1 January 2021 (Audited) | 14,524,815 | (3,047,564) | 30,146,498 | 11,564,287 | 110,628 | (2,311,036) | 26,553,699 | 77,541,327 | 6,231,709 | 83,773,036 |
| Changes in equity for the six months ended 30 June 2021 | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (6,781,429) | (6,781,429) | (889,236) | (7,670,665) |
| Other comprehensive income/(expense) | - | - | 858,210 | - | - | (183,593) | - | 674,617 | (26,121) | 648,496 |
| Total comprehensive income/(expense) | - | - | 858,210 | - | - | (183,593) | (6,781,429) | (6,106,812) | (915,357) | (7,022,169) |
| Capital contribution from non-controlling shareholder of a subsidiary | - | - | - | - | - | - | - | - | 490,148 | 490,148 |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | (14,352) | (14,352) |
| Others | - | - | 3,637 | - | - | - | (3,637) | - | - | - |
| As at 30 June 2021 (Unaudited) | 14,524,815 | (3,047,564) | 31,008,345 | 11,564,287 | 110,628 | (2,494,629) | 19,768,633 | 71,434,515 | 5,792,148 | 77,226,663 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Operating activities | | |
| Cash (used in)/generated from operations | (6,638,919) | 7,350,249 |
| Income tax paid | (11,237) | (18,532) |
| Interest paid | (3,309,532) | (2,899,468) |
| Net cash (used in)/generated from operating activities | (9,959,688) | 4,432,249 |
| Investing activities | | |
| Payments for the purchase of property, plant and equipment | (1,417,668) | (1,355,134) |
| Refund of advance payments for aircraft and flight equipment | 205,198 | 756,263 |
| Proceeds from disposal of property, plant and equipment and assets held for sale | 453,680 | 84,728 |
| Purchases of debt instruments at fair value through other comprehensive income | (1,016,232) | (99,514) |
| Proceeds from disposal of debt instruments at fair value through other comprehensive income | 382,190 | 1,399,866 |
| Dividends received from joint ventures and associates | 27,042 | 2,631 |
| Cash flows arising from other investing activities | 104,469 | 57,421 |
| Net cash (used in)/from investing activities | (1,261,321) | 846,261 |
| Financing activities | | |
| Capital contribution from a non-controlling shareholder of a subsidiary | - | 490,148 |
| Proceeds from new bank loans and other loans | 45,911,484 | 28,111,014 |
| Proceeds from issuance of corporate bonds | 7,950,000 | 4,300,000 |
| Repayments of bank loans and other loans | (19,479,740) | (24,473,165) |
| Repayments of corporate bonds | (13,000,000) | (3,300,000) |
| Repayments of leases liabilities | (7,623,738) | (7,752,136) |
| Dividends paid to non-controlling shareholder of a subsidiary | - | (14,352) |
| Net cash from/(used in) financing activities | 13,758,006 | (2,638,491) |
| Net increase in cash and cash equivalents | 2,536,997 | 2,640,019 |
| Cash and cash equivalents at 1 January | 15,934,713 | 5,837,998 |
| Effect of foreign exchanges rates changes | 84,139 | (26,404) |
| Cash and cash equivalents at 30 June | 18,555,849 | 8,451,613 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

Air China Limited (the “Company”) was established as a joint stock limited company in Beijing, the People’s Republic of China (the “PRC”), on 30 September 2004. The Company’s H shares are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the London Stock Exchange (the “LSE”) while the Company’s A shares are listed on the Shanghai Stock Exchange. In the opinion of the directors of the Company (the “Directors”), the Company’s parent and ultimate holding company is China National Aviation Holding Corporation Limited (“CNAHC”), a state-owned enterprise established in the PRC under the supervision of the State Council.

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are provision of airline and airline-related services, including aircraft engineering services and airport ground handling services.

The registered office of the Company is located at 1st Floor – 9th Floor 101, Building 1, 30 Tianzhu Road, Shunyi District, Beijing 101312, the PRC.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by approximately RMB55,584 million. The liquidity of the Group is primarily dependent on its ability to maintain cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB126,290 million as at 30 June 2022, the Directors believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements to enable the group to continue in operational existence for the foreseeable future when preparing these condensed consolidated financial statements for the six months ended 30 June 2022. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements.

| | |
|----------------------|--|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018-2020 |

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4A. REVENUE

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Revenue from contracts with customers | 23,828,703 | 37,568,479 |
| Rental income (included in revenue of airline operations segment) | 123,950 | 95,324 |
| Total revenue | 23,952,653 | 37,663,803 |

Disaggregation of revenue from contracts with customers

| Segments | Six months ended 30 June 2022 | | Six months ended 30 June 2021 | |
|--|---|---|---|---|
| | Airline operations RMB'000 (Unaudited) | Other operations RMB'000 (Unaudited) | Airline operations RMB'000 (Unaudited) | Other operations RMB'000 (Unaudited) |
| Type of goods or services | | | | |
| Airline operations | | | | |
| Passenger | 15,103,503 | – | 30,895,166 | – |
| Cargo and mail | 6,879,669 | – | 4,575,303 | – |
| Ground service income | 38,434 | – | 107,195 | – |
| Others | 681,013 | – | 580,640 | – |
| | 22,702,619 | – | 36,158,304 | – |
| Other operations | | | | |
| Aircraft engineering income | – | 1,004,000 | – | 1,271,234 |
| Others | – | 122,084 | – | 138,941 |
| | – | 1,126,084 | – | 1,410,175 |
| Total | 22,702,619 | 1,126,084 | 36,158,304 | 1,410,175 |
| Geographical markets | | | | |
| Mainland China | 15,124,884 | 1,126,084 | 30,426,309 | 1,410,175 |
| Hong Kong Special Administrative Region (“SAR”), Macau SAR and Taiwan, China | 530,154 | – | 624,049 | – |
| International | 7,047,581 | – | 5,107,946 | – |
| Total | 22,702,619 | 1,126,084 | 36,158,304 | 1,410,175 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4B. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. The Group has the following reportable operating segments:

- (a) the "airline operations" segment which mainly comprises the provision of air passenger and air cargo services; and
- (b) the "other operations" segment which comprises the provision of aircraft engineering and other airline-related services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Operating segments

The following tables present the Group's consolidated revenue and loss before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2022 and 2021 and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2022

| | Airline operations RMB'000 | Other operations RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|----------------------------------|--------------------------------|------------------------|------------------|
| Revenue | | | | |
| Sales to external customers | 22,826,569 | 1,126,084 | – | 23,952,653 |
| Intersegment sales | 62,327 | 2,163,952 | (2,226,279) | – |
| Revenue for reportable segments under CASs and IFRSs | 22,888,896 | 3,290,036 | (2,226,279) | 23,952,653 |
| Segment loss before taxation | | | | |
| Loss before taxation for reportable segments under CASs | (22,628,677) | (491,684) | 47,150 | (23,073,211) |
| Effect of differences between IFRSs and CASs | | | | (2,586) |
| Loss before taxation for the period under IFRSs | | | | (23,075,797) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4B. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2021

| | Airline operations RMB'000 | Other operations RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|----------------------------------|--------------------------------|------------------------|------------------|
| Revenue | | | | |
| Sales to external customers | 36,253,628 | 1,410,175 | – | 37,663,803 |
| Intersegment sales | 74,687 | 2,682,677 | (2,757,364) | – |
| Revenue for reportable segments under CASs and IFRSs | 36,328,315 | 4,092,852 | (2,757,364) | 37,663,803 |
| Segment loss before taxation | | | | |
| Loss before taxation for reportable segments under CASs | (9,366,578) | (33,554) | (10,666) | (9,410,798) |
| Effect of differences between IFRSs and CASs | | | | 5,849 |
| Loss before taxation for the period under IFRSs | | | | (9,404,949) |

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2022 and 31 December 2021 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

| | Airline operations RMB'000 | Other operations RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--|----------------------------------|--------------------------------|------------------------|------------------|
| Segment assets | | | | |
| Total assets for reportable segments as at 30 June 2022 under CASs (unaudited) | 285,049,507 | 31,624,999 | (17,342,810) | 299,331,696 |
| Effect of differences between IFRSs and CASs | | | | (35,902) |
| Total assets as at 30 June 2022 under IFRSs (unaudited) | | | | 299,295,794 |
| Total assets for reportable segments as at 31 December 2021 under CASs (audited) | 283,966,030 | 30,399,066 | (15,949,944) | 298,415,152 |
| Effect of differences between IFRSs and CASs | | | | (33,962) |
| Total assets as at 31 December 2021 under IFRSs (audited) | | | | 298,381,190 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4B. SEGMENT INFORMATION (Continued)

Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2022 and 2021, respectively:

For the six months ended 30 June 2022

| | Mainland China RMB'000 | Hong Kong SAR, Macau SAR and Taiwan, China RMB'000 | International RMB'000 | Total RMB'000 |
|---|------------------------------|---|--------------------------|------------------|
| Sales to external customers and total revenue | 16,374,918 | 530,154 | 7,047,581 | 23,952,653 |

For the six months ended 30 June 2021

| | Mainland China RMB'000 | Hong Kong SAR, Macau SAR and Taiwan, China RMB'000 | International RMB'000 | Total RMB'000 |
|---|------------------------------|---|--------------------------|------------------|
| Sales to external customers and total revenue | 31,931,808 | 624,049 | 5,107,946 | 37,663,803 |

In determining the Group's geographical information, revenue is attributed to the segments based on the origin or destination of each flight. Assets, which consist principally of aircraft and ground equipment, supporting the Group's worldwide transportation network, are mainly registered/located in Mainland China. According to the business demand, the Group needs to flexibly allocate different aircraft to match the need of the route network. An analysis of the assets of the Group by geographical distribution has therefore not been included.

Revenue from transactions with CNAHC and its subsidiaries (other than the Group) amounted to 30% of the Group's revenue during the six months ended 30 June 2022 (six months ended 30 June 2021: 12%), which is the only single customer with revenue from transactions that amounted to 10% or more of the Group's revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER INCOME AND GAINS

| Continuing operations | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Co-operation routes income and subsidy income | 1,388,679 | 2,192,115 |
| Dividend income | 3,190 | 2,631 |
| Gain on disposal of property, plant and equipment | 2,039 | 5,598 |
| Loss on disposal of assets held for sale | (13,141) | – |
| Others | 66,618 | 88,797 |
| | 1,447,385 | 2,289,141 |

6. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Depreciation of property, plant and equipment | 4,333,124 | 4,596,415 |
| Depreciation of right-of-use assets | 6,112,491 | 5,722,680 |
| Depreciation of investment properties | 12,672 | 12,505 |
| Amortisation of intangible assets | 31 | 21 |
| Research and development costs recognised as an expense | 73,821 | 60,826 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. FINANCE COSTS

An analysis of the Group's finance costs during the period is as follows:

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Interest on interest-bearing borrowings | 1,690,580 | 1,205,093 |
| Interest on lease liabilities | 1,578,905 | 1,596,943 |
| Imputed interest expenses on defined benefit obligations | 3,373 | 3,976 |
| | 3,272,858 | 2,806,012 |
| Less: Interest capitalised | (131,423) | (147,714) |
| | 3,141,435 | 2,658,298 |

The interest capitalisation rates during the period ranged from 1.92% to 4.41% per annum (six months ended 30 June 2021: 1.75% to 4.41% per annum).

8. INCOME TAX CREDIT

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Current income tax: | | |
| – Mainland China | 18,301 | 15,048 |
| – Hong Kong SAR and Macau SAR, China | 819 | 827 |
| Over-provision in respect of prior years | (197) | (1,575) |
| Deferred tax | (880,575) | (1,748,584) |
| | (861,652) | (1,734,284) |

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches and three subsidiaries of the Company, and some branches of a subsidiary of the Company which are taxed at a preferential rate of 15% (six months ended 30 June 2021: 15%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2021: 25%). Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 16.5% (six months ended 30 June 2021: 16.5%), and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12% (six months ended 30 June 2021: 12%).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

In accordance with the Company's articles of association, the profit after tax of the Company for the purpose of dividend distribution is based on the lesser of (i) the profit determined in accordance with CASs; and (ii) the profit determined in accordance with IFRSs.

No interim dividend has been declared by the Directors for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved during the current interim period

No dividend has been declared by the Directors for the financial year 2021 during the current interim period. (six months ended 30 June 2021: Nil)

10. LOSS PER SHARE

The calculation of basic loss per share was based on the loss attributable to ordinary equity shareholders of the Company of RMB19,437 million (six months ended 30 June 2021: loss of RMB6,781 million) and the number of 13,734,960,921 (six months ended 30 June 2021: 13,734,960,921) ordinary shares in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding (Note 12).

The Group had no potential ordinary shares in issue during both periods.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, additions to property, plant and equipment were RMB6,799 million (six months ended 30 June 2021: RMB8,835 million). Property, plant and equipment with carrying amount of RMB242 million were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB84 million), resulting in a gain on disposal of RMB2 million (six months ended 30 June 2021: RMB6 million).

As at 30 June 2022, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB2,105 million (31 December 2021: RMB2,230 million) were pledged to secure certain bank loans of the Group (Note 18).

As at 30 June 2022, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB4,046 million (31 December 2021: RMB4,617 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2022.

During the current interim period, the Group entered into several new lease agreements for the use of aircraft and engines, land, buildings and others. At the commencement date, the Group recognised right-of-use assets of RMB8,265 million (six months ended 30 June 2021: RMB4,221 million).

As at 30 June 2022, the Group had future undiscounted lease payments under non-cancellable leases of RMB861 million (31 December 2021: RMB330 million), which was not recognised as lease liabilities since leases have yet to be commenced.

As at 30 June 2022, the Group's land use rights, which are recorded as part of right-of-use assets and all located in Mainland China, with an aggregate net book value of approximately RMB25 million (31 December 2021: RMB26 million) were pledged to secure certain bank loans of the Group (Note 18).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. INTERESTS IN ASSOCIATES

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|---|---|---|
| Share of net assets | | |
| – Listed shares in the PRC | – | – |
| – Listed shares in Hong Kong SAR, China | 7,466,833 | 7,128,872 |
| – Unlisted investments | 297,685 | 796,274 |
| Goodwill | 2,454,721 | 2,465,794 |
| | 10,219,239 | 10,390,940 |
| Market value of listed shares | 14,571,155 | 10,459,833 |

Summarised financial information in respect of Cathay Pacific, the only individually material associate of the Group, and a reconciliation to the carrying amount in the condensed consolidated financial statements, are set out below. The summarised financial information below represents amounts shown in the associate's condensed consolidated financial statements.

Cathay Pacific

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Gross amounts of the associate's | | |
| Current assets | 22,937,051 | 23,626,187 |
| Non-current assets | 137,150,241 | 137,136,048 |
| Current liabilities | (36,242,097) | (35,267,176) |
| Non-current liabilities | (65,314,281) | (66,424,277) |
| Equity | 58,530,914 | 59,070,782 |
| – Equity attributable to equity shareholders of the associate | 40,439,369 | 42,019,734 |
| – Equity contributed to preferred shareholders of the associate | 17,637,439 | 16,616,902 |
| – Equity contributed to NCI of the associate | 4,276 | 4,088 |
| – Equity attributable to convertible bond holders of the associate | 449,830 | 430,058 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. INTERESTS IN ASSOCIATES (Continued)

Cathay Pacific (Continued)

| | Six months ended 30 June | |
|-----------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Revenue | 15,515,964 | 13,267,578 |
| Loss for the period | (4,181,139) | (6,330,009) |
| Other comprehensive income | 996,983 | 3,066,255 |
| Total comprehensive expense | (3,184,156) | (3,263,754) |

| | At | At |
|---|-------------|-------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Reconciled to the Group's interests in the associate | | |
| Gross amounts of net assets of the associate | 40,439,369 | 42,019,734 |
| Group's effective interest | 29.99% | 29.99% |
| Group's share of net assets of the associate | 12,127,767 | 12,601,718 |
| Elimination of reciprocal shareholding | (4,660,934) | (5,472,846) |
| Goodwill | 2,427,003 | 2,320,324 |
| Carrying amount | 9,893,836 | 9,449,196 |

Based on the unaudited results of Cathay Pacific for the six months ended 30 June 2022, it incurred a loss for the first half of 2022 due to the continued impact of the Covid-19 pandemic.

The Group performed impairment testing on investments in Cathay Pacific due to the impact of the Covid-19 pandemic on Cathay Pacific's market value and cash flow projections. No significant impairment loss was considered necessary.

Aggregate information of associates that are not individually material:

| | At | At |
|---|---------|-------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Aggregate carrying amounts of individually immaterial associates in the condensed consolidated financial statements | 325,403 | 941,744 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. INTERESTS IN ASSOCIATES (Continued)

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Aggregate amounts of the Group's share of those associates' | | |
| – Loss for the period | 618,525 | 55,327 |
| – Other comprehensive (income)/expense for the period | (2,184) | 4,268 |
| Total comprehensive expense for the period | 616,341 | 59,595 |

Unrecognised share of losses of associates of the Group

| Name | Cumulative Unrecognized share of losses at 31 December 2021 RMB'000 | Unrecognized share of losses for the period RMB'000 | Cumulative Unrecognized share of losses at 30 June 2022 RMB'000 |
|-------------------------------------|--|--|---|
| – Shandong Aviation Group Co., Ltd. | – | 196,774 | 196,774 |
| – Shandong Airlines Co., Ltd. | 223,016 | 745,817 | 968,833 |
| | 223,016 | 942,591 | 1,165,607 |

13. ACCOUNTS RECEIVABLE

The ageing analysis of the accounts receivable as at the end of the reporting period, based on the transaction date, net of allowance for expected credit losses, was as follows:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|----------------|---|---|
| Within 30 days | 1,162,976 | 1,841,788 |
| 31 to 60 days | 158,345 | 912,729 |
| 61 to 90 days | 20,816 | 68,098 |
| Over 90 days | 296,355 | 168,422 |
| | 1,638,492 | 2,991,037 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of prepayments, deposits and other receivables as at the end of the reporting period, net of allowance for expected credit losses, was as follows:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--------------------------------|---|---|
| Manufacturers' credits | 588,256 | 639,348 |
| Prepayments of jet fuel | 94,543 | 66,756 |
| Other prepayments | 314,371 | 373,518 |
| | 997,170 | 1,079,622 |
| Deposits and other receivables | 3,407,352 | 2,551,899 |
| | 4,404,522 | 3,631,521 |

As at 30 June 2022, the allowance for expected credit losses mainly consisted of the full provision for the amount due from Shenzhen Airlines Property Development Co., Ltd. of RMB298,438,000 (31 December 2021: RMB298,438,000), an independent third party of the Company.

15. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable, based on the transaction date, as at the end of the reporting period was as follows:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|----------------|---|---|
| Within 30 days | 5,758,460 | 4,440,586 |
| 31 to 60 days | 1,736,642 | 1,070,102 |
| 61 to 90 days | 790,699 | 1,053,190 |
| Over 90 days | 4,759,633 | 6,026,897 |
| | 13,045,434 | 12,590,775 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. OTHER PAYABLES AND ACCRUALS

An analysis of other payables and accruals as at the end of the reporting period was as follows:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Accrued salaries, wages and benefits | 2,614,294 | 3,610,772 |
| Payables for construction in progress | 1,416,343 | 1,496,416 |
| Other tax payable | 136,384 | 161,513 |
| Deposits received from sales agents | 394,825 | 367,250 |
| Current portion of long-term payables | 6,994 | 15,624 |
| Deposits received by China National Aviation Finance Co., Ltd. ("CNAF"), a subsidiary of the Company, from related parties | 10,189,647 | 11,336,605 |
| Others | 2,367,559 | 2,605,760 |
| | 17,126,046 | 19,593,940 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LEASE LIABILITIES

The Group has obligations under lease agreements expiring from the second half of 2022 to 2033 (31 December 2021: 2022 to 2033). An analysis of the lease payments as at the end of the reporting period, together with the present values of the lease payments which are principally denominated in foreign currencies, is as follows:

| | At 30 June 2022 | | At 31 December 2021 | |
|---|--|--|--|--|
| | Lease payments RMB'000 (Unaudited) | Present values of lease payments RMB'000 (Unaudited) | Lease payments RMB'000 (Audited) | Present values of lease payments RMB'000 (Audited) |
| Amounts repayable | | | | |
| – Within 1 year | 18,781,062 | 15,761,289 | 17,511,588 | 14,534,309 |
| – After 1 year but within 2 years | 18,081,466 | 15,616,280 | 16,940,172 | 14,468,929 |
| – After 2 years but within 5 years | 41,483,654 | 37,109,829 | 41,151,717 | 36,603,375 |
| – After 5 years | 26,091,566 | 24,615,621 | 26,984,463 | 25,274,747 |
| Total | 104,437,748 | 93,103,019 | 102,587,940 | 90,881,360 |
| Less: Amounts representing future finance costs | (11,334,729) | | (11,706,580) | |
| Present values of lease payments | 93,103,019 | | 90,881,360 | |
| Less: Portion classified as current liabilities | (15,761,289) | | (14,534,309) | |
| Non-current portion | 77,341,730 | | 76,347,051 | |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. INTEREST-BEARING BORROWINGS

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|---|---|---|
| Bank loans and other borrowings: | | |
| – Secured | 1,474,675 | 1,560,835 |
| – Unsecured | 93,148,268 | 66,528,013 |
| | 94,622,943 | 68,088,848 |
| Corporate bonds and short-term commercial papers: | | |
| – Secured | 6,684,057 | 6,773,180 |
| – Unsecured | 13,375,020 | 18,459,894 |
| | 20,059,077 | 25,233,074 |
| | 114,682,020 | 93,321,922 |
| Bank loans and other borrowings repayable: | | |
| – Within 1 year or payable on demand | 26,579,410 | 24,468,380 |
| – After 1 year but within 2 years | 28,794,082 | 20,840,886 |
| – After 2 years but within 5 years | 39,070,425 | 22,626,486 |
| – After 5 years | 179,026 | 153,096 |
| | 94,622,943 | 68,088,848 |
| Corporate bonds and short-term commercial papers repayable: | | |
| – Within 1 year | 10,367,407 | 15,733,495 |
| – After 1 year but within 2 years | 1,500,000 | 7,476,609 |
| – After 2 years but within 5 years | 8,191,670 | 2,022,970 |
| | 20,059,077 | 25,233,074 |
| Total interest-bearing borrowings | 114,682,020 | 93,321,922 |
| Less: Portion classified as current liabilities | (36,946,817) | (40,201,875) |
| Non-current portion | 77,735,203 | 53,120,047 |

As at 30 June 2022, the interest rates of the Group's bank loans and other borrowings ranged from 1.30% to 4.65% (31 December 2021: 1.30% to 4.65%) per annum.

As at 30 June 2022, the interest rates of the Group's corporate bonds and short-term commercial papers ranged from 2.43% to 5.30% (31 December 2021: 1.95% to 5.30%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. INTEREST-BEARING BORROWINGS (Continued)

The nominal amount of the Group's bank loans and corporate bonds of approximately RMB8,159 million as at 30 June 2022 (31 December 2021: RMB8,334 million) were secured or guaranteed by:

- (a) Mortgages over certain of the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB2,105 million as at 30 June 2022 (31 December 2021: RMB2,230 million) (Note 11); and land use rights with an aggregate net book value of approximately RMB25 million as at 30 June 2022 (31 December 2021: RMB26 million) (Note 11);
- (b) As at 30 June 2022, corporate bonds issued by the Group with a face value of RMB6,500 million (31 December 2021: RMB6,500 million) were guaranteed by CNAHC.

As at 30 June 2022, corporate bonds and short-term commercial papers with carrying amount of RMB9,314 million (31 December 2021: RMB8,677 million) were issued by Shenzhen Airlines Company Limited ("Shenzhen Airlines"), a subsidiary of the Company.

19. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2022 and 31 December 2021 are as follows:

| | 30 June 2022 | | 31 December 2021 | |
|------------------------------------|-----------------------|-----------------------------------|------------------|---------------------------------|
| | Number of shares | Nominal value RMB'000 (Unaudited) | Number of shares | Nominal value RMB'000 (Audited) |
| Registered, issued and fully paid: | | | | |
| – H shares of RMB1.00 each: | | | | |
| Tradable | 4,562,683,364 | 4,562,683 | 4,562,683,364 | 4,562,683 |
| – A shares of RMB1.00 each: | | | | |
| Tradable | 9,962,131,821 | 9,962,132 | 9,962,131,821 | 9,962,132 |
| | 14,524,815,185 | 14,524,815 | 14,524,815,185 | 14,524,815 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had the following contingent liabilities:

Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the HKSE and the LSE, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

21. FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

| | Fair value at 30 June 2022 RMB'000 (Unaudited) | Fair value measurements as at 30 June 2022 categorised into | | |
|--|---|--|-----------------------------------|-----------------------------------|
| | | Level 1 RMB'000 (Unaudited) | Level 2 RMB'000 (Unaudited) | Level 3 RMB'000 (Unaudited) |
| Financial assets at fair value through profit or loss | 3,221 | 3,221 | - | - |
| Equity instruments at fair value through other comprehensive income ("FVTOCI") | 214,131 | - | - | 214,131 |
| Debt instruments at FVTOCI | 1,361,198 | - | 1,361,198 | - |
| Debt instruments at FVTOCI included in other current assets | 834,079 | - | 834,079 | - |
| Total financial assets at fair value | 2,412,629 | 3,221 | 2,195,277 | 214,131 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

| | Fair value at 31 December 2021 RMB'000 | Fair value measurements as at 31 December 2021 categorised into | | |
|--|--|--|--------------------|--------------------|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| Financial assets at fair value through profit or loss | 4,157 | 4,157 | - | - |
| Equity instruments at FVTOCI | 176,323 | - | - | 176,323 |
| Debt instruments at FVTOCI | 1,373,634 | - | 1,373,634 | - |
| Total financial assets at fair value | 1,554,114 | 4,157 | 1,373,634 | 176,323 |

During the six months ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

All financial instruments classified within Level 2 of the fair value hierarchy are debt investments, the fair value of which were determined based upon the valuation conducted by the China Central Depository & Clearing Co., Ltd.

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of equity instruments at FVTOCI was mainly estimated by reference to the quoted prices in an active market with an adjustment of discount for lack of marketability.

(b) Fair values of financial assets and liabilities carried at other than fair value

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in these condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. FINANCIAL INSTRUMENTS (Continued)

(b) Fair values of financial assets and liabilities carried at other than fair value (Continued)

| | Carrying amounts | | Fair values | |
|--------------------------------|--|--|-------------------------------------|---|
| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) | As at 30 June 2022 RMB'000 | As at 31 December 2021 RMB'000 |
| Financial liabilities | | | | |
| – Corporate bonds (fixed rate) | 15,998,453 | 12,900,439 | 15,847,175 | 12,701,744 |

Fair value hierarchy as at 30 June 2022

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--------------------------------|--------------------|--------------------|--------------------|------------------|
| Financial liabilities | | | | |
| – Corporate bonds (fixed rate) | – | 15,847,175 | – | 15,847,175 |

Fair value hierarchy as at 31 December 2021

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--------------------------------|--------------------|--------------------|--------------------|------------------|
| Financial liabilities | | | | |
| – Corporate bonds (fixed rate) | – | 12,701,744 | – | 12,701,744 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

22. COMMITMENTS

(a) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of property, plant and equipment as at the end of the reporting period:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|-----------------------------------|---|---|
| Contracted, but not provided for: | | |
| – Aircraft and flight equipment | 26,460,872 | 28,695,911 |
| – Buildings and others | 2,448,606 | 1,825,802 |
| Total capital commitments | 28,909,478 | 30,521,713 |

(b) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Contracted, but not provided for: | | |
| – investment commitment to a joint venture | 23,490 | 22,315 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates:

(i) Transactions with related parties

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Service provided to the CNAHC Group | | |
| Sales commission income | 477 | 626 |
| Sale of cargo space | 6,659,236 | 4,225,056 |
| Government charter flights | 4,523 | – |
| Air catering income | 7,867 | 15,954 |
| Ground services income | 47,571 | 43,020 |
| Income from advertising media business | 6,553 | 6,553 |
| Aircraft maintenance income | 123,782 | 93,969 |
| Aviation communication income | 12,571 | 1,185 |
| Aircraft and flight equipment rental income | 25,130 | 7,460 |
| Land and buildings rental income | 70,634 | 66,797 |
| Pilot service income | 171,126 | – |
| Others | 50,328 | 52,927 |
| | 7,179,798 | 4,513,547 |
| Service provided by the CNAHC Group | | |
| Sales commission expenses | 350,914 | 260,718 |
| Air catering charges | 172,153 | 425,734 |
| Airport ground services, take-off, landing and depot expenses | 424,909 | 584,866 |
| Management fees | 123,738 | 112,644 |
| Repair and maintenance costs | 12,730 | 7,952 |
| Short-term leases and leases of low-value assets | 35,994 | 48,622 |
| Other procurement and maintenance | 78,394 | 78,357 |
| Aviation communication expenses | 104,956 | 252,480 |
| Interest expenses | 129,373 | 21,109 |
| Media advertisement expenses | 54,888 | 76,917 |
| Others | 21,942 | 20,340 |
| | 1,509,991 | 1,889,739 |
| Loans to the CNAHC Group by CNAF | | |
| Advances of loans | – | 30,000 |
| Interest income | 1,259 | 407 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(i) Transactions with related parties (Continued)

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Deposits from the CNAHC Group received by CNAF | | |
| (Decrease)/increase in deposits received | (1,204,268) | 1,845,111 |
| Interest expenses | 31,066 | 24,160 |
| | | |
| | Six months ended 30 June | |
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| As a lessee with CNAHC Group | | |
| Addition in right-of-use assets on new leases | 1,060,515 | 1,941,169 |
| Addition in lease liabilities on new leases | 1,060,515 | 1,941,169 |
| Lease payments paid | 1,090,338 | 897,597 |
| Interest on lease liabilities | 201,216 | 187,038 |
| | | |
| | Six months ended 30 June | |
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Service provided to joint ventures and associates | | |
| Sales commission income | 138 | 239 |
| Aircraft maintenance income | 44,411 | 61,877 |
| Air catering income | 1,505 | 1,992 |
| Ground services income | 42,305 | 44,926 |
| Frequent-flyer programme income | 11,911 | 13,206 |
| Land and buildings rental income | 1,489 | 1,155 |
| Others | 635 | 603 |
| | | |
| | 102,394 | 123,998 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(i) Transactions with related parties (Continued)

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Service provided by joint ventures and associates | | |
| Sales commission expenses | 161 | 482 |
| Air catering charges | 4 | 9 |
| Airport ground services, take-off, landing and depot expenses | 55,083 | 129,234 |
| Repair and maintenance costs | 185,830 | 248,114 |
| Short-term leases and leases of low-value assets | 233 | 15,917 |
| Other procurement and maintenance | 5,612 | 7,271 |
| Aviation communication expenses | 2,583 | 2,871 |
| Frequent-flyer programme expenses | 46 | 189 |
| | 249,552 | 404,087 |
| Deposits from joint ventures and associates received by CNAF | | |
| Increase in deposits received | 46,620 | 125,586 |
| Interest expenses | 1,376 | 1,302 |

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Part of the related transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(ii) Balances with related parties

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|---|---|---|
| Outstanding balances with related parties* | | |
| Amount due from the ultimate holding company | 154,663 | 384,102 |
| Amounts due from associates | 152,248 | 139,177 |
| Amounts due from joint ventures | 207,504 | 2,745 |
| Amounts due from other related companies | 535,082 | 1,878,142 |
| Amount due to the ultimate holding company | 50,225 | 45,707 |
| Amounts due to associates | 84,858 | 80,836 |
| Amounts due to joint ventures | 302,768 | 320,974 |
| Amounts due to other related companies | 14,418,284 | 14,713,417 |

* Outstanding balances with related parties exclude borrowing balances with related parties and outstanding balances between CNAF and related parties.

Except for lease liabilities, the above outstanding balances with related parties are unsecured, interest-free and repayable within one year or have no fixed terms of repayment.

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Outstanding borrowing balances with related parties | | |
| Interest-bearing borrowings | | |
| – Due to the ultimate holding company | 16,611,381 | 1,101,150 |
| – Due to other related companies | 1,435,816 | 330,280 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(ii) Balances with related parties (Continued)

| | At 30 June 2022 RMB'000 (Unaudited) | At 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Outstanding balances between CNAF and related parties | | |
| (1) Outstanding balances between CNAF and CNAHC Group | | |
| Loans granted | 80,000 | 80,000 |
| Deposits received | 10,031,897 | 11,236,165 |
| Interest payable to related parties | 27,294 | 13,622 |
| Interest receivable from related parties | 73 | 85 |
| (2) Outstanding balances between CNAF and joint ventures and associates of the Group | | |
| Deposits received | 133,409 | 86,789 |
| Interest payable to related parties | 47 | 29 |

The outstanding balances between CNAF and related parties represent loans to related parties or deposits received by CNAF from related parties. The applicable interest rates are determined in accordance with the prevailing borrowing rates/deposit saving rates published by the People's Bank of China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(b) An analysis of the compensation of key management personnel of the Group is as follows:

| | Six months ended 30 June | |
|---------------------------------|--------------------------|--------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Short term employee benefits | 5,529 | 6,250 |
| Retirement scheme contributions | 817 | 322 |
| | 6,346 | 6,572 |

The breakdown of emoluments for key management personal are as follows:

| | Six months ended 30 June | |
|---------------------------|--------------------------|--------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Directors and supervisors | 1,419 | 1,130 |
| Senior management | 4,927 | 5,442 |
| | 6,346 | 6,572 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties:

At 30 June 2022:

| Name of guarantor | Name of guaranteee | Amount of guaranty at 30 June 2022 RMB'000 (Unaudited) | Inception date of guaranty | Maturity date of guaranty |
|-------------------|--------------------|--|----------------------------|---------------------------|
| Corporate bonds: | | | | |
| CNAHC | Air China Limited | 5,000,000 | 18/01/2013 | 18/07/2023 |
| CNAHC | Air China Limited | 1,500,000 | 16/08/2013 | 16/02/2024 |

At 31 December 2021:

| Name of guarantor | Name of guaranteee | Amount of guaranty at 31 December 2021 RMB'000 (Audited) | Inception date of guaranty | Maturity date of guaranty |
|-------------------|--------------------|--|----------------------------|---------------------------|
| Corporate bonds: | | | | |
| CNAHC | Air China Limited | 5,000,000 | 18/01/2013 | 18/07/2023 |
| CNAHC | Air China Limited | 1,500,000 | 16/08/2013 | 16/02/2024 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with other government-related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”).

Apart from above transactions with CNAHC Group, the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services
- Sales and purchases of goods, properties and other assets
- Lease of assets
- Depositing and borrowing money
- Use of public utilities

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group’s business within normal business operations. The Group has established its approval process for providing of services, purchase of products, properties and services, purchase of lease service and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

24. SUBSEQUENT EVENTS

- (i) On 1 July 2022, (i) the Company and Air China Import and Export Co., Ltd., a subsidiary of the Company, entered into the Air China Aircraft Purchase Agreement with Airbus S.A.S. (“Airbus Company”), pursuant to which the Company has agreed to purchase 64 Airbus A320NEO series aircraft from Airbus Company; and (ii) Shenzhen Airlines entered into the Shenzhen Airlines Aircraft Purchase Agreement with Airbus Company, pursuant to which Shenzhen Airlines has agreed to purchase 32 Airbus A320NEO series aircraft from Airbus Company. The basic price of these 96 Airbus A320NEO series aircraft (including the prices for airframes, engines and optional features) totalled approximately US\$12,213 million as of January 2020.
- (ii) On 2 August 2022, the Board approved a non-public issuance of A Shares, pursuant to which the Company will issue no more than 4,357,444,555 A Shares to no more than 35 (inclusive) specific investors (including CNAHC) at the issue price with an expected proceeds (before deducting relevant issuance expenses) of no more than RMB15.0 billion (the “Non-public Issuance”). In particular, CNAHC shall subscribe for shares under the Non-public Issuance in the amount of not less than RMB5,500 million in cash, and upon the completion of the Non-public Issuance, the total number of shares of the Company held by CNAHC directly and indirectly through its wholly-owned subsidiaries shall not be less than 50.01% (inclusive). The Company will proceed with the Non-public Issuance after obtaining approvals from the shareholders at the extraordinary general meeting to be held on 20 September 2022.

GLOSSARY OF TECHNICAL TERMS

CAPACITY MEASUREMENTS

| | |
|---|--|
| “available tonne kilometres” or “ATK(s)” | the number of tonnes of capacity available for transportation multiplied by the kilometres flown |
| “available seat kilometres” or “ASK(s)” | the number of seats available for sale multiplied by the kilometres flown |
| “available freight tonne kilometres” or “AFTK(s)” | the number of tonnes of capacity available for the carriage of cargo and mail multiplied by the kilometres flown |

TRAFFIC MEASUREMENTS

| | |
|---|---|
| “passenger traffic” | measured in RPK, unless otherwise specified |
| “revenue passenger kilometres” or “RPK(s)” | the number of revenue passengers carried multiplied by the kilometres flown |
| “cargo and mail traffic” | measured in RFTK, unless otherwise specified |
| “revenue freight tonne kilometres” or “RFTK(s)” | the revenue cargo and mail load in tonnes multiplied by the kilometres flown |
| “revenue tonne kilometres” or “RTK(s)” | the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown |

EFFICIENCY MEASUREMENTS

| | |
|------------------------------|--|
| “passenger load factor” | RPK expressed as a percentage of ASK |
| “cargo and mail load factor” | RFTK expressed as a percentage of AFTK |
| “overall load factor” | RTK expressed as a percentage of ATK |
| “block hour” | whole and/or partial hour elapsing from the moment the chocks are removed from the wheels of the aircraft for flights until the chocks are next again returned to the wheels of the aircraft |

YIELD MEASUREMENTS

| | |
|-----------------------------------|--|
| “passenger yield”/“yield per RPK” | revenues from passenger operations divided by RPKs |
| “cargo yield”/“yield per RFTK” | revenues from cargo operations divided by RFTKs |

DEFINITIONS

In this interim report, the following expressions shall have the following meanings unless the context requires:

| | |
|----------------------------|--|
| “Airbus” | Airbus S.A.S., a company established in Toulouse, France |
| “Air China Cargo” | Air China Cargo Co., Ltd., a non-wholly owned subsidiary of CNAHC |
| “Air China Inner Mongolia” | Air China Inner Mongolia Co., Ltd., a non-wholly owned subsidiary of the Company |
| “Air Macau” | Air Macau Company Limited, a non-wholly owned subsidiary of the Company |
| “Ameco” | Aircraft Maintenance and Engineering Corporation, a non-wholly owned subsidiary of the Company |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “A Share(s)” | ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Renminbi and listed on the Shanghai Stock Exchange |
| “Beijing Airlines” | Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company |
| “Board” | the board of directors of the Company |
| “CASs” | China Accounting Standards for Business Enterprises |
| “Cathay Pacific” | Cathay Pacific Airways Limited, an associate of the Company |
| “CNACG” | China National Aviation Corporation (Group) Limited |
| “CNAF” | China National Aviation Finance Co., Ltd, a subsidiary of the Company |
| “CNACG Group” | CNACG and its subsidiaries |
| “CNAHC” | China National Aviation Holding Corporation Limited |
| “CNAHC Group” | CNAHC and its subsidiaries |
| “COMAC” | Commercial Aircraft Corporation of China, Ltd. |
| “Company” or “Air China” | Air China Limited, a company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A Shares are listed on the Shanghai Stock Exchange |
| “CSRC” | China Securities Regulatory Commission |

DEFINITIONS

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| “Dalian Airlines” | Dalian Airlines Company Limited, a non-wholly owned subsidiary of the Company |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “H Share(s)” | overseas-listed foreign invested share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange (as primary listing venue) and has/have been admitted into the Official List of the UK Listing Authority (as secondary listing venue) |
| “International Financial Reporting Standards” or “IFRSs” | International Financial Reporting Standards |
| “Kunming Airlines” | Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Reporting Period” | the period from 1 January 2022 to 30 June 2022 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shandong Airlines” | Shandong Airlines Co., Ltd., a non-wholly owned subsidiary of Shandong Aviation Group Corporation |
| “Shandong Aviation Group Corporation” | Shandong Aviation Group Company Limited, an associate of the Company |
| “Shenzhen Airlines” | Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “US dollars” | United States dollars, the lawful currency of the United States |